

# Money Week MONDAY

## #1: Getting started

Understanding investments shouldn't be difficult however with a long list of jargon and terms, it can be confusing. Searching the internet is a great way to gain knowledge and learn the basics of investing.


These top investing terms people google the most is the cheat sheet we need to successfully navigate the investment markets.

**sorted**  
**MONEY**  
**WEEK**

#SortedMoneyWeek | [firstcapital.co.nz](https://firstcapital.co.nz)

**FIRST CAPITAL**  
FINANCIAL SERVICES

## The top investing terms

 people google the most

### stock

When you own shares of a company's stock, you own a little piece of the company—and its profits. Stocks are famous for their high growth potential, but they're riskier than bonds or cash.

### bond

A loan where you're the lender. You lend money to the bond issuer in exchange for repayment plus interest by a specific date. Bonds are usually safer investments than stocks.

### dividend

A cash or stock payment companies sometimes make to a group of their shareholders. It's a fun reward for investing in the company—swag for your portfolio!

### mutual fund

A company pools money from many people and invests it in a group of stocks, bonds, or other assets. When you invest in a mutual fund, you own a piece of everything in it. Mutual funds are bought and sold based on their end-of-day prices.

### ETF

Similar to a mutual fund, but ETFs are bought and sold throughout the day on stock exchanges. ETFs (exchange-traded funds) usually have less complex share and fee structures than mutual funds.

### compound interest

Your investments' growth over time as you continue to reinvest your starting amount (principal) plus each year's returns.

Say you start with \$10,000. If it consistently earns 7% interest and if you reinvest your new total at the end of each year, you could have...

IN 1  
YEAR 

**\$10,700**

TOTAL INTEREST  
\$700

IN 30  
YEARS 

**\$76,123**

TOTAL INTEREST  
\$66,123

IN 50  
YEARS 

**\$294,570**

TOTAL INTEREST  
\$284,570

The portfolio balances shown are hypothetical and do not reflect any particular investment. The rate is not guaranteed. The final account balances do not reflect any taxes or penalties that might be due upon distribution.

### index

A list of stocks grouped together because they share things in common, like price, location, or overall market value. Their performance can give you a broad sense of how the economy is doing. Some major indexes include Dow Jones, S&P 500, and Nasdaq.

Source: Vanguard Investments



# Money Week TUESDAY

## #2: Getting ahead

It's become common practice to compare the cost of an item, purchase or splurge to your weekly coffee spend – 'it's the same cost as having one coffee a day'.

What if the power of your coffee spend could mean the difference between a no-frills and a retirement with options? Introducing: The espresso portfolio.



#SortedMoneyWeek | [firstcapital.co.nz](https://firstcapital.co.nz)

**FIRST CAPITAL**  
FINANCIAL SERVICES



The espresso portfolio – by Jim Parker

When you haven't got much capital of your own, the road to financial security can seem long, hard and complex. But the truth is that wealth building is relatively simple. All it takes is time and the price of a cup of coffee. A son of a friend just graduated from university. Still in his early 20s and with student loans to pay off, Josh has hardly any savings or capacity to save much at all.

So Josh and I met for coffee and a chat. He had acquired a taste for espresso while studying and working at night waiting tables. (The coffee kept him awake).

"How much do you spend on espresso each week?" I asked him. After thinking for a moment, he replied that he averaged about two cups a day, each costing \$3. That equated to about \$40 a week or \$160 a month.

"Well, what if you sacrificed the coffee and put the cash into a savings scheme instead?" I suggested.

Josh looked doubtful. Kicking caffeine wouldn't be easy. Besides, he couldn't imagine that loose change spent on coffee would make much difference to his long-term financial position. I dealt with the first problem by suggesting he make instant coffee at home and bring it into work each day in a flask. The second problem – that it wouldn't be effective – I dealt with by telling him about the miracle of compounding.

With initial balance of \$100, a monthly contribution of \$160 and a yield of 5%, his coffee money would gradually accumulate to a pool of a quarter of a million dollars by the time of his retirement. And this was without saving another cent.

