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GETTING THE MOST OUT OF KIWISAVER

After three years, 1.5 million Kiwi's have joined KiwiSaver and 30,000 new members are joining every month. KiwiSaver is clearly here to stay and will form a core part of savings for New Zealanders in the future. Below are some key thoughts about how you can maximise your KiwiSaver investment.

1. Get the **matching contributions**:
 - Employers are obliged to pay 2% into contributing employees' KiwiSaver accounts.
 - The Government will match contributions up to \$1,042.86 per annum for all members over 18 years of age. If your contributions are less than \$1,042.86, consider increasing your contributions or making top-up payments.
2. Choose the **right investment mix** – KiwiSaver is a long-term investment for most investors and the choice of investment can have a major impact on your final KiwiSaver balance. Leaving your KiwiSaver funds with a default provider or a bank, or choosing the fund that performed best last year, are not successful strategies.
3. Ensure your KiwiSaver investment is **taxed** at the correct rate – 10.50% if your income is less than \$14,000, 28% if your income is over \$48,000, otherwise 17.50%. Most children should therefore have a 10.50% PIR tax rate.
4. **First Home Buyers** are entitled to withdraw all personal and employer contributions towards the purchase of a first home plus receive up to \$5,000 (per person) from the Government. Some conditions apply including minimum membership periods and contributions; however we have clients who have already received over \$10,000 – half of this was from the employer and Government!
5. Our preferred KiwiSaver Scheme offered by Grosvenor now has **free \$10,000 Accidental Death Cover** for all contributing members aged over 18 years.
6. Once final legislation is passed in Australia, **Australian Super** will be able to be moved to your New Zealand KiwiSaver Scheme. We can help you track your Australian Super so you are ready to bring it home next year.



Please contact Michael today to join KiwiSaver and get your \$1,000 kick-start now, or for a review of your existing investments so you too can get the most out of KiwiSaver.

INVESTING FOR INCOME

Our last newsletter to clients solely focused on the topic 'Investing for Income'. This newsletter proved timely and very topical as advisers and clients alike struggled with the low interest rate environment post the Global Financial Crisis. Soon after the newsletter we held several seminars on the topic and we brought David Beattie from Wellington down to help expand on the issues raised. David is the Chief Investment Officer and Joint Chief Executive Officer at Grosvenor Financial Services Group. David is recognised as a New Zealand authority on fixed interest investing. The key messages from the seminars were:

1. The current interest rate environment is artificially low. Interest rates available for investors are impacted by the Reserve Bank keeping the Official Cash Rate (OCR) low in an effort to stimulate the economy. Interest rates are also impacted by the Crown Deposit Guarantee Scheme (CDGS) with non-guaranteed institutions not having to pay fair rates to attract investors' funds.
2. It is expected that interest rates will move up significantly over the next 18 months as the Reserve Bank removes the stimulus setting and the CDGS expires at the end of December 2011.
3. In this financial environment investors should only invest for a short term (up to 12 months maximum) and hold a high portion of their portfolios in readily accessible investments. Further opportunities will begin to emerge as interest rates rise - investors will need to be ready to take advantage of them when they do.
4. The emergence of Portfolio Investment Entities (PIEs) has changed the construction of income investment portfolios. Income PIEs offer competitive returns, ready access, risk diversification, easy management, low costs, tax efficiency and regular income

payable monthly. PIE income solutions do offer an effective alternative for investors.

The key messages for investors are:

- don't panic - accept that rates may be low now, however they are likely to be substantially higher in 18 months, and
- there are safe, viable alternatives available during this period of uncertainty.

If you would like to know more about the solutions available for income investing, please contact Steve or Michael.

ROGER LEWIS - RETIREMENT AFTER A LONG CAREER

After a long career as a financial adviser, Roger Lewis has announced his retirement.

