UNIVERSITY OF AUCKLAND
INVESTMENT
CLUB

# INVESTMENT BULLETIN

STUDENT WRITERS - STUDENT OPINIONS

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The University of Auckland Investment Club
Investment Bulletin Team 2021

Shyam Prasad-Jones
Bulletin Editor-in-Chief

Andrew Meng
Senior Writer

Logan Rainey
Senior Writer

Matt Attwood
Senior Writer

Timothy Cross
Junior Writer

Kai Yun Gao
Junior Writer

Ananya Ahluwalia
Junior Writer

Rohan Bhatt
Junior Writer

Sarah Jeong
Junior Writer

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Senior Writer

Zac Gadsby
Senior Writer

Luka Borich
Senior Writer

Tulsi Khanna
Junior Writer

Neha Kumar
Junior Writer

Aniston Inger-Holland
Junior Writer

Joshua Paul
Junior Writer

Rohit Rajagopal
Junior Writer

Prices as at Friday 16th April 2021
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# Contents

# An update from the club

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY OUR INVESTMENT COMMITTEE ANALYSTS

## SEEKA

Seeka (NZX:SEK) is a produce company which provides orchard management, post-harvest and retail services to a variety of New Zealand’s primary produce industries including kiwifruit. Seeka is the leader in kiwifruit production in New Zealand and Australia, currently handling 20% of New Zealand's kiwifruit volumes through multiple links of the value chain. Seeka has recently set into motion their plan to increase their kiwifruit handling capacity through a steady acquisiton strategy that will enable to them to handle kiwifruit in every kiwifruit growing region of NZ. However, much like any agricultural business, Seeka faces many of the challenges that climate change brings, particularly in their Australian operations. The Investment Commitee vote has voted against passing Seeka with the final vote being 4/11.

## RELIANCE

Reliance Worldwide (ASX: RWC) designs, manufactures, and supplies water flow, control, and monitoring products and solutions for residential, commercial, and industrial applications. Its products include Fittings and Pipes, Control Valves, Thermostatic Products, and Other Products, including underfloor heating components, water meters, and fire safety system products. It faces favourable industry headwinds including, the influx of government stimulus, an increase in home improvement expenditure, and a COVID rebound in demand. The business has a diversified portfolio of products which are distributed globally. Their competitive advantage is in the strength of their brand and their innovate nature. They are the market leader in the majority of their product categories across multiple countries. However, they are not without risk. Reliance faces pressure from the primary resources producers and a dependence on third parties installing their products correctly to maintain their brand strength. The investment committee voted to pass Reliance Worldwide Corporation onto the valuation stage with a vote of 12/14. The valuation will be run by Michael de Boyett, Joe Strawson, Flynn Davies, and Michael Smith.

**" A fruitful company with juicy prospects" -** Donovan Rea, Junior Analyst

**"Reliance is a company that's plumbing the future" -** Michael de Boyett, Investment Committee Chairperson

# The ins and outs of leverage

WRITTEN BY SUVARN NAIDOO

THROUGHOUT RECENT HISTORY, WE HAVE SEEN A RISE IN LEVERAGE IN ALL MARKETS DUE TO LOOSENING MONETARY POLICY. CENTRAL BANKS WORLDWIDE SETTING INTEREST RATES CLOSE TO ZERO HAVE MEANT THAT BORROWING MONEY HAS BECOME CHEAPER THAN EVER, WHICH HAS HELPED CREATE ONE OF THE LARGEST BULL MARKETS IN HISTORY.

## What is leverage?

To fully understand the impact leverage has on the broader financial system, we must first understand what it is. Leverage is a tool that investors use to increase their exposure by depositing less than the total amount required. Another way to view it is that only a small amount is deposited, and the rest is borrowed to invest. The diagram below illustrates an example of how leverage is used in a trading scenario where traders are purchasing a stock worth $100 with a deposit of $1000. The correct term for the borrowing in this scenario is called margin, more on that later.

As you can see in the example, using leverage can be an effective tool to enhance profits; however, it will amplify losses when the market goes against you. There are two types of borrowing when it comes to the financial market; typically, leverage is when an investor or company borrows money to enter a position or investment, whereas the example below is generally referred to as trading on margin. Both terms are essentially the same thing – borrowing money to increase exposure.

