



Christmas 2008

From Pete's Desk

As this newsletter reaches your letterbox there will be around three weeks to Christmas—now there's a scary thought, especially for those of us who leave the Christmas shopping to the very last minute!

I can't say I will be sorry to see 2008 "kicked into touch" it has been a year we will all be glad to put behind us. Though in saying that how can I be sorry for a year that has brought us two more beautiful grandchildren.

What has 2009 got to offer? We are looking at higher unemployment rates (in fact this has already begun) and as this begins to really bite, those that are carrying debt levels that are too high are going to struggle. Over 100,000 have negative equity in their homes already and this will be rising. As household budgets come under more and more pressure, domestic violence will increase and as already witnessed robberies will be on the up.

Have you hidden under the covers yet?!



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On the other side of the coin:- there will be good buying opportunities, lower interest rates (a positive if you are carrying debt, a negative if you are looking for interest income), lower house prices, lower fuel (for a time), lower dairy / food prices and retail sales for Africa. It's going to be a case of sitting tight, holding the line, clearing debt and grasping the opportunities where we can. Well before the "doom and gloom" has left us share markets will rise. You will only realise the extent of the rise when you look back, so timing the exact point to buy in is rarely achieved. Stay invested and "dollar cost average" back into shares where you have the room to.

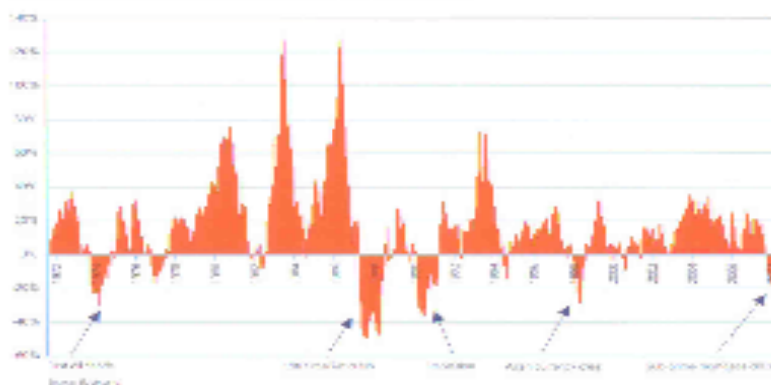
I would like to take this opportunity to thank you all for your support through this very difficult period. It is so very easy to lose confidence when markets are like this. My role is to help steer you through them, extract facts from "media noise", and to keep your long-term goals in focus. Remember that "markets are cyclical". The following chart is a good example of how markets can quickly recover after a downturn and sometime in 2009 perhaps we will see that sustained upswing. I will be continuing to review and reposition your portfolio with you next year to meet markets conditions.

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Staying invested can reap rewards

Rolling annual returns, new data to date, from June 1992 to June 2008



Regular investors in the UK have seen the benefits of staying invested, even through the downturn in 2008. The chart shows that those who stayed invested in the UK have seen a significant recovery in their investments.

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It is important to remember that the market is cyclical and that there will be a recovery. The chart shows that those who stayed invested in the UK have seen a significant recovery in their investments.

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SYSTEMS & REPORTING CHANGES

Some of our portfolio reviews are now overdue/out of sequence. This is due to us consciously putting all of our resources into securing good quality and longer dated fixed interest investments for clients. There were very short time-frames on some of these issues, which really put the pressure on (Big thanks to Michele). Also we have been restructuring client portfolios, where necessary, because of the tax implications around FIF and PIE funds and also re-weighting asset allocations.

Why have I put the focus into these areas? The tax one is obvious but as I have said in past issues, I held a strong view that interest rates would fall back to quite low levels. My original view of term deposits by 2009 being down to around 6 percent may be too high (by one to one and a half percent). We have seen anomalies appear—as soon as an institution was approved under the new Government Deposit Guarantee Scheme they would drop their rates. Westpac were offering a bond in October at an interest rate of 8.25 percent—they withdrew it from the market but have come back to investors in November with a new rate 7.04%!

Along with this we are working towards implementing a new reporting system in the New Year. We are finding that it is sometimes beyond the 10th of the month when Aegis have finished auditing end of month pricing and backdating dividends received after months end. This has meant when using a valuation point before the 10th the review was showing up inconsistencies. A lot of Advisers report on an end of calendar quarter basis with a mass mail out—something we don't want and imagine you wouldn't either. We have therefore decided that going forward we will still individualise your portfolio review but the reports will now be to the end of the month prior to your review date, not to the day before as we have been doing.

