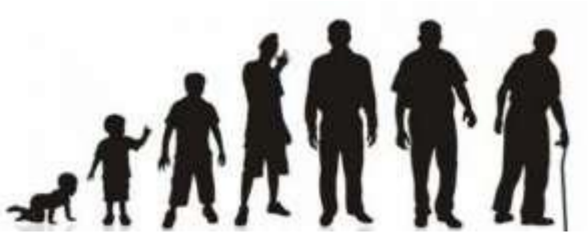
KiwiSaver Newsletter - September 2013

Please find below two articles that may be of interest in relation to the Life Stages approach to retirement savings, and the opening of the ability to move Super between NZ and Australia. As your KiwiSaver adviser, we are here to answer any questions that you may have in relation to your retirement savings. Please feel free to contact us to discuss the content of these articles, or if we can be of any assistance.

Life Stages



Although not new in the financial advisory profession, the term Life Stages has recently appeared again in headlines. Life stages is about meeting the demands made by investors having varied requirements in different stages of their lives. A simplistic illustration of this is that clients who are working want portfolios weighted towards capital growth, while clients who are retired want portfolios weighted towards income. In recent years some KiwiSaver providers have gone a step further and introduced an investment strategy which changes automatically based on the age of the investor. The basic principal is that while an investor is young the risk profile asset allocation can be aggressive. When the investor gets closer to the age of retirement then the risk profile asset allocation should be more conservative.

If an investor selects the Life Stages option with this KiwiSaver provider then automatically, based on the age bands, the investor's exposure to various investment assets will change. This KiwiSaver provider does not offer advice therefore there is some logic and sensibleness about offering this "set and forget" solution. Many investors would not remember to make the changes to the risk profile, and even if they did remember only a small minority would have the ability to make an informed and knowledgeable selection.

One example that we reviewed recently had the following life stages:

Life Stages	KiwiSaver Fund Selection	Asset Allocation - Growth v Income Assets	
up to 40 years	Growth Fund	100% Growth Assets	
40 to 44 years	Growth + Balanced	75%	25%
45 to 49 years	Balanced	50%	50%
50 to 54 years	Balanced + Conservative	37.5%	62.5%
55 to 59 years	Conservative	25%	75%
60+ years	Conservative + Cash	12.5%	87.5% Income Assets

What are the problems with this approach?

Life stages assumes that:

1. all investors are the same, and all investors should have identical portfolios based on their age.
2. all investors will be retiring at age 65 and will be withdrawing all their money and requiring an income.
3. the asset allocation selected by the investor's age is suitable for all occasions, regardless of the state of the economy or the health of the financial markets.
4. the only purpose for KiwiSaver is to save for retirement, and that money will not be withdrawn for any other purpose or at any other time, e.g. purchase your first home or for significant health or financial hardship.

We all know the "one fit for all" concept does not work. There are numerous examples that we can recount for all four problems mentioned above. A significant number of our investors have a desire to retire earlier than 65, while another group of investors have no plans to ever retire and wish to remain actively employed contributing to society until they die. Many younger investors use their savings to purchase a home (arguably a more secure family protection option than saving for retirement) and many more are very reluctant to "lock in" savings where they cannot be accessed regardless of their circumstances or better investment options that may be available.

What is the solution?

Use your adviser. Although we can never be experts on every circumstance encountered by our clients, we do have significant experience and professional training. We also have access to other professional experts in various related areas making your adviser the "first point of call" when your circumstances change.

Please keep in touch with your adviser. If you feel you may not be in the correct investment allocation then please feel free to contact us. This is what we are here for.

Trans-Tasman Portability of Super – Aussie Super and KiwiSaver

On 1 July 2013 the KiwiSaver Act 2006 was amended to allow the transfer of retirement savings from Australia to New Zealand (and vice versa). The new arrangements allow a person who has retirement savings in both Australia and New Zealand to consolidate them in one account in their current country of residence.

Key features of the new arrangements:

- Retirement savings may only be transferred between an Australian complying superannuation fund and a KiwiSaver scheme by a member permanently emigrating to New Zealand or Australia.
- A member must transfer the full amount of their savings. This will include all Government contributions received by KiwiSaver members.
- Retirement savings transferred to New Zealand or Australia cannot be subsequently transferred to a third country's foreign superannuation scheme or withdrawn.
- The Arrangement is voluntary for members and for superannuation schemes. Scheme providers need to ensure that transferred savings are separately identifiable within the account established in the host country. Therefore, not all Australian schemes and KiwiSaver providers will allow transfers.

If you have been employed in Australia at any time since 1992 and have an Australian superannuation scheme, then you can now transfer this to your KiwiSaver scheme in New Zealand. We can assist with this transfer, including locating any "lost Super" if you are unsure where your funds are held, and discussing the pros and cons of transferring funds. For more information, a selection of frequently-asked questions has been added to our website – www.rede.co.nz/kiwisaver
To discuss your personal situation, please feel free to contact Michael or Steve.

OUR CONTACT DETAILS

• Office	Tel: 03 964 4207	Fax: 03 357 0008	Email: office@rede.co.nz
• Steve Benton	DDI: 03 964 4209	Mobile: 027 205 2130	Email: steve_benton@rede.co.nz
• Michael Shears	DDI: 03 964 4222	Mobile: 021 310 241	Email: michael_shears@rede.co.nz
• Jasmine Murphy	DDI: 03 964 4208		Email: jasmine_murphy@rede.co.nz
• Julie Mardon	Tel: 03 964 4207		Email: julie_mardon@rede.co.nz

Office location: Level 1, 567 Wairakei Road, Harewood, Christchurch 8053
Mailing address: P O Box 39 100, Harewood, Christchurch 8545

Check out our new look website at www.rede.co.nz

Disclosure Statements are available on request and free of charge.