

# Valiant effort a dire financial trap



## FACE/VALUE

Bankers' Association head Kirk Hope tells **Laura Walters** he no longer has a weakness for spending on cars.

KIRK HOPE was appointed the head of lobby group The Bankers' Association last year, so you'd expect him to have a better grip on his finances than the average New Zealander. After all, prior to that he was executive director of the Financial Services Federation.

But even he has fallen into the same investment trap as many Kiwi males – purchasing a fancy, temperamental car. Since this spending faux pas, Hope has dialled back the car-related spending and sought financial advice.

The family home is often another financial trap and Hope has proved no exception to that one. He and his family have spent two years renovating their home in the inner city Wellington suburb of Mt Victoria and he says from an investment perspective, you need to be careful when it comes to renovations.

"It's not as simple as choosing to do it up." Sometimes it is necessary to spend two years worth of weekends painting your house in order to live in a nice place, he says.

Hope is trying to pass on his financial knowledge to his two daughters, and it seems to be working. Last week his eight-year-old daughter lent him \$5 for the bus, but not before she had negotiated an appealing rate of return. He repaid the money with 20 per cent interest but, as his daughter pointed out, it was in his



Ask the right questions: Bankers' Association head Kirk Hope. Photo: Diego Opatowski

interest to get to work on time.

**How financially savvy are you?**

I probably understand the relationship between risk and reward better now than when I was 17. It's about asking the right questions about any investment you get into.

**What has been your best investment decision?**

Hiring an investment adviser.

**What was your first paid work?**

Mowing lawns in Redwood Valley for \$5 to \$10 a pop when I was 10. They were pretty big lawns too.

**How did your upbringing shape your attitude to money?**

My mother was a solo mother, who managed the household

incredibly well. My brother and sister and I never went without anything, but my mother went without a lot to provide for us. It taught me to understand the value of money.

**What's the biggest lie about money that people routinely tell or fall for?**

This is the next big thing, you need to get in now.

That's probably the single most dangerous pitch.

If they can't answer all your questions, then do not buy what they are selling.

**If a child asked you the best way to make money, what would you say?**

Work hard and get good financial advice, that's what I'll be telling my daughters. Make sure you have good financial advisers and support people surrounding you. There are ways to get rich quick, but a more mature approach to investing is to weigh up the risks and rewards.

**Are you in KiwiSaver and if so, which fund and why?**

No, but my three-year-old and eight-year-old daughters are. They are in a Westpac fund, split 50:50 between balance and growth. They are young so they will get more benefit from the growth fund.

**What has been your biggest investment mistake?**

A red 1978 Valiant Regal. It was a stupid investment, because cars are a depreciating asset, and it was a dog. Cars aren't a weakness anymore.

**Are you a collector and if so, do you do it to make money out of it or for personal enjoyment?**

I collect records and books. My record collection reaches as far as Jamaican Dancehall music, but I don't do it to make money, it's all for personal enjoyment.

**How do you sum up your feelings towards spending?**

Don't spend more than you earn. Not all circumstances are the same, and some people cannot help spending beyond their income. But, if you can, try to live within your means.

## FINANCIAL PRODUCT

**Product:** Home and contents insurance

**Offerer:** Many insurers

**Offer dates:** Available now

**How it works:** Provides the ability to make claims in cases of damage to the insured property (fire, earthquakes, etc), or damage or theft to the items in it. Everyone understands that much, but research from financial services ratings agency Canstar indicates as much as a third of people consider home and contents cover to be a luxury. That perception may have been fed into by the stunning rises in premiums (up around 30 per cent on average nationally since the Christchurch earthquakes, Canstar claims), leading around 60 per cent of people to believe they are paying too much for their cover.

**What we like:** Nobody regrets paying premiums when their insurer coughs up at claim time. Insurance is paying now to ensure the very worst financial outcomes do not happen to you and your family. Being left without a house, especially if you still have a mortgage, is among those very worst financial outcomes.

**What we don't like:** Insurance is clearly low down in any hierarchy of need, distantly behind necessities like food, clothing and shelter, but to call it a luxury is a bit much. If you own a house and do not insure it, the risk you are taking is big. The chances of your home being destroyed or horribly damaged may seem low, but Christchurch is the living example of why house insurance is a must. But if you were constructing a hierarchy of need, contents insurance is arguably of lower necessity than insuring the bricks and mortar, or weatherboard and tin, depending on what kind of home you have. As long as you have shelter and income, then having your contents cleared out by burglars is a setback, but not one the family cannot recover from.

**Conclusion:** If you are suffering premium pain, look to reduce excesses, and ask your insurer for other options available to reduce cost. If you reduced cover this way, you would not be alone. Canstar's research found 17 per cent had made reductions in cover as a result of financial restraints.