Whatever date we choose is really just a “line in the sand”. As you are aware pricing is subject to market movements, exchange rates, dividends due but not received etc. Backdating to the end of the previous month will ensure a confirmed position with these variables substantially removed.

To enable us to implement this change we will re-set your review dates and this could mean a longer wait than usual for your next report. Please bear with us while we work our way through this process.

Remember we have now implemented the **Client Portal Access** through our website. Those clients that are already using this facility are finding it very handy to check their cash balances etc. If you have internet access you can register for “Client Portal” - send Lynne an email lynne@investcentre.co.nz and she will send you the relevant documentation to get you underway and guide you as necessary with the process.

OUT OF THE OFFICE

Peter and Lynne will be out of the office from

**Thursday 4th December, back on deck
Monday 15th December**

Michele will be in the office :

8.30am to 2.30pm

If you phone outside of these hours please leave a message on the answer phone and we will attend to your query as soon as possible



The 3 stages of man:

He believes in Santa Claus.

He doesn't believe in Santa Claus.

He is Santa Claus.

GENERATION X AND Y

Author Venita Van Caspel wrote the following more than two decades ago:

“Our educational system continues to send forth our young with so little information about financial matters that they are like time bombs about to destroy their own and their families’ economic futures. We equip them to earn good incomes and to live the good life, but we fail miserably as a nation to prepare them to know what to do with the money they earn.”

Never a truer word has been written; disappointingly not much has changed over the two decades since this was written. However, it was pleasing to see that the Government is looking to put in place some educational programmes to lift “financial literacy” in our young—hopefully the new Government will be taking up the reins on this to push it forward.

We have heard much about “Generation X and Y”, the “now generations” and it is frightening how eager they have been to take on debt. Something the older generation (Pete includes himself here) finds incomprehensible. But why wouldn’t they—it’s been handed to them on a plate. Don’t worry about sav-

ing—here have a loan, have a credit card, and another and another. Some of these young adults have debt levels of up to \$70,000+ and nothing to show for it. They have mostly bought consumables:- car, laptop, computer games, wide screen televisions etc, etc. All of these depreciate at a much faster rate than the repayment of the loan attached. Those with houses, who have borrowed at ninety percent plus, will also find their asset falling faster than the loan is repaid for some years to come.

With the tightening up of credit due to the global credit crisis many of Generation X and Y are going to have to learn a difficult lesson. With the newer generations being taught the prudence of saving and lending institutions moving back to the old rules of decent deposit levels and sensible repayment ability we will hopefully not see the likes of this a decade on.

Editors note: Since this article was written two major banks announced that they would now be seeking 20 percent deposits on house mortgages. This is something that Peter has been banging on about forever!



With the current credit crisis and the need to write new money for bail outs the US Government has designed a new Dollar bill

**The happiest people do not necessarily have the “best things”
They simply appreciate the things they have.**



CHRISTMAS HOLIDAY HOURS

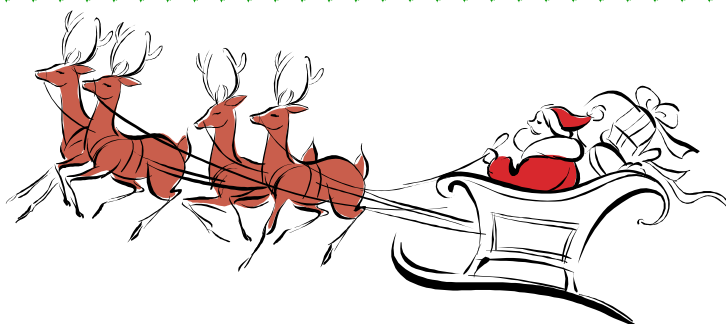
The office will be closing for the holidays on:

Tuesday 23rd December 2008 (Lunchtime)

Re-opening on:

Tuesday, 20th January 2009

As normal we will be operating on glide time through this period so if you have anything urgent either leave a message on the answer phone or call Peter on his mobile 027 2464061.



**THE PIC TEAM WISH YOU ALL A VERY
MERRY CHRISTMAS AND A BRIGHT AND
PROSPEROUS NEW YEAR**



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

