

# Attorney vs Executor

## What is the difference?

**I**t can sometimes be confusing when we talk about an attorney (for an Enduring Power of Attorney – EPA) and an executor who is appointed in your will and who looks after your estate when you die. The difference, as outlined below, is literally a matter of life and death.

### An EPA

An EPA is used when you may not be able to make decisions for yourself. For example, you may become very unwell, or unable to communicate important decisions (you could be away from email or phone access for some time), leading in either case to an inability to make important decisions. Your attorney is the person you trust to act in your best interests – with your property and your wellbeing.

There are two types of EPA – property, and personal care and welfare. Your attorney can be the same person/s or you can choose different people for these two roles.

### An attorney's role

Your property attorney can manage your finances, they can sell your house if necessary and even buy Christmas and birthday gifts for specific people. Your personal care and welfare attorney can make decisions about

your medical care, help choose a rest home if you need to move, and consult with other family members about your health.

Most importantly, your attorney makes decisions in your best interests; they only have as much power as you give them in your EPA. Your personal care and welfare attorney cannot, for example, withhold life-saving medical treatment; it is absolutely up to you to decide what your attorney can, and cannot, do.

### Who needs an EPA?

EPAs aren't just for the elderly. They are also for the young man who has had serious injuries in a car accident and struggles with his memory, and for the 50-year-old who is working offshore and wants her partner to sign documents on her behalf.

Without an EPA, nobody can make decisions on your behalf if you can't make them for yourself. Your parents, spouse or children don't automatically have this right. The only way around this is to spend thousands of dollars working through the Family Court to get an attorney appointed.

### A will

A will is the document that states where you

want your assets to go after you die. Your will appoints an executor, or several executors; they will carry out the wishes that are stated in your will.

### Executor's role

An executor works with us to administer your estate and carry out the terms of your will.

Your executor calls in your assets and pays any money you may owe. They ensure, for example, that your daughter gets your engagement ring, your life insurance pays off your mortgage and they invest the rest of your money until your children turn a specified age and can get their inheritance.

### Get your affairs in order

Without a will, your assets will be distributed according to the intestacy rules that govern who gets what from your estate. Without a will, your family may not get what they expect or what you want which could be very upsetting for them.

The only wrong time to get a will and an EPA is when it's too late. Take back the power to decide where your assets go when you die, and save yourself and your family much heartache.

[www.dglaw.co.nz](http://www.dglaw.co.nz)

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**“Failure is not the opposite of success, it is part of success.”**

**“Don't judge each day by the harvest you reap but by the seeds that you plant.”**  
– Robert Louis Stevenson

# PAY OFF YOUR MORTGAGE EARLY

4 ways to repay your mortgage sooner, but should you?

**D**on't want to be stuck in debt for the next 30 years? If you're like most people, paying off your mortgage might be one of the bigger financial goals you'll ever have. Unfortunately, it's also one of the most daunting. With New Zealand house prices the way they are, this might seem like an insurmountable task to pay off that amount of debt.

But fear not, there are several ways to pay off your mortgage early, and you don't have to be stuck with debt for 30 years. In this article, we'll discuss the benefits of paying off your mortgage early, some strategies for doing so, and some pitfalls to avoid along the way.

## Benefits of Early Repayment

Paying off your mortgage early can have numerous benefits. These might include:

- You can save a lot of money on interest payments. By making extra payments towards your mortgage, you'll reduce the amount of interest you pay over the life of the loan.

This equates to more money in your pocket over the long term.

- It can help you build equity in your home faster.

- It can free up money for other financial goals, such as retirement savings, the capacity to take a year to explore the world, or something else.
- Provide a legacy of financial security for future generations.
- Peace of mind knowing that you are no longer burdened with debt – you own your own home outright!