## How do interest rates influence the use of leverage?

One of the tools used by central banks worldwide is setting the interest rate. In New Zealand, the Reserve Bank (RBNZ) sets the Offical Cash Rate (OCR). Most regretted banks hold settlement with the RBNZ, which are used to settle obligations with each other at the end of each day, and these obligations can be thought of as all the transactions between accounts at different banks. Banks pay interest on settlement account balances, and interest is charged on overnight borrowing at rates influenced by the OCR. Consequently, the market rates offered by commercial banks are generally around the OCR level. Currently, the OCR is close to zero. This means that if you spend less and save more, you earn a small amount of interest on your savings. On the other hand, a low OCR implies that you will be charged less interest for borrowing money, meaning that the demand for loans increases and therefore, the amount of leverage in the markets follows suit.

| | Trader A | Trader B |
|---|---|---|
| Trading Capital (deposit) | 1,000 | 1000 |
| Leverage used | 0 | 5 times |
| Total value of position | 1000 | 5000 |
| Case of 10% increase in instrument price | 100 | 500 |
| % gain of trading capital | 10% | 50% |
| % of trading capital remaining | 110% | 150% |
| | Trader A | Trader B |
| Trading Capital (deposit) | 1,000 | 1000 |
| Leverage used | 0 | 5 times |
| Total value of position | 1000 | 5000 |
| Case of 10% decline in instrument price | 100 | 500 |
| % loss of trading capital | 10% | 50% |
| % of trading capital remaining | 90% | 50% |

## How is leverage used in different areas of the financial markets?

As discussed, leverage is used to gain exposure. However, it can also be used to make investments that would be unattainable or unappealing otherwise. Leverage is used almost in every area of the markets. Breaking down how it is used in each of the different areas of the financial system will be a whole article in itself; therefore, only a few areas will be discussed in this article.

Typical Kiwi Investor - without a doubt, one of the markets that are generating a high return on investment in New Zealand is the property market. Buying property is one of the most common use cases for leverage. For your average investor purchasing a property involves laying down a deposit 40% deposit, meaning that the other 60% is paid for using a loan/mortgage from a bank. With the OCR being at all-time lows, we can assume that the decreased cost of borrowing has fueled the recent property boom.

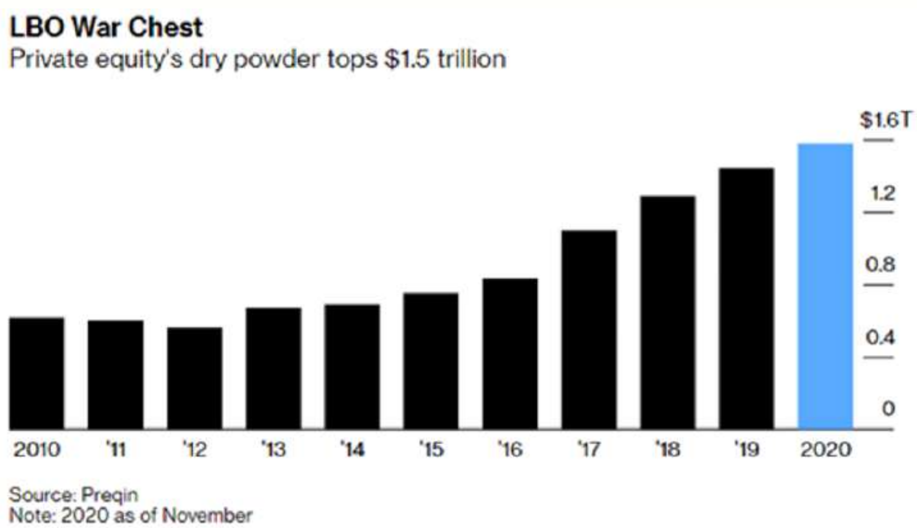
Private Equity - a typical transaction that requires large amounts of leverage that is becoming more popular with the rise of Private Equity firms is a leveraged buyout (LBO). An LBO is where a private equity firm acquires a target firm by using large amounts of leverage. This means investing as little of their own money as possible, meaning that if all goes well, PE firms can achieve a greater return on equity and internal rate of return when they sell the acquired company. The primary source of compensation for a PE firm comes at the time of sale. The firm will usually take around 20% of the sale's profit as revenue, and the rest is distributed to limited partners (investors). Therefore, PE firms have a significant incentive to use excessive amounts of leverage because an acquisition may be undesirable otherwise.

