



NZQA Assessment Support Material

Unit standard		28101			
Title	Evaluate savings and investment options and make a plan to create a long-term personal investment portfolio				
Level	3	Credits	4	Version	4

Note

The following guidelines are supplied to enable assessors to carry out valid and consistent assessment using this internal assessment resource.

Assessors must manage authenticity for any assessment from a public source, because ākonga/learners may have access to the assessment schedule or exemplar material. Use of this assessment resource without modification may mean that ākonga/learners' work is not authentic. The assessor will need to change figures, measurements or data sources or set a different context or topic.

While this ASM lends itself to written assessments, there are other activities and approaches that could be taken.

See Generic Resources and Guidelines at <https://www.nzqa.govt.nz/providers-partners/assessment-and-moderation-of-standards/assessment-of-standards/generic-resources/>.

Assessor guidelines

You will be assessed on how well you:

- Use a planning process to evaluate options to create a long-term savings and investment portfolio for a given scenario.

The planning process must include:

- Investment goals
- Risk factors
- Diversification
- Return on Investments
- Liquidity
- Sources of advice.

AWARD OF GRADES



- For award with **Achieved**, you must; use an investor profile and planning process to evaluate options and create a long-term personal financial savings and investment portfolio.
- For award with **Merit**, you must; include reasons for the selection of the specific options identified in the plan to create a long-term personal financial savings and investment portfolio.
- For award with **Excellence**, you must include justification for the selection of the specific options identified in the plan to create a long-term personal financial savings and investment portfolio.

Assessment Schedule

Unit standard		28101			
Title	Evaluate savings and investment options and make a plan to create a long-term personal financial investment portfolio				
Level	3	Credits	4	Version	4

Task	Evidence/Judgements for achievement	Evidence/Judgements for achievement with merit	Evidence/Judgements for achievement with excellence
Outcome 1 1.1 Question 1	<p>Learner identifies 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process.</p> <p>The planning processes includes identifying – investment goals, risk factors, diversification, return on investments, liquidity, sources of advice. Discussions are relevant and appropriate to the situation.</p> <p>See partial sample answers for Question 1.</p>	<p>Learner identifies 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process.</p> <p>The planning processes includes identifying – investment goals, risk factors, diversification, return on investments, liquidity, sources of advice. Discussions are relevant and appropriate to the situation.</p> <p>See partial sample answers for Question 1.</p>	<p>Learner identifies 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process.</p> <p>The planning processes includes identifying – investment goals, risk factors, diversification, return on investments, liquidity, sources of advice. Discussions are relevant and appropriate to the situation.</p> <p>See partial sample answers for Question 1.</p>
Outcome 1 1.1 Question 2		<p>Learner explains with reasons the 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process. Discussions are relevant and appropriate to the situation.</p>	<p>Learner explains with reasons the 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process. Discussions are relevant and appropriate to the situation.</p>

Task	Evidence/Judgements for achievement	Evidence/Judgements for achievement with merit	Evidence/Judgements for achievement with excellence
		See partial sample answers for Question 2.	See partial sample answers for Question 2.
Outcome 1 1.1 Question 3			Learner justifies the 3 options (including KiwiSaver) for a personal financial savings and investment portfolio suitable for the scenario and according to the planning process. Discussions are relevant and appropriate to the situation. See partial sample answers for Question 3.

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the unit standard.

CONDITIONS OF ASSESSMENT



This is an **open book assessment**. You may use any information to help you complete the task(s). Answers must be in your own words.



Your assessor will provide you with information regarding timeframes for this assessment.



Scenario

Donna and Hone are in their early-thirties with two children (Kelly – 4, Alex – 2). Hone is a Builder and Donna works a few days a week at an Accountants so she can be at home with the children the rest of the time. They want to generate other forms of income through different investment options.

Donna and Hone have a surplus in their budget where they have \$50 going into a savings fund a week, which currently has \$3,500 in it.

Donna and Hone have been contributing the minimum to their KiwiSaver with an aggressive scheme for 15 years and are considering switching to a more conservative or balanced scheme. Currently Donna has \$16,000 and Hone has \$22,000 in their KiwiSaver funds.

Hone's mother, who had been living in Australia, died suddenly about 5 months ago. She didn't have a partner so the inheritance was split between Hone and his two sisters. They have sold the house in Australia and with everything settled Hone inherited \$95,000.

