



Polson Higgs Client Newsletter XXII

The recent news around vaccines are all very positive, providing confidence and hope to all of us that we will be able to “see the back “of Covid. But even the briefest of glimpses overseas (or Auckland) shows that there is still need for some caution.

In this newsletter we are going to look at:

- It is getting better, isn't it? – business confidence
- Why have a trust?
- Trusts Act 2019
- Changes to Small Business Loan Schemes
- Otago Childcare Centre
- Movember
- New Website

It is getting better, isn't it? - business confidence

New Zealand finds itself in an enviable position as COVID-19 continues to spread around the world, the lives of most Kiwis have been free of severe COVID-19 restrictions since June. Even Auckland, which saw a move back to Level 3 after community transmission was discovered in August, was able to avoid a Level 4 lockdown.

However, most countries are grappling with second and in some cases third waves of the virus. No matter what position New Zealand is in, while the virus is impacting global economies, the effects will be felt here.

Business confidence is often referred to as a lagging indicator. (This means that they only change *after* the fact) This is because businesses, by and large, are cautious, so their confidence only increases when they see evidence that there is something to be confident about.

The ANZ Business Outlook Survey for October 2020 found that business confidence continues to improve at -15.7%. While things are not back at where they were in December 2019, when a net 17% of businesses expected economic activity to grow stronger, things are far brighter than in April 2020 when headline confidence sat at -67%.

A recent survey of Polson Higgs clients shows a gradually improving outlook. In August, 62% of respondents believed that the New Zealand economy would decline in the next three months, whereas by November, the percentage of respondents that felt the same way had dropped to 44%. Those that thought it would improve rose from 9% to 30% over the same period.

As business confidence is a lagging indicator, this means that the economy should have already started to recover, and business confidence will continue to improve as the months go by. This is important because it is “business confidence” that drives employment and purchasing decisions.

We spoke about the feeling “waiting for the other shoe to drop” and business confidence, back in [August](#). Certainly, talking to clients, that mood has changed with a positive outlook and that will only improve with talk of a vaccine.

Why have a trust

We Kiwi’s love trusts, with an estimated three to five hundred thousand of them in a population of just five million. There are many reasons you may want to have a trust, with most common being:

- Asset Protection – protecting the family home from creditors.
- Relationship Risk – transferring property to your children, without it forming part of their personal property and becoming subject to claims from their partners.
- Succession Planning – trusts are a more effective method of distribution than a will which can be changed by the court.
- Protecting Assets from potential Tax Law changes – historically trusts were used to protect against death duties, and they could be used in the same way for a “wealth tax”.
- Incidental tax benefits – there are differing tax rates between Personal, Company and Trusts, which can be used to reduce the amount of tax paid.

If you want more detail about why to set up a trust click [here](#)

Trusts Act 2019

Last time, we wrote about the newly legislated Trusts Act 2019 and the changes this brings. Now is a good time to review any trusts you have. In doing so you should think about:

- Who are the beneficiaries?
- Which ones are likely to see any benefit and which ones are essentially obsolete?
- Who has the power to appoint and remove trustees/beneficiaries?
- Is the trust deed still fit for purpose?

If you have any questions about your trust or trusts in general. Don’t hesitate to contact your Partner or Manger or email Polson Higgs at info@ph.co.nz.

Changes to Small Business Loan Schemes

In May the Government announced an IRD Small Business Loan Scheme (for details check out the 12 May Newsletter – [here](#)) as part of its support package. This scheme has now updated with...

- No interest will be charged if the loan is repaid within 2 years. (Currently, it is 1 year.) Restrictions on how the loan can be used have eased. As well as spending on core operating costs, businesses will be able to choose to use the loan to invest in their business, helping it to adapt to the impact of COVID-19.
- Applications for the loan can now be made until 31 December 2023, an extension of 3 years.
- If you already have a loan your contract will be updated to include the changes.
- All the other conditions remain unchanged:
- It is for businesses with 50 or fewer full-time-equivalent employees.
- They must have been in business on 1 April 2020 and have experienced a 30% decline in revenue as a result of COVID-19 restrictions.
- The maximum amount that can be borrowed is \$10,000 plus \$1,800 per full-time-equivalent employee and only one amount can be drawn down.
- The loan period is for 5 years and interest rate is 3% from the date of the loan being provided.

If you have any questions about Small Business Loans please talk to your Partner or Manager or email us on covid19@ph.co.nz.

Movember

Polson Higgs has a Movember Team lead by Captain Tom Hanning seen here sporting a particularly dashing moustache. Whilst Movember is for a number of very important causes the Polson Higgs team has selected Men's Mental Health.



As a fundraiser we have organised for a very special 30-minute FREE Movember webinar at 10:00am on 27 November which you can book [here](#). Presented by Grant Cooper, the webinar covers:

- Men's mental health issues - what are the numbers?
- Lessons from his own experiences and what he found helpful
- What support is available for you or your team

Whilst the webinar is free, we would ask that you support the [Polson Higgs Movember Team](#) with a [donation](#).

Otago Childcare Centre

Today we'd like to celebrate the success of one of our clients. Otago Childcare Centre is a not-for-profit early childhood education centre on Ross Street and have been a client of Polson Higgs for the last 3 years. You may have seen them recently on billboards or heard their ad on the radio as they were one of ten winners in a recent nationwide Warehouse Stationery competition that provided them with almost \$25,000 worth of advertising.



Sonya, the Centre Manager explained "It's really amazing that they selected a small not-for-profit early childcare centre like us. It's great when the people say they recognise us because they heard us on the radio, and the kids love the radio jingle too."

But it hasn't always been smiles and success. Four to five years ago, Otago Childcare Centre was struggling with low enrolments numbers. They had about 17 children with more about to leave for school, compare that to now and the difference is stark. Otago Childcare Centre now boasts enrolments in the high 30s, they have renovated their playground and even put up a cool mural (a prize in another competition).



Courtney Adams from our team here at Polson Higgs has been helping Sonya with the financials and GST and through the [Polson Higgs Charities Initiative](#), David Young their marketing.



Becky, Sonya and Gina from Otago Childcare Centre

“Polson Higgs have always been there to guide us on this journey. We are constantly bouncing ideas off of David and Courtney about how we can raise our visibility in the wider community, and they give us valuable feedback and their own ideas to keep us on track.” Explained Sonya.

In fact, they have a couple of community events, coming up for Christmas:

- The first is ‘Christmas Comes to Roslyn – Meet Mrs Claus’ on the 12th December from 6:30 to 7:30pm and
- The second is ‘Christmas Storytime’ on the 20th December from 6:00pm to 7:30pm

If you have young kids, these are events you won’t want to miss! Check out their [Facebook](#) page for details.

New Webpage - we have added a new page to our website and are gathering different resources for you to use. Check out [Polson Higgs Covid-19](#)

If you have a question about anything please don’t hesitate to ask on covid19@ph.co.nz.

Stay safe and keep in touch.

Kind regards

Polson Higgs Team