



***New Year wishes are for Auckland and Christchurch property markets to ease off slowly ...***

**From Pete's Desk**

Well here I am again, wondering just what happened to my last 12 months. Legislation changes continue for our profession and with more to come yet. Anti Monetary Laundering and Countering Financing of Terrorism (AML/CFT) and Foreign Account Tax Compliance Act (FATCA) legislation is now in place and our need for verification of identity regarding people, bank accounts and addresses has intensified, as some of you have no doubt found. We will be updating files regularly to meet our obligations here so be patient with us. It is not onerous just a bit irritating and seemingly pointless in some instances.

Markets have again been kind to us in 2014; a few up and down periods but overall good performance year on year. The election certainly made the local market a little nervous but once results were through they settled quickly. Looking forward to 2015 prospects remain positive but not without risks. Just when and how the US Federal Reserve look to lift interest rates will be a pivotal issue. This may well happen by mid 2015, given the expanding US economy and espe-

cially their improving employment numbers. Geopolitical risks remain elevated but that seems almost our normal world now!

Lynne and I are off to Christchurch for the New Year, my Mum is turning 90 in early January so we will have a "knees up" with the family to celebrate this wonderful event. We will be back in Palmy around the 9th January but still on our break until the 20th January. I am looking forward to some annual Christmas R & R but also to greeting 2015 with some optimism that NZ Inc. will continue to quietly progress onward. New Year wishes are for Auckland and Christchurch property markets to ease off slowly and dairy trade prices to rebound a bit—not too much to ask is it?

Thank you all for your continued support, I wish you all a wonderful Christmas spent among family and friends and look forward to catching up in the New Year.



*"Don't knock the weather, nine tenths of people couldn't start a conversation if it didn't change once in a while" Kin Hubbard*

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## Aegis Telegraphic Transfers

Aegis have advised that from the 1st December 2014 they will be changing their TT fees for foreign currency withdrawals as follows:

	<b>Current</b>	<b>New</b>
AUD	\$5.00	\$13.00
USD	US\$5.00	US\$12.00
GBP	£3.00	£8.00

There will be no charge for purchases going forward.

## KiwiSaver Survey

It was interesting to note in a recent KiwiSaver survey just how many people thought that their KiwiSaver funds were guaranteed! They are not and never have been, which is why it is so important to ensure that investors are in the right fund to meet their current stage in the lifecycle. The last thing you want is, just prior to being eligible to withdraw your retirement funds, the markets have a downturn and your growth fund declines significantly. You would have to hold and wait until there has been a market rebound before withdrawing; time you may not have. Another thing that the survey highlighted was how little people understood the funds they were in. A lot of people have just elected the default option, without seeking advice. I am concerned on prospects for international bonds and most KiwiSaver conservative funds hold sizeable exposure in bonds and would likely suffer poor performance if rates rise unexpectedly/quickly. If such an event occurred I think many would be surprised to find their fund, usually considered conservative and lower risk, may perform badly.

KiwiSaver is now a few years on and until recent times investors have largely ignored what they had or how it all worked. Many have balances north of \$50,000 now and as balances grow to meaningful percentages of individuals and couples net worth then it will become more and more important for investors to gain knowledge in this space. Markets have been kind for KiwiSavers so far but the time will come! Understanding risk/return and time horizons for investing will be vital. Poor understanding and subsequent loss of confidence leads to poor decisions. For those interested in seeking more information I would suggest they visit the [www.sorted.org.nz](http://www.sorted.org.nz) and/or seek qualified advice.



## UNDERSTANDING AND MANAGING RISK IN RETIREMENT

Over the last five years interest rates all around the world having been driven down to exceptionally low levels. At present inflation seems to have taken a holiday and there is some school of thought that this current scenario could be entrenched for many years.

Little surprise then that retirees look to find ways to cope with reduced income and avoid eating rapidly into their investment capital.

