



### From Pete's Desk

Well here we are again; almost to the end of another year! It's been a bit of a roller coaster ride, with the markets continuing to slide through to March, then a lift through to September and since then a flattening out.

Alan Bollard whilst announcing that he was leaving the Official Cash Rate as it is for the present said, "The New Zealand economy continues to recover but there remains considerable uncertainty about the durability of expansion". I agree, while surveys on business confidence have improved it is a little disconcerting when you see that New Zealand small to medium business' have over \$1B in tax arrears to the IRD currently under installment payments! All that debt I mentioned in last years Christmas newsletter has not gone away either. If consumer spending lifts higher than expected (Christmas spending could be interesting) and house prices continue to lift, we may see the Reserve Bank lift interest rates earlier than mid-2010.

I was recently at our group conference and our consensus is that markets will continue positively in 2010 but we need to see the current lift in prices backed up by earnings reality.



*Let the insanity begin*

Certainly there is an optimism out there but I'm not as bullish as some research analysts. A conservative, cautious approach remains appropriate

We are all looking forward to the break over the Festive Season. Our daughter and family, who have been under the threat of a move to Auckland for the past year, have finally made the move. We will miss them and I will probably have to hog tie Lynne to the desk to get some work done and stop her shooting off to visit. Our Son, who is a primary school teacher, will start in a new position next year, and his wife, a physiotherapist, after spending time at home raising the boys is picking up part-time hours at the

Palmy hospital. So all in all quite a bit of change on the home front for 2010. We are looking forward to spending time with the "Littlies" and viewing Christmas through their eyes. They are certainly excited about the upcoming event. As always we'll be working some glide time over the holidays as we have overseas clients due home.

Michele is off to Kinloch for the summer with the family and is looking forward to a long break. She has been a regular visitor to Kinloch over the years and loves the place.

***Once again on behalf of the PIC Team I would like to thank you all for your support through 2009 and look forward to catching up with you in 2010. Meanwhile we hope you have a wonderfully relaxed festive break catching up with family and friends.***

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## CONSUMER ARTICLE

No doubt you have either read or heard through the media the Consumer article about Financial Planning.

I continue my love/hate relationship with this magazine. I am happy to be able to compare 5 types of electric jug to find the best but my belief is that finance and investment is investor specific and needs driven—this is why you will not see me anywhere near “template planning” (fitting investors into boxes from 1—5). In reading the article and full report and hearing from some of the Advisers surveyed, my view is that Consumer used flawed methodology. The full report clearly indicated to me that Consumer had very fixed, biased views with limited understanding of investment markets, products or wrap platforms such as Aegis. In fact, a poor understanding of what a Financial Planners role is. Most of their mystery shopper case studies were more a budgeting advice scenario. Several hours verbal advice given by advisers was not included in their results and only written advice counted.

We all know the Financial Planning profession has been lacking in regulation and has lost consumer confidence but there are moves afoot already to repair this. For the Code Committee to meekly drop the Financial Planning Representatives (and may I say good quality planners, well thought of in the profession) was a retrograde step and gave Government endorsement of Consumer as “The Authority”. As investors you need legislation that we can easily work with, not compliance that adds severe complication. The Advisers dropped were the people who could point this out. We risk ending up with overly complex legislation, like Australia, where complexity has added to investor cost and only made things worse. So far our new rules look to be shaping up well and the over-arching premise of “Client First” is what is needed.

Liz Koh, one of the Planners dropped from the Code Committee wrote in a recent article in response to the Consumer “This is clearly a report for which the headline had already been written. Consumer has announced their intention to do a repeat after the introduction of the new regulations.” I have to say that I drew the same conclusion, after reading the report and subsequently hearing that the Ministry of Economic Development had assisted in funding the Consumer survey. Will the next Consumer report have the Government and Securities Commission patting themselves on the back for their legislation changing the investment world?