A Bloomberg article looked at the impact that the Pandemic had on PE. The graph shows the amount of pent up cash in private equity has reached 1.6 trillion, which, combined with the cost of borrowing, indicates that the LBO market is likely to heat up again in 2021. Therefore, the amount of leverage in the financial system is expected to follow suit.

Trading - the example provided in the *what is leverage* section is when traders use leverage. Margin trading can be applied to almost all financial instruments and, in some instances, leverage to purchase leveraged instruments, which amplifies the effect, for example, REIT or options.
The way that trading on margin works is that a broker will have an initial margin requirement that the FED sets in the USA, which is a rate of 50%, meaning that the investor can borrow up to 50% of the funds needed to enter a position. The minimum maintenance margin is 25% set by regulators, which is the minimum equity amount that the investor must hold in the account after a position is entered. In the unfortunate situation where the account's capital is less than the maintenance margin, the investor is required to deposit more funds, or the broker will liquidate the position to meet the maintenance margin requirement. With the increase in popularity of using trading platforms such as Robinhood and Interactive Brokers, trading with margin is becoming more popular among retail investors. A recent poll by yahoo finance indicated that approximately 43% of retail investors are trading with leverage, including trading options, buying on margin, and buying on margin and trading options.

## The dark side of leverage

When most people hear excessive leverage, they think of the Financial Crisis (GFC) that occurred from 2007-2009, and they are not wrong. However, as a result of easing monetary policy to combat



the economic contraction caused by the Pandemic in 2020, large amounts of leverage has once again started to accumulate across the financial sector. In March 2021, two financial institutions collapsed, namely Archegos and Greensill. Archegos was a family office.

Family offices are a wealth management advisory firm for high-net-worth individuals. In the case of Archegos there was only one individual involved, Bill Hwang. Unlike a hedge fund, a family office is a closed-end fund, and because it closed off to new investors, it does fall under the same regulations as a hedge fund.

Although the industry had assets under management of around 5.9tn in 2019 compared to the hedge fund industry having approximately $3.6tn, the SEC excluded family offices from the stricter regulation and reporting standards that followed the GFC with the implementation of the Dodd-Frank Act in the US. Being excluded from the tighter regulations means that one of the largest financial sectors - the Family office, have had free reign over how they invest and how much leverage is used to enter positions. In the case of Archegos, they used high leverage and poor risk management by using services such as investment banks prime broker divisions to enhance trades on stock prices using margin, which meant that the banks were also exposed.

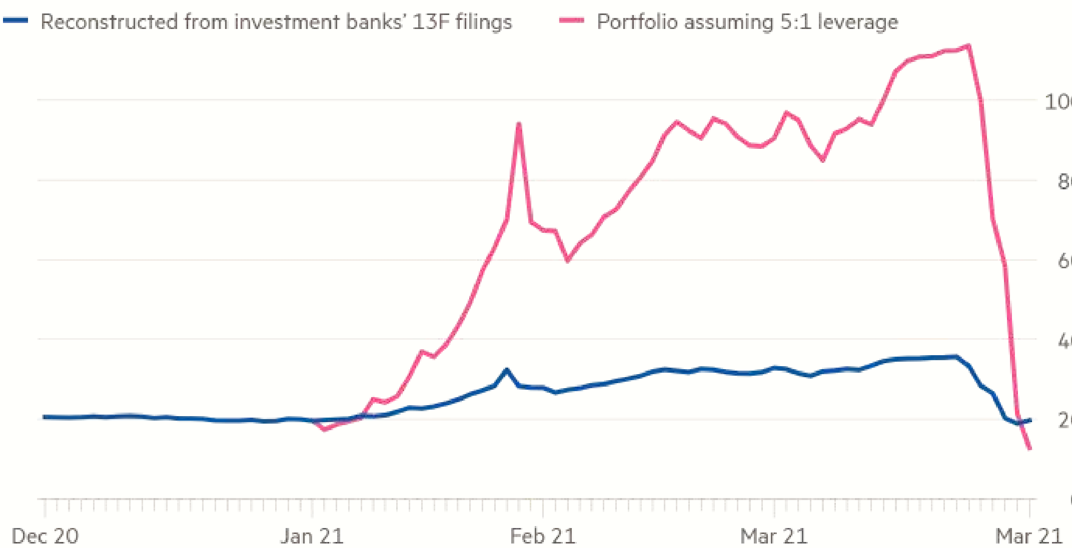
Archegos experienced every investor's worst nightmare – a margin call. Initially, the Archegos collapse was seen as an isolated event, but Credit Suisse has come under fire for allowing Archegos to use excessive leverage to enter positions and has booked a $4bn loss. More details regarding the collapse are still being uncovered, and firms may face losses.

