

7 April 2020

I'm here to help you.

Hi To All My Great Clients

Things are moving fast in this new COVID-world so I want to assure you that I am here to help and support you.

Banks, governments and advisers like me appreciate that this is a once-in-a-lifetime event and everyone is jumping in to do their bit.

As New Zealand moved to alert level 4 for coronavirus most businesses revenue will be taking a hit. In response, the Government has announced a series of multibillion dollar support measures for business and households.

So let's break down how the current political and financial climate may impact you - and how I can help.

#### **Homeowners and Mortgage Holders**

Interest rates have come down to record lows following the Reserve Bank dropping the official cash rate to an all-time low of 0.25%. The Government and banks have also agreed to give impacted mortgage holders, a six-month payment holiday on both the interest and principal of their mortgages.

Be wary though, there is no such thing as a holiday. It's actually a deferment where the money will either be added to your outstanding balance or your mortgage term will be extended.

A better option could be for you to apply for a period of interest only payments on your mortgage. The benefit of this is the balance of your mortgage will still be the same as it is today at the end of the interest only period.

Example:

Let's compare the two, on a \$300,000 mortgage with a 30 year term at a previous average interest rate of 3.45%, your monthly payments would be \$1339 per month.

If you took a repayment holiday for 6 months, the principal portion would cease and the interest portion (\$862.50 per month) would continue to be calculated and then added to your balance which would be **\$305,175.00** at the end of the 6 months.

If you took a 6 month Interest Only period on your mortgage, your monthly payments would drop from \$1339.00 per month to \$862.50 per month, a saving of \$476.50 per month. At the end of the Interest Only 6 months your balance would be \$300,000.00.

**For many of us the monthly saving of \$476.50 will be enough relief to keep us going and in my opinion far better than seeing your debt grow.**

However for some, there may be no other option but to ask for a repayment holiday and we will be able to help you with that.

To understand how the two options could look, just give me a call and I will run the numbers for you.

The other thing you need to remember is DON'T PANIC, the Government and banks are working together on this initiative and it takes some time to set up and all the details have not been released yet.

Please do reach out to me if you would like some advice, and once I know the process I am can try to assist you with personalised service. The banks are in contact by email with all New Zealand Brokers daily re customer assistance from us. Remember I am available to talk to you anytime (working from home like just about all Kiwis for 4 weeks).

In the meantime the banks 0800 numbers are open and available ([click here](#) for the mainstream banks 0800 #'s – can let you know the landlines if you are overseas) to try & assist, **but** if you can, just “take a breath” and let the systems be put in place, so I can assist and I will be in touch ASAP.

### **If you were about to buy a property**

Don't discount your plans just yet. Interest rates are very attractive and there are some attractive properties on the market.

The New Zealand property market was holding up well in the early stages of COVID-19 and had been experiencing strong price growth over summer. With banks and the Government coming together to support workers, businesses and the risk of property owners losing the shirt off their back or the roof over their head reduces, minimising the risk of a market crash.

Logistically however, the lock down proposes challenges around open homes and auctions and also access to professionals such as solicitors. I can help you navigate these disruptions to still get an outcome.

### **Wage support**

Impacted businesses can access a wage subsidy of \$585 a week per full-time employee and \$350 a week per part-time employee for up to 12 weeks at a cost of up to \$9.1 billion.

To qualify businesses need to commit to continue to employ staff and pay them 80% of their current wage, show they have suffered or project to suffer a 30% or more reduction in revenues and have taken steps to mitigate the impact of COVID-19 on their business.

The initial \$150,000 cap was removed which means basically every impacted business will be covered enabling them to support their workers.

- Employer application, [link here](#)
- Self Employed Application (no employees), [link here](#)

## Businesses

### Tax changes:

The Government has announced \$2.8 billion in business tax changes to free up cashflow, including a provisional tax threshold lift, the reinstatement of building depreciation and writing off interest on the late payment of tax.

**Sick leave and isolation support:** 126 million dollars has been allocated to support staff to take sick leave for self-isolation, or stay home when sick with COVID-19.

### Aviation support package:

600 million dollars targeted to support the aviation sector.

### The Business Finance Guarantee Scheme:

A 6.1 billion dollar scheme allowing qualifying businesses to borrow up to \$500,000 for a maximum of 3 years. Banks will be expected to provide these loans at competitive rates. The Government will carry 80% of the credit risk, with the other 20% to be carried by the bank.

## You have a remote-ready expert on your side

Questions? Plans? Call me. I'm fully digitally enabled, so every part of the process can be done online and over phone.

All the best  
Mary

**Mary O'Brien** - Finance Specialist



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