## Strategies for Paying off the Mortgage Early

### 1 Make Extra Payments

The most obvious way is to make extra payments towards your loan. Many lenders offer flexible options that allow you to make additional payments, or even lump sum payments, towards your loan. You can do this in several ways, such as:

- Make a lump sum payment
- Increase your regular payments
- Make fortnightly payments instead of monthly payments

Naturally, your ability to do any of the options above will depend on the terms and conditions for your existing lending. In many cases, there may be a 'break fee' or penalty for making changes. Assuming there are no penalties involved, or the penalties are minor, every extra dollar you put towards your mortgage reduces the amount of interest you pay over the life of your loan and shortens the time it takes to pay off your mortgage.

To make more payments you might need to generate some extra cashflow. There's two ways of doing

### 2 Refinance Your Mortgage

Refinancing your mortgage can be a smart move if you're looking to pay off your mortgage early. By refinancing to a lower interest rate, you can reduce your monthly payments and free up cash flow to put towards your mortgage.

Alternatively, you can refinance to a shorter loan term, such as a 15-year loan instead of a 30-year loan. Although your monthly payments will be higher, you'll pay off your mortgage

faster and save money on interest payments.

### 3 Restructure

While the mortgage interest

rate is important, it's not the only thing to consider. Mortgage restructuring is the process of rearranging a home loan into a winning combination of fixed and maybe floating interest rates, setting the right term or terms for fixed portions of the loan, and ensuring appropriate loan repayment amounts are set to suit you.

### 4 Mortgage Offset or Revolving Credit Account

A mortgage offset account is a savings account linked to your mortgage that reduces the amount of interest you pay on your mortgage. Any money you deposit into your offset account is offset against your mortgage balance, reducing the amount of interest charged.

For example, if you have a mortgage balance of \$500,000 and \$50,000 in your offset account, you'll only pay interest on \$450,000. This can save you thousands of dollars in interest payments over the life of your loan.

On the other hand, revolving credit is a line of credit that is secured against a property. It operates like a large overdraft, where borrowers can access funds up to a certain limit at any time. As they repay the funds, the credit limit becomes available again. Interest is charged on the outstanding balance of the revolving credit facility, and borrowers can make repayments at any time.

The main difference between the two is a mortgage offset account uses savings to reduce the interest charged on a home loan, while revolving credit allows borrowers to access funds up to a certain limit at any time. A mortgage offset account is a savings account, while revolving credit is a credit facility.

Mortgage offset accounts or revolving credit facilities often have different names depending on the bank (or non-bank lender) so if you're going to take this option take your time to fully understand what you're establishing!

[www.become.nz](http://www.become.nz)

# Travelling expenses overseas

The Inland Revenue Department recently proposed updating tax deductibility of overseas travel expenses.



**T**he cost of meals are excluded if you are self-employed. This is because Inland Revenue has separate rules to cover meals.

Roughly, a self-employed person would have to eat anyway so should not be claiming the cost of their meals while away on business. The shareholder employee of a company is in the same situation as any other employee and meal costs while travelling away from home on business are tax deductible.

Here are some examples of how Inland

Revenue sees the tax deductibility of travel expenses overseas.

Gertrude travels overseas primarily to go to a 50th wedding anniversary. However, she had to go overseas on business anyway so turn's part of the trip into a business trip. She spends 11 days out of 42 on business and therefore claims this proportion of her airfares and accommodation.

Fred goes to Australia to buy stock. He is away for three days, one of which he spends visiting an old friend. He is entitled to claim two thirds of his travel costs.

Oscar buys an airline ticket to go to the United States on holiday. While he is there

he takes the opportunity to visit potential clients and promote his business. At the time he bought the ticket his intention was just to have a holiday, so no tax deduction is permitted for the airfare but if he hired a car specifically for the business related activities that would be deductible.

In a 1984 court case, a qualified electrician and his wife were in partnership. They visited a factory in Australia for four days that made the electrical units on which the electrician was doing contract work. The electrician's travel costs were tax-deductible. His wife's costs were of a private nature and therefore not tax deductible.

