



“Stephen to take up a share-holding in Personal Investment Centre

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From Pete's Desk



Well it's been a busy year for us and we are all looking forward to a wind-down over the holiday season. It has been busy on a number of fronts this year.

Andrea at TaxLink, has semi-retired this year but has taken an office in our premises one day a week and this is working out well for us all.

Stephen and I have attended a number of conferences of late but more of this in Stephen's article on page three. Always good to catch up with your peers and keep up with market and regulation change. Plenty of that coming for us in 2020.

Stephen is to take up a shareholding in Personal Investment Centre and Lynne and I are delighted to have him aboard. Over the next 3-5 years Stephen's involvement in the business will continue to expand.

Portfolios have rocketed along this last year despite the roller coaster affect of the China / USA stand-off over tariffs, Hong Kong disruptions and Brexit. Hopefully we are seeing some of this come to final resolutions as we go into the New Year.

On the home front Lynne and I seem to have spent a lot of time travelling around the country for family events and this looks likely to continue into the first quarter of 2020. Currently we are in the middle of getting the house painted—if you want the name of a great tradesman just ring me.

We are also delighted that our daughter, Irene, and her family are moving back to Palmy. It has been 10 years since they moved further north and we are looking forward to having them back here.

My eyes have continued to receive the pass mark of “stable” much to my relief. However, with my whitebaiting past, staring into water with sunshine on it, I have now developed a cataract. I was all set to head off to Wellington to have this removed when I had a phone call to say it's been delayed, the Southern Cross hospital sprinkler system failed and flooded the area. Really!!

Local property prices stretch even higher. With prospects of 4,600 new houses required for Palmerston North in the next decade to meet growth projections, it is hard to see any change in the trend. As valuations have flown skywards however so has bank debt underneath it. We've included a recent article from Australia, painting a different picture.

My point here is: Always look to both sides of the coin. Safe as houses is not quite the same truism when it sits on buckets of debt. Always, always do the arithmetic.

Merry Christmas and a Happy New Year from us all—can't believe we are heading into 2020. We look forward to seeing you all in the New Year



Reserve Bank of Australia reveals how one in three home borrowers could fall into negative equity



One in three home borrowers could soon owe their bank more than their house is worth. The Reserve Bank of Australia (RBA) is so concerned about this phenomenon, known as negative equity, that it has issued a warning about it (negative equity occurs when a borrower owes more than their house/asset is worth).

When property prices fall, borrowers who lose their job or fall sick are often hit with a financial catastrophe. They are forced to sell their house or apartment at a significant loss, which means they still owe their bank tens or even hundreds of thousands of dollars even though they no longer have an asset.

Presently, less than four percent of mortgages across Australia are in negative equity but in Western Australia and the Northern Territory more than 19 percent of borrowers are in negative equity. The RBA has warned that this could rise to 33 per cent if real estate values continued to plummet in those parts of Australia.

“Over half of all loan balances in negative equity are in Western Australia and the Northern Territory,” it was stated in its Financial Stability Review for October 2019. “If housing prices in Western Australia and the Northern Territory were to fall further, the share of loan balances in these states that are in negative equity would increase substantially”. “A further 10 percent decline in housing prices in Western Australia and the Northern Territory is estimated to result in the share of loan balances in negative equity in these regions increasing from a little under one-fifth to one-third”.

During the past year alone Perth’s median house price has dived by 9 percent while Darwin’s equivalent values have fallen by 11.3 percent. CoreLogic data showed. By comparison, Sydney’s median house price fell by 5.1 percent in the year to the end of September compared with 5.9 per cent in Melbourne. While the Sydney and Melbourne property markets are recovering from a record downturn, Perth prices have been falling for the past five years following the end of the mining boom.

Western Australia has a jobless rate of 5.8 per cent, which is significantly higher than the national average of 5.3 per cent. With fewer mining engineering jobs than a decade ago, wages have been falling. The RBA said, “Rising unemployment could see more borrowers default”. “Declines in income have historically been a key reason for households defaulting on their loans” it said. Although the bank’s central forecast is for the unemployment rate to remain broadly unchanged for some time, if the unemployment rate were to rise, the risks associated with negative equity would increase. “About one-half of all mortgages currently in negative equity are estimated to be in areas where the unemployment rate has risen over recent years.”

Published in the Daily Mail Australia 5th October 2019 written by Stephen Johnson

“A computer beat me at chess, but it was no match for me at kickboxing.”

Emo Philips

Pee on the electric fence
they said...
It will be fun they said...



Stephen's Ponderings



The year has flown by and we've been extremely busy, particularly over the last couple of months. In the first week of November, Peter and I took a trip down to Nelson for the inaugural conference of TIAA, the independent adviser group of which we are members. We discussed a lot of different things around markets, portfolio construction and the financial advice industry. The group has a lot of experience and knowledge and it's always important to hear different viewpoints to challenge your own thinking. Although the members have the same basic philosophy around investing and portfolios, there is no danger that there will be total agreement on things! Investing is all about uncertainty, so staying open to new ideas and testing your own methods is very important.