## FINANCIAL ADVISERS ACT

Whilst it is easy to conclude that the new regulations being formulated for our industry are a reaction to the Global Credit Crisis and financial company failures etc. of the past two years, this is not entirely so. Financial markets and products have seen significant change over the last 20 years as deregulation, technology and the one global market came about. New Zealand was already moving along to adopt similar legislation to other developed nations when the events of 2008-2009 unfolded.

The new rules are welcomed by most practitioners and with barriers to entry around education and experience, along with disclosure and transparency of fees etc., hopefully a better profession overall will emerge. Rules are by themselves not the “be-all end-all” solution however and I have noted heavily legislated Australia has probably had more shonky advice/failures than New Zealand of recent time.

The key to change in the financial advice space is that participants embrace a focus of professionalism and that ultimately the public recognise and acknowledge this in due course and have confidence to seek advice. A major aspect of the new regulations will be the Code Committee work in not only setting new operational standards but also for ethical behaviour and “Client First” duty of care. The new act will be fully operational from this time next year.

All authorised financial advisers (AFA) will have to meet:

- A minimum Level 5 Qualification
- Be on a National Register
- Join a recognised Disputes Resolution Body
- Prove their business has systems, process and research and submit an Adviser Business Statement as a requirement to be licenced.

If you have an interest, or want to have your say in this matter check out [www.financialadvisercode.govt.nz](http://www.financialadvisercode.govt.nz)

**“Money isn’t everything but it sure keeps you in touch with your children”**

*J Paul Getty*

## ***It just all depends on how you look at some things...***

Judy Wallman, a professional genealogy researcher in southern California, was doing some personal work on her own family tree. She discovered that Congressman Harry Reid's great-great uncle, Remus Reid, was hanged for horse stealing and train robbery in Montana in 1889. Both Judy and Harry Reid share this common ancestor.

The only known photograph of Remus shows him standing on the gallows in Montana territory: On the back of the picture Judy obtained during her research is this inscription: 'Remus Reid, horse thief, sent to Montana Territorial Prison 1885, escaped 1887, robbed the Montana Flyer six times, caught by Pinkerton detectives, convicted and hanged in 1889.'

So Judy recently e-mailed Congressman Harry Reid for information about their great-great uncle.

Believe it or not, Harry Reid's staff sent back the following biographical sketch for her genealogy research:

*"Remus Reid was a famous cowboy in the Montana Territory . His business empire grew to include acquisition of valuable equestrian assets and intimate dealings with the Montana railroad. Beginning in 1883, he devoted several years of his life to government service, finally taking leave to resume his dealings with the railroad. In 1887, he was a key player in a vital investigation run by the renowned Pinkerton Detective Agency. In 1889, Remus passed away during an important civic function held in his honour when the platform upon which he was standing collapsed."*

*Received in a recent email, it puts new meaning to the term positive spin don't you think!*

## **PIR FORMS**

Thank you to those who have returned their PIR forms to elect the level of PIE tax you wish to be on.

Due to tax changes that are coming in on the 1st April 2010 we will once again be sending out these forms for your completion. In fact they will become an annual exercise so that we pick up any changes that may be occurring to your income / tax status.

*The term "buck"; relating to the slang for U. S. dollar, originated from the Old West when buckskin was a common medium of exchange with Indians. Later as currency replaced the barter system, people still referred to a dollar as a buck.*



## **POSTAL ADDRESS**

Remember when posting forms to us to use our postal box address (P O Box 448) as the post office seem to be returning mail to clients using our street address.



## **CHRISTMAS GIFTS**

Once again in lieu of client gifts we will be donating to local charities.

Last year we donated to:

Woman's Refuge

Salvation Army Food Bank

S P C A

# CHRISTMAS HOLIDAY HOURS

The office will be closing for the holidays on:

**Wednesday 23rd December 2009 (Lunchtime)**

Re-opening on:

**Tuesday, 26th January 2010**

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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