Although most family offices are a tool for high net worth families to preserve wealth. The problem we face is, we don't know how many firms like Archegos are participating in highly speculative positions that if a market correction were to occur, how many would survive, and what effect it would have on the broader financial system.

To conclude, leverage is without a doubt an integral part of our financial system that can enhance profits when used effectively and has an increasing presence due to accommodative monetary policy. However, it is a tool that should be used with caution not to expose market participants to excessive amounts of risk. With the typical trend of regulation one step behind innovation, leverage is being used in new ways and is becoming more prevalent due to the rise in the use of platforms such as Robinhood. In the future, it will be interesting to see if the excessive use of leverage due to accommodative monetary policy will have a positive impact through productive investments or will it lead to a catastrophic correction because of its use in speculative investments.

The leveraged downfall of Archegos

Bespoke Investment Group estimates ($bn)




Reconstructed portfolio consists of stocks including Viacom, GSX, Baidu, Discovery, Fubo and Farfetch
Source: Bespoke Investment Group

# Promises in a pandemic

WRITTEN BY ANISTON INGER-HOLLAND

THE YEAR 2020 BAFFLED THE ECONOMY, WITH BUSINESSES LARGELY SWALLOWING THE COSTS. IN THE THREE MONTHS OF SEPTEMBER TO NOVEMBER 2020, MORE THAN 16,000 BUSINESSES CLOSED - AN INCREASE OF 127% ON THE YEAR BEFORE. NOW, THE GOVERNMENT PLANS TO UNLOAD MORE COSTS ONTO BUSINESSES AS THEY ATTEMPT TO BALANCE THE DIFFICULTIES OF KEEPING PROMISES IN SUCH AN UNSTABLE ENVIRONMENT.

On the 1st of April, the New Zealand Government raised the minimum wage from $18.90 to $20. The business community did not welcome the increase of $1.10 after a challenging year with the Covid-19 pandemic. The recent 5.8% hike is in conjunction with other pending costs, such as the proposed doubling of paid sick leave suspected to be implemented in late 2021. Despite the adverse effects to business, this increase in the minimum wage may have positive effects on employees and potentially the wider economy.

Low-wage employees have embraced the recent increase, but living wage advocates highlight the need for higher wages to keep up with rising living costs. The timing of the increase also raises the difficult discussion of whether governments should implement election promises despite changing circumstances.

The objective of a minimum wage increase is to protect the real income of low-paid workers. It is the job of the Government to minimise job losses while undertaking this process. Thus the Ministry of Business, Innovation and Employment was tasked with establishing the optimum minimum wage.

Their Minimum Wage Review report notes that "increasing the rate helps lift the incomes of the lowest-paid workers and contributes to improving living standards for households. However, expected income gains from minimum wage increases must be balanced against any potential negative impacts on employers, such as increased labour costs, inflation pressure, and for workers, reduced hours or unemployment." Balancing the positives and negatives is vital to ensuring a stable economic environment.

The Ministry of Business, Innovation and Employment considered six options and recommended an increase of 25 cents to $19.15. MBIE also recommended that any increase to the minimum wage be implemented on the 1st of October 2021. Despite their recommendations, the Government continued with their increase for the 1st of April.

As noted in the table below, the rise in the minimum wage to $20 is accompanied by an increase in the economy-wide wages as well as an

| | Increase to $19.15 | Increase to $20 |
|---|---|---|
| Gross weekly income (40 hours) | $766 | $800 |
| Percentage increase | 1.32% | 5.82% |
| Number of people directly impacted | 106,000 | 175,500 |
| Estimated restraint on employment | -1000 or less | -9000 |
| Estimated economy-wide increase in wages ($ million, annual) | 29 | 216 |
| Estimated inflationary impact | No change | 0.10% |
| Estimated additional annual costs to Government ($ million, annual) | 9.3 | 49.9 |

increase in costs to the Government. Notably, the recommended increase of $19.15 would mean approximately 1000 individuals would lose their jobs, compared to 9000 under the proposed $20 minimum wage.