Assuming Josh's salary was to rise on his graduation, he might bump up that monthly contribution to \$500. In this case, his savings pool would grow to three quarters of a million by his retirement. And this was a conservative estimate. This sounds too easy, he said. That's because it is easy, I replied. The interest he earned on his saving was paid into his account and included in the next calculation. So he was earning interest on interest.

The key was that firstly he was starting early. Secondly, he was saving a small amount consistently month after month. Thirdly, he was exercising patience. The rest of it was just the effect of time and compounding. (Obviously, this young man's earnings will be subject to tax. But the purpose of this exercise was to show him that a small sacrifice, made regularly, would yield significant results over time.)

Josh now refers to his savings plan as his 'espresso portfolio'. The initial pain of kicking his expensive caffeine habit was made up for by the slow roast of a savings scheme that promised him a comfortable retirement. Even for those of us much older than Josh, there are lessons here. We tend to underestimate the effect of gradual saving and patience in building wealth, just as we tend to over-rate gimmicks promoted in the media.

We can't control the ups and downs of markets or the daily noise of the media. We can control our own behaviour. With slow and steady saving, and a trusted advisor to keep us disciplined, there is no reason we can't succeed.

Now enough of this talk about money. How about a coffee? It's on me.

# Money Week WEDNESDAY

## #3: Keeping in line

The B word can be a dirty word for a lot of people. We're talking about the word 'Budget'. Love it or hate it, a budget can be a great tool for personal discipline and if done correctly, financial success.

Today we talk about the budgeting tools available to help you now and in the future.

sorted  
MONEY  
WEEK

#SortedMoneyWeek | [firstcapital.co.nz](https://firstcapital.co.nz)

FIRST CAPITAL  
FINANCIAL SERVICES

1

### mybudgetpal by Booster

The free app to help make sense of your money. The app gives a complete view of your finances to make a budget, track spending and set limits.

2

### BetterMoney by AMP

The app to help create better money management, spending habits, budget control and future planning.

3

### PocketSmith

A fun software app to help manage all things finance. Ranging from a basic (free) to super plan there's something for everyone.

## mybudgetpal

To get the financial future you want, you need to know where your money is being spent.

mybudgetpal connects directly to your bank accounts, sorting your spending and showing where your money is going. And it's free! Set up an account today.

Set up account

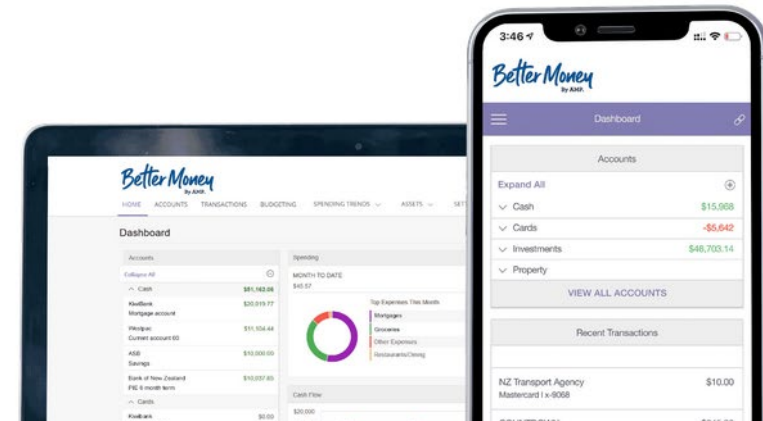
Already a Booster member or using mybudgetpal? Simply [log in](#).



BetterMoney by AMP is the total money management tool that can help anyone manage their money life.

Get better budgeting, spending, bills and retirement planning, all in one place, with one complete view across all your finances.

What could be better for your money than that?



Personal finance software  
for all walks of life.

Forge your own financial path – we'll provide the tools.