There is some evidence that over the last few years many have turned to direct shares and share funds that pay dividend streams better than bank deposit rates and to date have delivered some valuation gain as well. Additionally there have been plenty of lower quality corporate and subordinated bank debt offerings—paying just a bit above term deposits but locking-in for five or seven years. Anyone shifting any significant amount of their position in that way is most likely unaware of what extra risk they have taken on for a marginal lift in net income. The risk of there being a sudden re-pricing in both bond and equity markets I feel is rising. For many the living requirement from their portfolio is likely above the physical net cash flow (i.e. dividends and interest, after tax and fees) so there is a reliance on some price appreciation to meet cash flow needs. For some it goes further in that capital is deliberately being drawn. In these scenarios the effect of a prolonged period of asset values falling is quite dangerous, particularly the later, as assets may have to be sold in a down market just to meet living costs but in doing so locking-in losses.

Knowing and understanding how different assets work and deliver in your portfolio is very important and that is why it needs to be designed and tailored for you specifically. Increasing risk to chase yield has potential for unhappy times somewhere along the way



## DISCRETIONARY INVESTMENT MANAGEMENT SERVICES

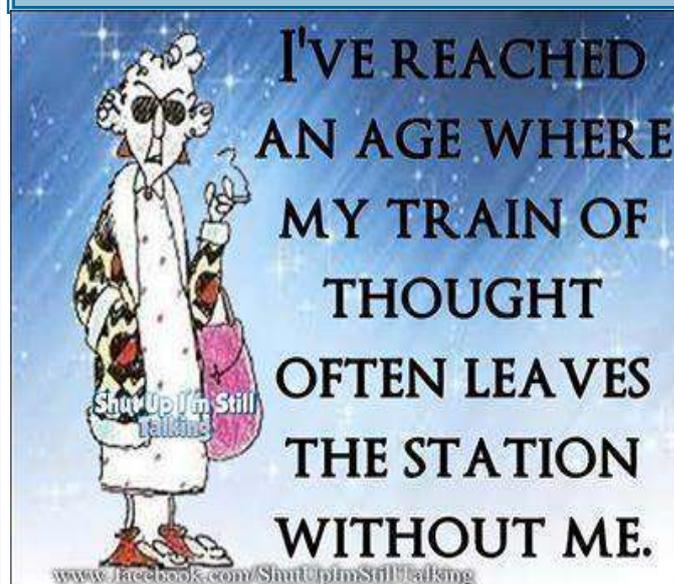
This time last year I outlined upcoming regulatory changes for Discretionary Investment Management Services (DIMS) and conducted a survey of clients to consider if any wished to change to this service.

To remind you what is DIMS:- This is where an adviser is authorised by his/her client to make changes to investments (buy/sell) without specific sign-off by the client on every transaction. At present I am registered/authorised to be a DIMS provider but have not elected to have clients take this up, instead I have you sign off on all transactions.

The response from some clients was positive but for many not compelling to change, believing the current system of signing off all changes generally worked.

There has been a lot of consultation with the Financial Markets Authority (FMA) and Regulators over the course of 2014 on this matter and I have made the decision to not operate under a DIMS licence. Effectively all transaction on your portfolio will continue to require sign off by you, the client. However please note that the authority that many hold to allow us to do cash withdrawals from your Aegis cash accounts to your nominated bank account plus the ability to lodge cheques to your Aegis cash accounts are unaffected and will continue as is.

## Light Relief





**MERRY CHRISTMAS  
AND A  
HAPPY AND PROSPEROUS  
NEW YEAR  
FROM THE PERSONAL  
INVESTMENT CENTRE TEAM**

## **Personal Changes**

Just a gentle reminder....

It is important that you advise us if you:

- ⇒ **Change your bank account**
- ⇒ **Change your address**
- ⇒ **Change your Will or set up EPA's**

Bank account and address changes are obviously important to ensure that withdrawals and correspondence get to the right place but it is also important if you change your Will or Estate structure. This could mean that your investments may need to be set up differently i.e. if you set up a Tenants in Common structure or a Trust structure. Our recommendation would be "if in doubt—give us a call" to ensure your portfolio meets current requirements

## **CHRISTMAS HOURS**

**The office will close on:**

**Tuesday, 23rd December 2014**

**And re-open on**

**Tuesday, 20th January 2015**

**We will be playing glide-time  
through this period - at work as  
needed so if there is anything urgent  
please phone: 0272 464 061**



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A Disclosure Statement is available on request at no charge.*