After a year of extensive government debt as they've tried to keep jobs, it is counter-intuitive to actively accept an increase in costs and a higher rate of job losses. Keeping as many jobs as possible is vital in an economy where unemployment has increased, and the long-term economic fallout from Covid-19 is yet to be realised. On the other hand, not increasing the minimum wage would erode the real income of the lowest-paid workers in the economy relative to wage growth and inflation.

The table reflects the arguments put forward by advocates of both sides of the minimum wage debate. Business advocates argue that jobs will be lost and hours will be cut. The MBIE report highlights that these job losses and decreased hours would hurt retail and hospitality workers, part-timers, youth, women, those without formal qualifications and Māori & Pacific Islander employees. On the contrary, these are also groups that tend to benefit from minimum wage increases if they can keep their jobs. There are also arguments that raising the minimum wage would increase satisfaction and thus productivity of workers, as well as increase economic growth as lower-paid workers tend to spend rather than save and thus, their increase in wages will be distributed back into the economy.

There are also advocates for the Living Wage, currently set at $22.75 for the year 2021, who believe that employers should make more effort to pay their employees higher wages that they can actually live on. In a struggling economy, the Living Wage's accreditation program is an ideal intermediary, allowing those that can afford higher costs to pay their employees fairly without forcing those - especially in struggling industries such as tourism, hospitality and retail - to take on more costs than they can afford.

Incentives for employers to become Living Wage accredited

will have a reduced impact on job losses whilst creating increased satisfaction for employees. This would be a better route than forcing employers to take on large minimum wage increases in the future.

Increasing the minimum wage is a complex situation, particularly when circumstances have changed after promises have been made. As a part of their 2017 election campaign, the Labour party proposed a minimum wage of $20 by 2021. Cabinet's minimum wage review supported this indicative rate in December 2018 once they were elected. In a democracy, it is expected that the elected Government follows through on promises made at election time. Thus, it is not unreasonable for the current Government to increase the minimum wage to $20 to appease their voters.

In normal circumstances, it is celebrated and a perk of democracy. However, circumstances have drastically changed since those promises were made, and now the question arises as to whether it is appropriate to approve such a large increase, especially when it is not recommended by the Ministry of Business, Innovation and Employment.

Governments should be kept strongly to their word and fulfil promises - but at what cost? After an increase in unemployment and an extensive increase in debt in order to fund initiatives such as the Wage Subsidy to preserve jobs and prevent an economic collapse, is it suitable to actively accept more job losses in order to fulfil a promise given in different circumstances? Especially since the pandemic is not over and industries such as hospitality are not running at sustainable levels.

Although a compromised increase to $19.15 would have minimised job losses whilst keeping the real income of the lowest-paid workers stable, it would not be fulfilling the Government's election promise, and it was their judgement to continue with the increase of $20. Whether the effects of this increase are overall positive or not, the Government will find out if the risk was worth it at the next election.

# Barreling towards bitcoin

WRITTEN BY LUKA BORICH

THE EMERGENCE OF CRYPTOCURRENCIES SUCH AS BITCOIN IS AS FASCINATING AS IT IS FRIGHTENING. QUESTIONS OF WHETHER DIGITAL WALLETS AND PAPERLESS TRANSACTIONS WILL BECOME MAINSTREAM SEEM SILLIER BY THE DAY. THERE IS A GROWING BELIEF – BOLSTERED BY THE MUSKS AND THE GATES OF THE WORLD – IT IS A MATTER OF WHEN, NOT IF.

I am not suggesting investors throw their cash into Bitcoin (and its neglected cousins). In my view, such actions would be akin to counting cards at a casino in Las Vegas. Not gambling in the truest sense, but not far away either. As society continues to gear up for Bitcoin, we as responsible investors (if there's such a thing?) should at least know what we are hitching our wagon to, and what this means in the long run. Are we in a crypto-bubble?