START YOUR JOURNEY



# Money Week THURSDAY

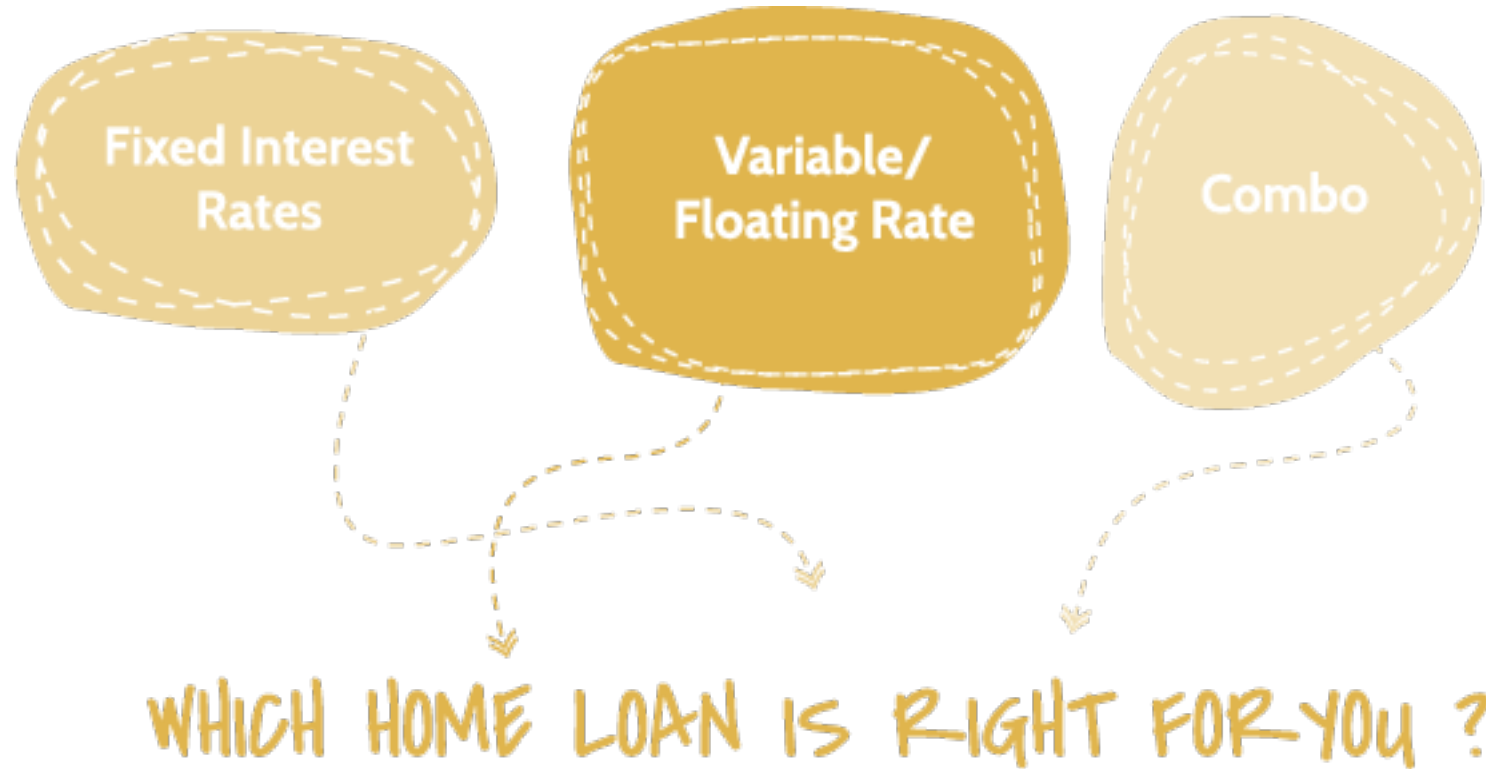
## #4: The art of mortgages

Mortgages are common practice in NZ and most of us know the basics: interest rates, whether to fix or float the loan, and the term we need to repay the lender. But did you know the way you structure your home loan can mean the difference of thousands of dollars in interest and years off your loan? Let's talk home loan structures...