Roger was one of a small group of advisers who pioneered the financial planning profession in the mid 1980s. The profession was still very new, however even back then, Roger realised the importance of research and a disciplined process. He was the joint owner of Trident Securities and became one of the driving forces behind the merger of Trident with FPA from Auckland to form Rutherford Rede. In recent years, Roger has been putting significant energy into his church work and has become an internationally recognised lecturer in religious history. The Christchurch team of Camelot is very proud to have worked alongside an adviser with such high personal integrity and honesty. We wish him, and his wife Pauline, all the very best for the future.

Michael and Steve have taken over the adviser role for Roger's clients and along with Helen, will continue the high standard of service he set over 25 years in the profession.

FUND PERFORMANCE COMPARISONS

One of the great difficulties that research analysts have in comparing investment performance is ensuring that they are comparing “apples with apples”. Investment performance statistics can be manipulated (and often are) to show better return information over varying periods. Investment managers adopt a variety of methods when reporting their returns - gross, before fees, after fees; and some do not report their returns at all.

The publishing of KiwiSaver performance comparisons has changed the way fund managers report performance. There is no easy way for managers to manipulate statistics - they can run but they cannot hide! In October, the KiwiSaver Performance Comparison report was released for the three years since its inception. The key points from the report are:

1. There is a wide range of KiwiSaver investments available, all with varying characteristics. The Balanced Funds are the best ones to make a fair comparison as they generally have a consistent mix of assets - 50% cash/fixed interest and 50% shares. Balanced funds also illustrate how well both fixed interest and share investments are managed.
2. Out of approximately 40 KiwiSaver providers, only 26 provide regular performance statistics to researchers. The remaining providers who have chosen not to disclose their performance statistics generally do so because they are not good enough, or they are too small to count.
3. Our preferred KiwiSaver provider is Grosvenor. Grosvenor's Balanced Fund had the third best performance for the three years to 30 September. Its return was 1.80% higher than the average for the group. Grosvenor's performance ranked ahead of all of the six default providers in the report.
4. KiwiSaver is a long term investment and it is the long term performance statistics that are important. The three year performance provides a useful comparison of results for the recent volatile period.

This report confirms our choice of Grosvenor as our preferred KiwiSaver (and non-KiwiSaver) investment manager. The PIE structure used by KiwiSaver is also used by the managed investment account portfolios held by our clients. If you are in a KiwiSaver scheme that is not Grosvenor, then switching is easy. If you would like more information, please contact Michael or Helen.

BROKEN, BUT ABLE TO BE FIXED!

After 32 years operating with only one good knee, Steve is finally having a knee replacement operation that will hopefully make him as good as new.

Steve will go ‘under the knife’ on 30 November and will be out of action for most of December. Steve hopes to be able to complete limited business from home, and will liaise with Michael and Helen if required. Please direct any queries you may have during this time to Michael and Helen.

Although not quite the six million dollar man, the new ceramic and titanium joint will hopefully allow Steve to continue to live a full and active lifestyle!



HOLIDAY SEASON OFFICE HOURS

Christmas is fast approaching and after the dramatic and eventful last twelve months, 2011 probably cannot come soon enough for many of you. Our office hours over the holiday season are:

- Last day for 2010 – Thursday, 23 December 2010
- First day for 2011 – Monday, 17 January 2011

Helen will be in the office from Monday, 10 January and can assist you with cash transfers and administration queries, however please leave a message if she cannot speak with you straight away.

Should you need to get hold of an adviser urgently over this period Steve and Michael can be contacted on their mobile phones. Due to the uncertainty of coverage in many places away from the main cities, please leave a detailed message and your contact number and either Steve or Michael will get back to you.

CHRISTMAS WITHDRAWALS

If you require a cash transfer or partial withdrawal prior to the holiday season, please ensure you leave plenty of time for trading to occur. Closing dates for access to funds for the Christmas period are as follows:

- Where cash is held in your Macquarie GEAA – 10.00am Thursday, 23 December.
- Where cash is held in your Grosvenor account – 10.00am Thursday, 23 December.
- Where trading of securities is required – 12.00pm Thursday, 16 December.



*We wish you and your families a very Merry Christmas
and a safe and prosperous New Year.*

*With best wishes
Steve, Michael and Helen*



OUR CONTACT DETAILS

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