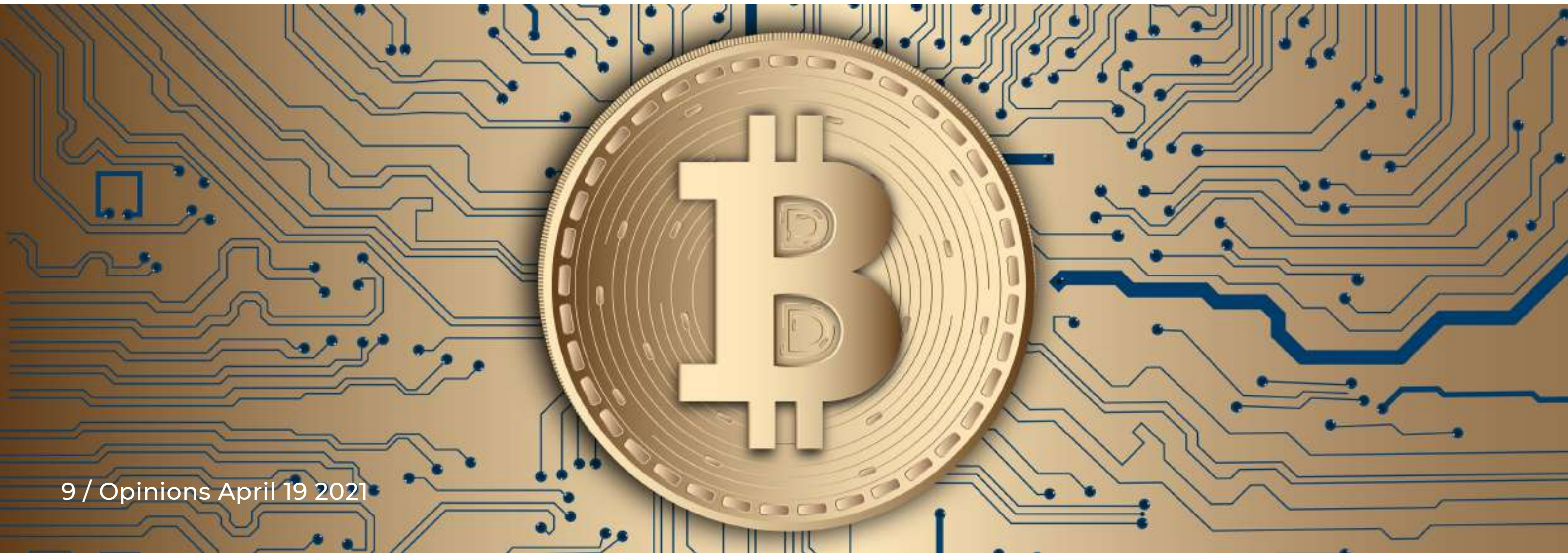
Disclaimer: Bitcoin is not the only cryptocurrency. There are approximately 4,000 alternatives. Bitcoin also has a market cap of 1.131T USD as of April 12 2021 and is roughly 60% of the market. There are Bitcoin-specific issues that I won't cover here, but commonalities with other crypto make it a good proxy. I shall focus more broadly on how this infamous cryptocurrency may shape our world and the implications as we move forward.

There are clear advantages to Bitcoin, or at least as clear as things can get in the world of crypto. For example, to send and receive digital currency you only need access to a computer or phone with an internet connection. This completely eliminates the need for a credit card, ATM and associated bank institutions to facilitate transactions. Countries with large underdeveloped communities that lack infrastructure can utilise Bitcoin as a relatively secure medium of exchange.

Furthermore, it theoretically cuts out the bank middlemen who we've become very quick to villainise.

No more account management fees, overdraft fees, minimum balance fees etc. Local cryptocurrency retailer BitPrime charges an overhead margin that ranges between 1% – 2.9% depending on the size of a deposit or withdrawal. This is not insignificant – the charge would be approximately $100,000 on a purchase of $10 million on BitPrime – but it is also fairly small and simple.

The secret sauce of Bitcoin is the lack of a central bank. The currency is decentralised – meaning that there is no singular institution dedicated to overseeing and maintaining Bitcoin. The price of Bitcoin is effectively purely driven by market forces. Is this a good or bad thing? Does this incentivise or disincentivise investment?