#SortedMoneyWeek | [firstcapital.co.nz](https://www.firstcapital.co.nz)

**FIRST CAPITAL**  
FINANCIAL SERVICES



### Structure of your home loan

Before you decide on how to structure your home loan, there are a few things you will need to know, like types of loans available and the difference between fixed and floating (also known as variable). How you structure your home loan will depend on a number of personal factors such as income flow and future plans. Structuring your home loan correctly is very important as it can save you thousands of dollars in interest and cut years off your home loan! They say it's not the rate you pay but rather the rate at which you pay off your loan that's important. While we agree, ideally getting the best rate and paying it off as soon as you can will give you the best result.

Read the rest of the article here: <https://www.thefirsthomebuyersclub.co.nz/home-loan-structure/>

# Money Week FRIDAY

## #5: Are you safe?

Online scams are quickly becoming part of everyday life. Are you protecting yourself from being the next target? Knowing what signs to recognise and being vigilant with your information can help you protect your assets in more ways than one.



#SortedMoneyWeek | [firstcapital.co.nz](https://firstcapital.co.nz)

**FIRST CAPITAL**  
FINANCIAL SERVICES

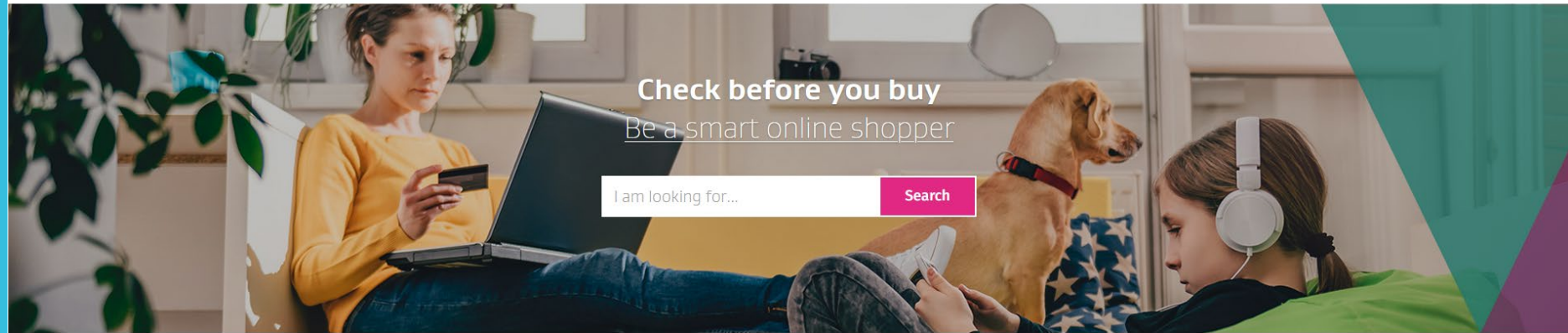
ConsumerProtection

General help

Help by product & service

Business guidance

News & resources



Last year Netsafe received reports totaling \$33 Million lost from online scams and fraud.

A scam or a fraud is any scheme designed to con you out of money or steal your personal information. If someone contacts you unexpectedly – whether over the phone, through the post, by email, on a website, in person or on social media – always consider the possibility that it may be a scam.

Scammers target lots of people, often for small amounts of money. Most scams come from overseas but they may pretend to be locally based — from a reputable company, bank or government agency, or even from your friends on social media if your account has been hacked. It is very difficult to get your money back once it is sent overseas.

### Email red flags

1. Unfamiliar sending addresses – do you know this address? Are they asking you to download an attachment?
2. Errors in sending address – If you are familiar with a sending address, inspect it closely for any misspellings, or different domain name.
3. Request to submit login info – be wary of emails requesting login information or directing you to an external website

See: <https://www.consumerprotection.govt.nz/> for further information including:

- Scamwatch
- Scam alerts
- Identify a scam
- Report a scam