They have always rented and are currently paying \$460 per week for a three bedroom. They have set a goal to purchase their first home in the near future. They are eligible for the KiwiSaver HomeStart grants.

You may need to make some assumptions about the people in the scenario to complete the task - make sure these are realistic and make sure you document them in your assignment



Tasks

1. Create a long-term personal financial savings and investment portfolio for a minimum period of three years for the scenario on the previous page. The portfolio must include KiwiSaver, AND two other forms of investment.

The planning process must include:

- a Investment goals
- b Risk factors
- c Diversification
- d Return on Investment
- e Liquidity
- f Sources of advice

1.1 Create a KiwiSaver Portfolio for Donna

Provider: _____

Fund Type: _____ Contribution %: _____

Create a KiwiSaver Portfolio for Hone

Provider: _____

Fund Type: _____ Contribution %: _____

a Identify Donna and Hone's investment goal(s) for KiwiSaver

- Donna and Hone want to purchase their first home using their KiwiSaver funds and the government HomeStart grant
- Donna and Hone could access their KiwiSaver for hardship
- Donna and Hone want to have retirement savings

b Identify the possible risks associated with Donna and Hone’s KiwiSaver portfolio

- An aggressive fund has higher risk than a conservative fund
- KiwiSaver returns are low/negative
- KiwiSaver provider fees and other charges changing
- KiwiSaver provider collapses
- KiwiSaver provider invests in ethically undesirable investments
- Contributing more than the minimum would reduce disposable income
- Changes to Government laws around access to the KiwiSaver funds eg retirement age changing, accessibility criteria changes
- KiwiSaver criteria being difficult to access under certain circumstances eg financial hardship criteria, minimum and maximum withdrawals

c Explain how Donna and Hone’s KiwiSaver portfolio has diversification?

- KiwiSaver fund type eg *Defensive, Conservative, Balanced, Growth, or Aggressive*
- Range of KiwiSaver providers eg *AMP, ANZ, ASB*
- KiwiSaver contribution margins eg *3%, 4%, 6%, 8% or 10%*

d Identify the future returns on investment that Donna and Hone’s KiwiSaver can achieve?

3 - 5 years	10 + years
An aggressive fund would provide a higher return in the shorter period than a conservative fund	A conservative fund would provide a safer return in the longer time frame than an aggressive fund
Changing their contribution level to grow the investment	Changing their contribution level to grow the investment
<i>\$15,000 plus \$21,000 contributions could be used for first home</i>	Income on retirement
<i>FirstHome Grant of \$5,000 each for existing home purchase OR \$10,000 each for new build</i>	Hardship fund access
Hardship fund access	

e Identify when Donna and Hone can access their KiwiSaver funds?

Circumstances could include:

- Retirement *currently at age 65*
- First Home after 3 years contribution
- Moving overseas permanently
- Significant financial hardship
- Health reasons
- Other cases such as bankruptcy, relationship property, student loans and in the event of your death

f Who should Donna and Hone seek advice from with regards to KiwiSaver?

- Sorted website
- Inland Revenue KiwiSaver website
- Housing New Zealand website
- Financial Markets Authority website

Donna and Hone should talk to a registered Financial planners about their plan

They could also seek advice from insurance companies, sharebrokers, banks and financial advisers

(Sample answers related to awarding Achievement)

1.2 Using the \$3,500 Savings, create a share portfolio for Donna and Hone

Company Name	Current Share Price	No of Shares Purchased	Total \$ Invested
<i>Briscoes Group Ltd</i>	3.99	877	3,499.23
Total Share Portfolio			\$ 3,499.23

a Identify Donna and Hone's investment goal(s) for Shares

- Donna and Hone want to have supplementary income from dividends
- Donna and Hone want to fund their children's tertiary study through dividends and/or capital gain
- Donna and Hone want to have additional retirement income through dividends and/or capital gain
- Donna and Hone want to support different businesses and economies

b Identify the possible risks associated with Donna and Hone's Share portfolio

- Volatility risk where returns are low/negative
- Absolute risk when the company fails
- Emotional roller coaster from uncertainty of returns
- Too conservative in choice of share investment
- Rate of inflation changes
- Sharebroker fees and other charges changing
- Company operates unethically against your morals
- Government laws change regarding share investment
- Tax changes to share investment

c Identify how Donna and Hone's share portfolio has diversification?