Advocates argue this frees cryptocurrency from corruption, to which I agree in principle. But regulation also prevents phenomena such as hyperinflation or deflation. In the case of Bitcoin, this can and has manifested itself in the past. As recently as 2018, Bitcoin lost over half of its value in the span of a month. A singular month. Central banks are designed specifically to prevent such dramatic changes from occurring. Throwing the baby out with the bathwater is almost never a good idea and this should scare investors.

Despite this, Elon Musk announced last month that Tesla would accept Bitcoin as a form of payment for cars in the US. The Oakland A's baseball team also announced a similar payment scheme for suites. Perhaps most importantly, it was reported earlier this year that Morgan Stanley would offer Bitcoin access to their biggest clients.

There are some who may write off the A's as a marketing play and Elon being Elon. The decision of Morgan Stanley (USD$150B market cap) is hard to dismiss and a sign of things to come. Goldman Sachs is following suit. Some of the world's leading financial experts are boarding the Bitcoin Express. Should smaller investors buy a ticket too?

The answer to that question hinges largely on one's appetite for risk. To call Bitcoin volatile would be an understatement. A stock that could drop a third of its value in one day is hard to get behind.  Yet, Bitcoin purchased six months ago would be worth five times what it was worth then.

One Bitcoin purchased on New Years Day was worth $28,994 and closed on the 12 of April at $59,893. Undoubtedly, there is a lot of money to be made and lost.

To the average investor, understanding how Bitcoin is authenticated and preserved would give them confidence. The difficulty here is that cryptocurrency is extraordinarily difficult to understand. So much of cryptocurrency security and integrity rides on fancy concepts like blockchaining and SHA-256. It is not impenetrable either. Last year a reported USD$1.9B was stolen in crypto crimes. Although there are signs that security is improving – in 2019 the amount stolen was USD$4.5B – it is no easier to understand the technology behind it than it was 3 years ago. Put simply, investors are going to become increasingly comfortable with a shrug-the-shoulders attitude towards crypto security. 'People far smarter than I seem to trust it and I trust them' is not unfounded logic, but it is a big pill to swallow for investors. Luckily, huge short term returns tend to ease any indigestion.

Still, nobody knows who even invented Bitcoin. Satoshi Nakamoto is the name that Bitcoin was founded under, but nobody knows if that is a person or multiple people. The ethics of investing in something with an unknown origin is not terrain to be covered here. From an investment perspective, this uncertainty creates more exposure to risk. Say, for instance, it is revealed to be of North Korean origin. This is unlikely for a multitude of reasons, but if found true, the value of Bitcoin is likely to plummet. It already has once before.

Ultimately, we were doomed down this road a long time ago. With the emergence of globalisation and the internet, accelerated when COVID thrust us into a cashless marketplace, our fate in the realm of digital currency is all but inevitable. In the world of investment, to stand still is to fall behind. Small investors should invest now with an expectation of doubling their money tomorrow and watching it halve the day after; such is life in the world of Bitcoin. Or perhaps we investors should take comfort from the likes of Goldman Sachs telling us it's a good idea. They have never misled us before.

# NCEA credits, contracts and consumer finance

WRITTEN BY ZAC GADSBY

ACCESS TO CREDIT IN TODAY'S WORLD HAS NEVER BEEN MORE ABUNDANT. GONE ARE THE DAYS OF HEADING INTO YOUR LOCAL BANK BRANCH, APPLYING FOR AN OVERDRAFT OR A CREDIT CARD AND WAITING A FEW DAYS FOR THE APPLICATION TO BE APPROVED. NOW, CONSUMERS HAVE A MULTITUDE OF AVAILABLE METHODS TO PURCHASE THINGS THEY CANNOT AFFORD THROUGH BANKS, FINANCIAL INSTITUTIONS, OR RETAILERS. THE EVER-EXPANDING FRONTIER OF TECHNOLOGY HAS ACCELERATED THE ACCESSIBILITY OF CREDIT TO CONSUMERS.

## The problem

Borrowing as a young person can come at the price of hefty consequences if not approached correctly. Minimum payments, interest-free periods, cash advance fees, late payment fees and over-limit fees are just some of the features involved in a retail bank's credit card. Teenagers with limited financial backgrounds will struggle to understand what these features mean for them and their financial reality.

