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1980 SEMINAR

PEOPLE, PROBLEMS, PROFITS

WHAT HAVE WE LEARNT?

Recently in the Auckland Airport, I met a bankruptcy professional who asked whether I still had a copy of a paper I gave at a 1980 seminar in Wellington - he also gave a paper, but said with shifting office and house since 1980, he had long since lost his copy. Stella Crawford was my office manager at the time and I thought that with her ability with systems that I could probably dig something up - sure enough, I found some rough notes but not my actual address.

After reading my notes, I thought that some of the thoughts and comments may be of interest. There were four speakers:

- The bankruptcy professional.
- A solicitor dealing with family estates.
- A woman from social welfare (now called Work and Income).
- The writer (my involvement was because I had spent three years farm trouble shooting and had done a farm troubleshooting job for the bankruptcy professional's firm).

A few comments from each speaker:

Bankruptcy Professional:

(1) Some people went bankrupt more than once.

(2) The real pain from bankruptcy was very often not felt by the bankrupt but by family, friends and victims.

(3) Bankruptcy issues are not overnight issues - they were a journey and lots of people can usually see it coming.

(4) A big part of the problem, he found, was that the bankrupt did not have a good enough apprenticeship for what he or she were doing and were under capitalised from day one.

(5) He thought also that about 25% of New Zealand people were poor with money and that if you were in this group at 25 years of age, that you would still be in this group at 60 years of age.

(6) He found that many of the security arrangements with money borrowed by bankrupts were not only weak but were from friends and family and the argument that it worked last time cropped up time and time again.

(7) I remember him saying that the cracks often showed up early on but there was never any monitoring and the argument that it would come right over time was often stated. He said time only improved good ideas and good businesses - but it compounded all of the problems that were up in front of him.

(8) Same problems - day after day - week after week - he thought you could never stop family and friends lending money into trouble, but he thought banks and finance type companies often did not do enough homework in many cases at the outset - high interest rates, he thought, induced high risk.

(9) He mentioned that the bankrupting business was big business, and that you only tended to read about the tip of the iceberg - he said that bold business steps needed bold business people, but 50% of those he struck never had the ability to be bold, particularly with money that was not theirs and many of the other 50%, to be fair, had bad luck and bad advice.

The Family Estate Professional:

(1) Mentioned that a big proportion of people did not have a Will - this applied to some who had a lot of money.

(2) Poorly drafted or structured Wills were a common problem he dealt with.

(3) While mum and dad were alive, emotion tended to rule the day but when mum and dad were gone, money ruled the day from daylight to dark.

(4) Many New Zealand children would inherit, he thought, $50,000 each from their parents but not until the children reached probably 50 - 60 years of age.

(5) Dad's Will was the most important dollar-wise.

(6) Estate duty was a pain and penalised hard work and good planning.

(7) Mum and dad need to be debt free at about 55 - 60 years of age.

(8) Houses and sections were by far the key asset.

(9) He thought that home ownership was about 65 - 70%, but needed to be higher.

(10) He was very careful the way he worded it, but what he meant was that some couples had more children than they could afford.

(11) Family education issues, he thought, were key future areas that Government and parents needed to focus on more.

(12) He mentioned that he was currently dealing with a farming Will where the wife had a Widow's allowance of £1,000 per year and he, as one of the Trustees, needed approval every year from the ultimate beneficiaries to take out some capital and add it to the Widow's annual payment to enable her to live reasonably.

The Social Welfare Professional

(1) She had been regularly visiting couples usually with three to five children always living in social welfare or council housing arrangements for some 15 years.

(2) She had long given up on trying to improve the parent's financial management - she focused on what she could do for the children that would help them long term.

(3) Many of the children left home as soon as they could at 15 years of age.

(4) Education of children was not a common discussion.

(5) Most of the families she visited really needed both parents working full time, but this was not practical.

(6) Help from grandparents was present in some cases but was minimal overall.

(7) The husband's employment was usually at the lower end of the dollar scale, but many were good husbands and good parents but were constantly under financial pressure.

(8) Marriage breakdowns were no more common than New Zealand averages, but the financial future in almost all cases she dealt with was depressing - all needed any inheritances early on.

(9) She was coping with around 20 - 25 couples and their families - her department was making rental assistance payments and several other types of payments which was the background to her involvement.

(10) She mentioned that one of the problems she had was it was always preferable to call on each family (every two to three weeks) when both parents were present, which meant between 5.00 - 7.00 pm.

(11) I remember also her saying that cleanliness, good parenting, good relationships between the couples were usually not a major problem - the problem was a lowish one family income, usually three to five children, rental accommodation, sometimes involving shifting every few years and all of this leading to a financial budget that was a nightmare to even get close to a balance – she said without Social Welfare assistance nothing would work financially for most of the families she visited.

(12) I do remember her giving an example of calling on one of her clients (her words) and there was a piano in the hallway (no room for it anywhere else). This had been purchased/financed with a high percentage of HP type loan at a high interest rate - they already had several HP household items on AP - when she talked to them on the issue, the answer was they felt it was important in case any of their children had musical interests - the children were all young and the budget was already out of order. She was not allowed to tell us what the outcome was, but it sounded as though her department must have assisted with the financing in some way.

(13) She mentioned that husbands in the situations she dealt with were often getting limited job satisfaction and that this often was reflected in their attitude.

(14) The one thing she mentioned that I have never forgotten is she said (she had a husband and two children, I think of her own), she switched on to the particular family she was visiting as she went in past their letterbox and switched off again as she came out again past their letterbox - such a practical comment to deal with such an ongoing problem.

The Writer

(1) My involvement was to comment on what I had found after farm troubleshooting for three years around 1975 to 1978 - it was a frustrating experience, but I learnt a lot and it has proved valuable over the following years.

(2) People you deal with who have weak balance sheets are a potential future business risk.

(3) Not everybody has integrity.

(4) Not everyone has sincerity.

(5) Handshakes are not good enough - commit to writing.

(6) Your biggest business risk is your marriage falling over.

(7) Some people just can't keep things simple - top operators invariably have simple things that they then do very, very well.

(8) Sound financial management is a close second to breathing.

(9) Specialise, if you can, inside your own industry.

(10) Bold steps must come only following a lot of homework.

(11) Listen to the crackerjacks in your industry.

(12) If you are not getting job satisfaction, it will be mostly your fault.

(13) Gross income less gross expenses equals sound surplus - you must get this right or at least balanced within 12 months of your business commencing.

(14) Losses manage themselves - don't let them.

(15) Good debt, bad debt, ugly debt - the right debt will help you - the wrong debt will slaughter you.

(16) Unrealistic expectations causes a lot of bad decisions and lost time.

(17) Get the right spouse and then listen to them.

You will have read my comments over the years in many other papers, but what I have outlined here was what I said on the day in Wellington in 1980 - thanks, though, to Stella Crawford, who died some eight years ago now regarding her office system and recording approach.

Pita Alexander