- Risk is spread by purchasing shares across different companies,
- Risk is spread by purchasing shares across different industries
- Risk is spread by purchasing shares across different countries
- Purchase shares through a sharebroker
- Purchase shares through a Bank
- Purchase a Managed Fund portfolio

d Identify the future returns on investment that Donna and Hone's Share portfolio can achieve?

3 – 5 years (Dividends)				10 + years (Capital Gain)			
Company Name	Total No of Shares	Dividend Yield %	Total \$ Dividend	Company Name	Total \$ Invested	52 week % change	New Total \$
<i>Briscoes</i>	877	3.133 %	\$27.48	<i>Briscoes</i>	\$3,499.23	9.62 %	\$3,835.86
<i>Total Dividend per year</i>			\$27.48	<i>Total Capital Gain per year</i>			\$336.63
<i>X 3 years</i>			\$82.44	<i>X 10 years</i>			\$3,366.30
<i>x 5 years</i>			\$137.40				

e Identify how Donna and Hone can access their Share Portfolio?

- Contacting the sharebroker
- Purchase shares through a Bank
- Purchase a Managed Fund portfolio

f Who should Donna and Hone seek advice from with regards to Shares?

- NZ Stock Exchange
- Sorted.org.nz
- Financial Markets Authority

Donna and Hone should talk to a registered Financial planner about their plan
They could also seek advice from insurance companies, sharebrokers, banks and financial advisers

1.3 Create a Property Investment Portfolio for Donna and Hone

a Identify Donna and Hone's investment goal(s) for property investment

- Donna and Hone want to purchase their first family home and take advantage of the KiwiSaver entitlements
- Donna and Hone want to put the \$460 rent per week into their own home
- Donna and Hone want to build up equity in their own home
- Donna and Hone want to have capital gain on the value of their property

b Identify the possible risks associated with Donna and Hone's property investment

- Government regulations changing
- Housing availability
- Purchasing in a hazardous area eg *earthquakes, tsunami*
- Uninsurable due to environmental issues
- Changes to Council zones
- Undesirable neighbourhood/low growth area

c Explain how Donna and Hone's property investment has diversification?

- By purchasing a family home is a safer option for a longer term gain
- A rental property or a town house or apartment can also diversify their investment in property

d Identify the future returns on investment that Donna and Hone's property investment can achieve?

3 - 5 years	10 + years
<i>Purchase a median 3 bedroom house for \$675,000 with a 9%* return (\$60,750 pa increase in capital gain)</i>	<i>Purchase a median 3 bedroom house for \$675,000 with a 9%* pa return (\$607,500 capital gain)</i>
<i>*can vary between regions</i>	<i>*can vary between regions</i>

e Identify when Donna and Hone can access their property investment funds?

- After 6 months living in their home they are able to place their property on the market and not lose the KiwiSaver benefits
- Average days to sell a house 20 – 31 days*
- Able to take the increase in valuation (capital gain) after repaying mortgage/mortgage break fees/real estate fees/conveyancing fees/legal costs/rates/insurance/bank fees

** can vary between regions*

f Who should Donna and Hone seek advice from with regards to property investment?

- Sorted website
- Housing New Zealand website
- Real Estate Agents
- Banks
- Mortgage broker
- Lawyer/Solicitor
- Builders
- Local Council
- Kāinga Whenua support

2 Explain in detail why you have chosen the three investment options for Donna and Hone’s financial savings and investment portfolio

KiwiSaver	Government entitlements for First Home buyers HomeStart grant Employer contributions Return options Conservative = Safe low risk or Aggressive = high risk and high return Long term investment
Shares	Supplementary income from dividends Possibility of high returns Share price increase Easy to diversify between companies Liquidity availability
Property	No rental payments Valuation/equity increase Long term investment Safe low risk

3 Justify the choice of investment options for Donna and Hone's financial savings and investment portfolio

- A mixture of low and high-risk investments
- Opportunity for low and high returns
- Various timeframes for returns
- Diversification within the various investment option choices
- Liquidity alternatives/accessibility to funds

NOTE: Sample answers have been given for KiwiSaver, Shares and Property but other investment options could be chosen