“Continuous improvement and learning are the key of success”



“Success isn't about how much money you make; it's about the difference you make in other people's lives.”  
 – Michelle Obama

**When you become bank of Mum 'n Dad**

In the past responsible parents would consider their job done when their children were fully educated for the work they had chosen.

Increasingly parents and grandparents today are having to help their children buy a first home – they are referred to nowadays as the Bank of Mum and Dad.

Beware the tax man if you're helping out! If you buy a property either jointly with your offspring or in any other way involving your ownership of that property, you can be taxed on any gain in value.

There is a capital gains tax on property sold within five or 10 years of purchase. This time varies depending on when the property was bought, whether it is a new build and the tax law at the time acquired. It's called the Bright Line Test. It was designed to help take the heat out of the property market.

Of course, with falling property prices this might not be an issue.



**Reimbursing employees working from home**

Inland Revenue has released Determination EE004, which among other things determines that if you reimburse an employee who is working from home you may pay them only their extra costs.

This would include, for example, reimbursement for the extra power they use.

Oddly, you can't pay for a share of the rent, rates or insurance, which allow your staff member to work from home for your benefit. The department argues the employee is going to incur the cost anyway, so it's a private cost.

There is a perfectly legal solution if you want to contribute to the fixed costs. Your business can pay rent to an employee for the use of their home.

# Director's fees and GST

The GST treatment of directors and board members fees has now been finalised. The main points are as follows:

- Professional directors are not eligible to be registered for GST. However, if the director is providing the service as part of his/her other taxable activity (eg HR consulting) then the fees are subject to GST. For example, the professional accountant on the board of a client.
- If a director provides his/her services as an employee, he/she does not register for GST. However, if the employer provides the services of the director, it could be registered

for GST if that directorship is part of the taxable activity the employer carries on.

- Partners in a partnership are in a similar situation. They do not register for GST but if the services are provided through the partnership and are connected with the partnership's taxable activity (eg accounting practice) the fees charged by the partnership will be subject to GST.

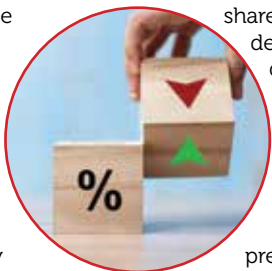
If a board member's services are contracted to the company by a third-party, the board member may or may not have GST on those fees depending on whether the directorship is in connection with another taxable activity. However the third-party, which charges for the board members services is required to account for GST, if GST registered.

# Selling a loss-maker

Until recently, when the shares in a company were transferred to another owner, which resulted in a change of ownership of more than 51% of the shareholding, the new owners could not use the losses incurred before the ownership change.

Not long ago, the law was changed. If the new owners carried on the business in the same way as the old owners they could use up the company losses as long as they didn't relate to prior to 31 March 2014.

While there's a benefit by being able



to pass on company losses, there's also a downside for the buyer of the company shares. Any undisclosed company debts, including if Inland Revenue discovers the company has not accounted for all its profits, will continue to be debts of the company. This includes any penalties or interest Inland Revenue cares to come up with.

Many potential buyers will prefer to buy the business and not its shares. So while this is useful in some situations eg passing a family business to the next generation it may not be as attractive to arms-length buyers.

### Administration

Alan Hay – Executive Officer

Heather Menzies – Conference and Administration Manager

### Contact

NZ CA Limited  
 P O Box 132, Napier  
 Telephone (06) 835 5299  
 Email: info@nzca.com  
 Website: www.nzca.com

### Directors

Matt Rogers (Chair), BM Accounting  
 Karen Draper – Wallace Diack  
 Paul Dickey – Vazey Child  
 Natalie Milne – YRW Ltd  
 Joe Morgan – gfa Chartered Accountants (co-opted)