Racking up $2k debt on a credit card may seem inconsequential at the time, but when monthly payments are required and there are penalties for missing them, things can start to get out of hand. Bad debt cycles begin to entrench themselves in someone who is not yet even 20 years old. This can lead to living your twenties on the backfoot, paying off a debt you took on as a late teen, rather than saving for your first house.

It only takes a look into the numbers to see how this can have lifelong effects. $5k of credit card debt at an interest rate of 19.95% will mean paying almost $1k of interest a year. If you were to make the minimum payment of 2% per month, this would take 57 years to pay off and cost almost $14k in interest. Was that rash trip to Asia with no savings really worth it?

I'm not pointing fingers at banks and their products. They have regulations to follow in terms of responsible lending, and these are almost always followed. Still, I believe that our younger generations' education is the best way to avoid the consequences of borrowing money you cannot afford to pay back. Starting financial literacy at an early age, preferably as part of the NCEA curriculum, is key to solving this issue.

The increasing number of retailers who offer non-interest bearing loans is also on the rise. Companies like Afterpay and Laybuy offer a consumer an interest-free way to pay back a purchase over a period

of up to eight weeks. More than 10% of online sales in Australia are now funded through Afterpay, and they claim to have attracted one in four millennials to their platform.

There is danger here. As there are no affordability checks, customers have ended up with more Afterpay payments than they can afford to leave their bank account on payday. The instant gratification of making a purchase and the inexperience of the borrower is a minacious combination.

## The solution

There are currently only a couple of programs available to educate adolescents on money and its implications. Sorted in Schools is the first and only nationwide program aligned with New Zealand curriculums that offer 14-18-year-olds lessons on financial capability. This is being introduced nationwide in 2021 to schools that have opted into the program. It was first trialled in 2017 but to varying levels of success. The program scored itself "not achieved" on four out of five of its measures and "partially achieved" on the last. It has since stabilised and met its goal of teaching 30% of schools' year nine and ten pupils at least one online resource. More funding is required to increase the program's exposure, and more schools need to opt-in for the benefits to be reaped.

One of the other programs is MoneyTime, a program developed by Neil Edmond. It is currently used in 86 schools nationwide and has very positive feedback from students and parents alike. The issue here is cost. The program costs $30 per student per year. Lower decile schools aren't able to fund this and do not want to pass the cost on to student's families who may already be in financial turmoil.

This leads to the most important point of this opinion. It is imperative that low-income families get the same financial education that more affluent students can attain. Without this, the wealth gap continues to grow, and bad debt cycles through those lower on the socioeconomic scale, making it very difficult to ever escape.

A new report by the RBNZ focusing on Māori Financial Services Institutions and Arrangements shed light on potential solutions. Westpac is teaming up with Ngā Pōtiki in a shared equity housing plan to help lower-income Māori families attain home ownership. Part of the program requires Ngā Pōtiki members to attend financial literacy workshops to increase their financial knowledge and capability. This is a step in the right direction by Westpac, and other banks should look to follow in their footsteps.

I firmly believe that banks and the Government have a major role in making these programs available to every student in every school. The debt burden on this country is 150% of GDP. Bank's Corporate Social Responsibility policies must align with societal issues, issues that they directly profit from. Bank's after-tax profits in 2020 were $4.1 billion. Costs to implement and develop effective financial education programs would not even dent banks' bottom lines. An addition to the NCEA curriculum of financial literacy allows younger generations to put their best foot forward financially and change the way they think about credit.

The Government also has a fiduciary responsibility to its citizens and should try to better the finances of tomorrow's adults. More funding and awareness is needed—more financial education for those who cannot access it. Our younger generation must get the skills to manage their money effectively and avoid the debt cycles that so many others have taken on and regretted. Clearing oneself from debt is liberating, but avoiding that debt to begin with is smarter and ultimately leaves our younger generation more precocious in financial capability than we ever were.

# MYOB column

## High Performance: the balance between productivity and purpose

In partnership with MYOB, Entrepreneurial Women With Purpose hosted a virtual panel discussion where four successful New Zealand businesswomen shared their insights into how they balance productivity and purpose in their ventures. During the event, we used the experience of our speakers to challenge the audience to reconsider their views around productivity and purpose within business. We asked, in times of uncertainty and change and moving forward, how can they best combine these two elements to enhance or drive performance? And importantly, how they translate this to their team.

Read the highlights from the event here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