Submission to the Government of New Zealand to amend requirement of the investor visa categories

My name is Troy Hanley and I am a New Zealand citizen. I am an admitted solicitor and a licensed immigration adviser. I have worked with investor-migrants for over seven years and currently work with high-net-worth and ultra-high-net-worth families applying for investor programmes worldwide, including to New Zealand.

All views are my own.

I am making a submission for changes to New Zealand's investor visa categories. My submission is made with the desire to:

1) increase the number of wealthy families attracted to New Zealand, and

2) direct foreign investment in the best way possible to benefit New Zealand.

The changes I propose are :

1. removing bonds as a qualifying investment
2. removing business experience as a requirement from Investor 2
3. reduce the investment thresholds

There is no question that investment-migration (investment and business visas) improves the economies of countries worldwide. The receiving jurisdiction faces very little downside and there are long-term benefits well beyond that initial economic contribution.

In the context of New Zealand, the country has offered investor programmes for years attracting billions in investment dollars. This is also balanced with a very clear intention to only let people of good character and standing invest and settle in New Zealand, evidenced by very high decline rates for these categories. Of the thousands of people granted residence across the different immigration categories each year, the small number of investor migrants contributed well beyond their fair share to New Zealand.

The New Zealand investor visa categories (Investor 2 – investment of NZD 3m; and Investor Plus – investment of NZD 10m) have many great aspects. Investors around the world are attracted to both the wide range of eligible investments and also the reasonable physical presence requirements. However, there are some relatively minor changes that would improve the programs substantially:

Remove bonds as a qualifying investment

The most simple and effective adjustment that can be made to the investor categories is to make bonds ineligible as an acceptable investment. Instead, funds will therefore be only invested into assets that have a much greater economic benefit to New Zealand.

Investor migrants are generally risk-averse. They are entering a new market and opt for the safest investment possible to preserve their capital while learning about their new home. This theme has played out in New Zealand, where the majority of funds from the investor categories has ended up in government bonds – widely considered the most conservative option possible.

As with most “safe” investments, the wider economic benefits of bond investments are negligible. They are a loan to the government for three to four years, paid back with minimal interest and only benefitting the wealth managers who invest the funds. It is effectively a term deposit with the government.

Immigration New Zealand knows that government bonds have little to no benefit to the country. Their concept of “growth investments” (i.e. anything but bonds) was introduced to attract money away from bonds, but this has clearly not succeeded.

If bonds are made ineligible for the investor programmes, risk-averse investor migrants will overwhelmingly elect New Zealand equities — arguably the next most conservative investment (through a well-balanced portfolio).

Billions of dollars would then be available to New Zealand firms that employ citizens and residents and keep the economy alive. This is particularly important during pandemics or market recessions where New Zealand firms are desperate for capital injections. If the investor programmes remain as popular as is being forecasted, the effect could be significant – giving some hope of New Zealand capitalising its traditionally small share markets becoming a respected financial center.

The UK government faced a similar problem with their investor visa programme – money was pouring into government bonds (or “Gilts”) providing little economic benefit to the UK. In 2019, they removed Gilts as a qualifying investment and mandated that investments must be made into the share capital of UK companies. Since that amendment, investors have been looking to the FTSE to support UK-based firms that truly needed such injections throughout the pandemic. It should be noted that interest in the UK Investor programme still remained strong after this amendment, despite an emotive election and Brexit that same year. Investors are generally very happy to support large listed companies in their new home, knowing their money is really benefiting the country.

Business experience requirement removed from the Investor 2 Category

If an applicant is of good standing and character, the investor categories should have no regard to the investor’s business abilities and should instead be focusing on the money and what use it is put to.

The two investor categories are designed to attract passive investment into New Zealand. This is quite obvious when one considers that successful applicants are not required to start a business or be involved in business in any way.

Having a business experience requirement is illogical when there is nothing else about these categories that relates to business whatsoever. It should be noted that there is no other passive investment programme in the world that insists on proof of business experience — only New Zealand’s Investor 2.

The intent is noble, but misdirected: a country should indeed be attracting accomplished senior management and business people. However, this should be done through skilled migrant and business categories respectively, where such backgrounds are put to use in a purposeful way.

With the global growth of family offices and inter-generational wealth, there will be an increasing number of wealthy families who have inherited money and cannot demonstrate business experience. This does not mean that their investment dollars are worth less to New Zealand. As long as an applicant

is of good character and standing, these categories should be focusing on the money and what use it is put to.

Reduce the investment threshold

The investment thresholds of NZD 3m and NZD 10m should absolutely not be increased and if anything, be reduced.

It is widely considered that the New Zealand investor visa programmes are priced quite high, relative to other countries. One example is New Zealand's main competitor Australia, who has comparable programmes at AUD 1.5m and AUD 5m respectively. Other similar examples include Canada at CAN 1.2m and the United States at USD 900,000.

I don't believe this to be a major issue with the investor programmes, hence why I mention it last. I appreciate and admire the fact that New Zealand prices itself very high, as it is a top destination that offers an incomparable lifestyle for migrants.

However, in the global competition for investor migrants, it would be shortsighted for such a small economy like New Zealand to price itself too highly and lose out on crucial foreign investment to countries like Australia. Indeed, if an investor is choosing between these two countries (which they often are), then price may be the factor that pushes them away from New Zealand. This is made even more likely when these investors know they can gain Permanent Residence of Australia and then have access to New Zealand anyway.

Therefore, the investment thresholds should absolutely not be increased. In fact, if new measures are introduced to ensure that all investment dollars directly stimulate the economy (I.e. no more bonds), then New Zealand could consider reducing the investment level. Immigration New Zealand has signaled this intent by offering reductions in investment levels through growth investments, but I would suggest that these reductions could go even further.

Many thanks for allowing me the opportunity to offer some feedback to Immigration New Zealand and I look forward to improvements to our system.

Troy Hanley