### Members of NZ CA Limited

Accountants Hawkes Bay - Napier	(06) 843-4868
Accounting HQ - Rotorua	(07) 348-7066
BM Accounting Limited - Havelock North	(06) 876-7159
- Waipukurau	(06) 857-8901
Brophy Knight Limited - Ashburton	(03) 308-5104
Brown Glassford and Co Ltd - Christchurch	(03) 365-0881
BW Miller Dean - Wellington	(04) 910-3340
Candy Gillespie - Matamata	(07) 888-7089
Focus Chartered Accountants - Whakatane	(07) 307-1141
GCOL Chartered Accountants - Lower Hutt	(04) 939-1975
gfa Chartered Accountants - Te Awamutu	(07) 872-6444
GS McLauchlan - Dunedin	(03) 477-8192
- Queenstown	(03) 477-8192
Harris Taylor - Hawera	(06) 278-5058
Marshall & Heaphy Limited - Greymouth	(03) 768-7186
Martin Wakefield - Timaru	(03) 687-7122
- Christchurch	(03) 343-4012
Matheson Rae - Christchurch	(03) 343-3692
McDonald Vague - Auckland	(09) 303-0506
McIntyre Dick & Partners - Invercargill	(03) 211-0801
McKenzie & Co - Oamaru	(03) 434-7944
Naylor Lawrence & Associates - Palmerston North	(06) 357-0640
- Dannevirke	(06) 374-5730
- Feilding	(06) 323-8752
nsaTax Limited - Auckland	(09) 309-6505
RSM New Zealand - Auckland	(09) 271-4527
- Auckland North	(09) 414-6262
- Auckland Central	(09) 367-1656
Southey Sayer - Masterton	(06) 370-0811
Strettons - Taupo	(07) 376-1700
Sudburys Limited - Whangarei	(09) 430-4888
Vazey Child Limited - Hamilton	(07) 838-2169
Wallace Diack - Blenheim	(03) 578-7389
Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaitaia	(09) 408-1220
YRW Limited - Tauranga	(07) 578-0069

### Changes in Particulars

Please remember to let us know of any changes in:

- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

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# CALM or CHAOS?

## Make some better choices!

**D**o you ever have weeks where things seem to go from calm to chaotic? It can be overwhelming when it feels like chaos is taking over, you've lost control and then work dominates your week. It's stressful, consuming and often not much fun!

We have learned over the years that focusing on what we can control can make all the difference. It helps you feel more in control and empowered to influence outcomes.

When things don't go our way, expectations aren't met, we suffer disappointment or we get caught up in the external world of events; it's easy to get caught up in negative thoughts.

We start worrying about what could go wrong and it can be hard to see our own power in shaping our reality and our ability to be in control.

We drift into spaces and ideas that are negative and we have no power over them.

We start ruminating on all the things that aren't working in our life and worrying about all the bad things or things that could go wrong. We sink into the worry and start predicting what the future is going to be like. We imagine it, and then we start living it, which leaves us feeling scared and stressed.

So let's engage in a different way! Because what we have learnt over

time is: if you keep doing what you've always done, you'll keep getting what you've always got!

So, for a moment, think about what YOU can control. Make that a priority over what you can't. We know it's easier said than done, but it's definitely worth trying.

We usually will ask ourselves a few questions:

- What is worrying me?
- What is within my control?
- What can I do about it?

We should write it down because there is such a better cognitive connection when we put pen to paper – it also downloads it out of our head and takes power away from the rumination!

When we focus on what we can control, it empowers us and triggers positive emotions. We're in the driver's seat of our lives and being intentional about our attitude and energy. This keeps us positive, energized, and motivated. So next time you feel like things aren't working out or the world is against you, say to yourself ..... "Well, this situation sucks, but let's see what I can make out of it. What can I influence, what can I control".

It's choosing to play with life to the best of your abilities. It's choosing to ride the waves of change, not crash head-on into it.

[www.TheMentalFitnessCompany.com](http://www.TheMentalFitnessCompany.com)

## Tax calendar

**30 June 2023**

Last day to apply for annual FBT returns

**28 July 2023**

3rd instalment 2023 Provisional Tax (June balance date)

**28 August 2023**

1st instalment 2024 Provisional Tax