Lynne and my partner Karen joined us for the weekend and we had a great time, despite the miserable weather. So much for "Sunny Nelson"! But I was very impressed with the city and the area. We took a trip out to Mapua and Motueka for a look around and enjoyed some fantastic restaurants and great food. We're planning to make a trip down with the kids sometime to stay at a campground near the water (hopefully somewhere without internet coverage!). There are some wineries and golf courses that we passed that I wouldn't mind stopping to visit.

More recently I also attended the SIFA conference in Christchurch. SIFA is a small group of around 60 advisers, all of whom are fiercely independent and passionate about what they do. There are quite a few characters amongst them, and they don't mind giving a strong opinion to the powers that be! It makes for a really interesting couple of days. I enjoy the different personalities and opinions, it is never boring.

I'm extremely pleased to be taking up a shareholding in Personal Investment Centre and feel very fortunate. I know how dedicated Peter and Lynne are and how hard they work to do the best for clients in all areas. I intend to continue that same approach and contribute all I can to making sure we keep providing the best possible service and advice.

ASB SELLS AEGIS

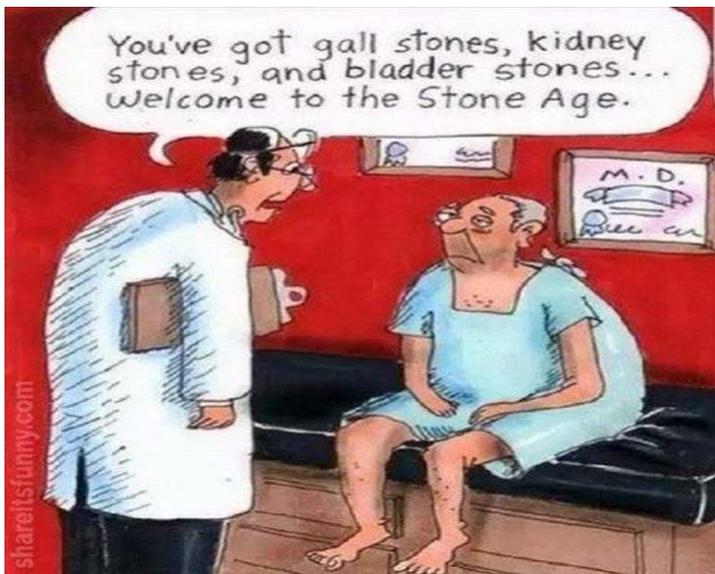
In October ASB announced that it had sold Aegis Limited, its investment administration and custody business, along with Investment Custodial Services Limited to MMC in a confidential deal. MMC is an Auckland based specialist investment administration business providing administration services to NZ investment product providers.

MMC was incorporated in 2002, they are a recognised leader in providing fund and investment administration services for 29 clients with funds under administration of \$59+bn. These clients include many of the managed funds we utilise in our portfolios and a number of KiwiSaver funds.

ASB recently conducted a review of Aegis and their Executive General Manager for private banking, wealth and insurance said; ".we came to understand that Aegis would be best placed to grow and serve the interest of its customers under new owners with a specialised focus". ASB itself will continue to utilise Aegis for its own Wealth Services reporting.

As you are aware we use Aegis to administer your portfolios. The change-over is due to happen in December, with staff combining and moving to a new building. We have confidence that you will notice no difference with the system now coming under MMC's control, in fact we are hopeful that under the new management you will see improvements in the administrations scope over the next year or two.





Christmas Variety CONCERTS

Saturday 30th November @ 2pm

Summerset on the Hill
180 Ruapehu Drive, Palmerston North

Saturday 7th December @ 2pm

Julia Wallace Retirement Village
Dogwood Way, Clearview Park, Palm Nth

Sunday 8th December @ 2pm

The Coach House Museum
121 South Street, FEILDING
\$5 Entry - proceeds to Coach House

Come along and hear the Decibelles, Tenors & Divas, Troublesome Troubadours and soloists. The Carnot School Choir will also be at the Coach House



Personal Changes

Don't forget...

It is important that you advise us if you:

- ⇒ **Change your bank account**
- ⇒ **Change your address**
- ⇒ **Change your Will or set up POA's**
- ⇒ **Change your Trustee**
- ⇒ **Change your email address**
- ⇒ **Have any other changes in your life that may relate to ownership structure or strategy**

Bank account and address/email 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 e.g. 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 is in alignment.

Out of the Office

The Office will close
Friday 20th December 2019
And re-open
Monday 13th January 2020

Anything urgent phone 02724 64061



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