



...2012 is drawing to a close with some reasonable return figures ....

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**From Pete's Desk**

Well here we are again; another year almost done and the financial sector under a cloud once more!

I learned that there was an Adviser/Fund Manager being investigated by the Financial Markets Authority (FMA) for Ponzi style irregularities when I was on conference at the end of October. The anger in the room was palpable—everyone, from fund managers to advisers. All felt that with all the new legislation and regulation that this should not be happening still!

So, how under the new regulations could this happen? Under the current requirements David Ross will have been exempted some requirements as he was already a Chartered Accountant and therefore relatively easily will have qualified as an Authorised Financial Adviser. I'm afraid that all the regulations in the world won't stop "clever crooks" in all walks of life but in hindsight there were a number of red flags in the structure of the Ross operations.

Even though he wasn't initially picked up by the FMA, I believe that the system has worked, in that once notified the FMA have moved very quickly and going forward we can now expect even closer scrutiny, though that is little comfort to investors wiped out in this debacle.

I thought it would be an appropriate time to reiterate that the Aegis system we have used for more than a decade now is very different to how Ross Investments operated.

Investments held within an Aegis portfolio are held by an independent custodian "Investment Custodial Services Ltd", both Aegis and ICSL are part of the ASB Bank, in turn a subsidiary of the Commonwealth Bank of Australia. In total Aegis administers over \$6B across more than 20,000 investor portfolios. It is the administration choice of 70+ groups of investment professionals in New Zealand. All records are audited by Price Waterhouse Coopers on an annual basis. Safety features include transaction, cash and pending reports sent direct to clients independent to Adviser supplied reports.

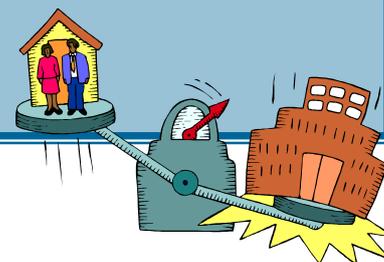
You can have full confidence in the Aegis system and processes but please feel free to call me if you are at all concerned or seek clarification ☎ 354 7900.

On a more positive note 2012 is drawing to a close with some reasonable return figures and for the first time in a while more pluses than minus' looking ahead to 2013

***Thank you all for your continued support through 2012, I look forward to catching up again in the New Year***



## RISK ASSESSMENT—FINOLOGY



There's a new "buzz word" in financial adviser circles:- "Finology". It's about matching investors' needs and goals with their current situations, risks and attitudes. The word maybe new but the issue is not;

Advisers have always had a responsibility to their clients to provide an assessment and give guidance in this crucial though somewhat subjective area. Investment recommendations, products and solutions must be specifically client centred and fit for purpose.

There are essentially four aspects to risk assessment:

### Risk Tolerance

Risk tolerance is your attitude to risk, how much you are prepared to take. How much of a chance you are prepared to take that you won't achieve what you set out to achieve. It is generally agreed that your risk tolerance will not change through your lifetime.

### Risk Perception

The second aspect is risk perception – your situational awareness of the risks that you are exposed to. For instance, young people don't inherently have a greater risk tolerance than older people. But they do have low risk perception which can cause them to take on more risk than they believe they are actually taking. Risk perception can and does change over time due to a person's changing circumstances. It also has a certain timeliness to it in that risk perception is heightened soon after a negative event is realised.

### Risk Capacity

The third is risk capacity, being the actual ability of someone to survive a financial loss (actual capital loss or even volatility swings in asset values and fluctuating cash flows).

### Risk Required

Finally, the fourth is risk required - the risk that needs to be taken in order to reach a goal. "If a person is outcomes based (i.e. retirement by 55) then a certain level of risk needs to be taken to achieve those outcomes but of course this would need to be balanced against risk tolerance. There is risk in being too conservative and losing on the real value of capital (after tax and inflation).

All these aspects need to be assessed by an Adviser in constructing a client's portfolio and investment strategy. There are tools and methodology available today to assist in this task but it always has been subjective and remains so.

Condensed article sourced from Financial Alert and Portfolio Construction Forum

*"Wrinkled was not one of the things I wanted to be when I grew up".*

## MOVING TO AUSTRALIA



There has been a lot in the media about the great exodus of people from New Zealand seeking work across the ditch. We are now hearing of some who haven't done their homework before exiting New Zealand now running into trouble. There are a lot of areas that need investigation before making a shift to Australia (or any other country for that matter).

Australia tightened up their benefit eligibility in 2001 to counter too many New Zealanders heading over there and ending up on a benefit. Most going over are seeking employment or may already have work, however get sick or lose employment, which is quite on the cards in the current economic environment and there is no backstop benefit. Sometimes a small benefit can be obtained but it is insufficient to cover even general daily living. The moral of the story here is that you should have a return ticket in your back pocket and some savings that can get you through for a period if things get tight.

New Zealand citizens may enter Australia as holders of Special Category visas, or as holders of permanent visas under the Migration Program (ie as if migrating from any other country). A Special Category visa is granted to a New Zealand citizen who does not hold a visa on arrival in Australia, and who presents their New Zealand passport. From 26 February 2001, holders of Special Category visas are no longer able to satisfy the definition of an Australian resident for income support purposes, unless they belong to a "protected" group. However, holders of Special Category visas who are residing in Australia can receive family assistance and concession cards for low-income earners after a two year period.

The protected group generally are Special Category visa holders who: were in Australia before 26 February 2001  
Children, even if they are born in Australia, with New Zealand parents may attend primary school but are ineligible for University loans; they are instead treated as a foreign student having to pay high fees up front.

New Zealanders who may not meet the residency test could also not be eligible for New Zealand superannuation nor be entitled to the Australian Pension Scheme unless they take up full residency over there.

To meet residency requirements for New Zealand superannuation eligibility, a client must have lived in New Zealand:

- ⇒ for 10 years since they were aged 20, including
- ⇒ five years since they were aged 50.

At present New Zealand Superannuation is not income or asset tested whereas the Australian pension is.

New Zealand citizens living permanently in Australia are eligible for Medicare provided they can prove they have entered Australia long-term or permanently. To prove that they live in Australia long-term or permanently they will need to produce documents such as a purchase or lease agreement of a property, gas/electricity accounts in the same name or an employment contract. If eligible for Medicare you are able to get free public hospital treatment and free or subsidised treatment from doctors as well as access to subsidised pharmaceuticals.

New Zealanders can now consolidate their Australian and NZ earned retirement savings after the Australian Government passed Superannuation Legislation. Retirement savings can be transferred between complying Australian superannuation funds and a NZ KiwiSaver scheme. There are tax considerations to be considered for those in this circumstance so transfers should not be made without first getting advice.

All in all Australia is not all the "Land of Milk and Honey" and all New Zealanders contemplating a shift should do some research or seek advice first.

Websites we found useful for this article were: [www.nzembassy.com](http://www.nzembassy.com) and [www.humanservices.gov.au](http://www.humanservices.gov.au)

## Light Relief

### Complete and Finished

No English dictionary has been able to adequately explain the difference between the two words. Some people say there is no difference between COMPLETE and FINISHED.

Nevertheless, in a linguistic competition held in London Samsundar Balgobin, a Guyanese man was the clear winner with a standing ovation.

His final question was ... How to explain the difference between COMPLETE and FINISHED in a way that is easy to understand.

His answer: "When you marry the right woman you are COMPLETE. When you marry the wrong woman, you are FINISHED. When the right one catches you with the wrong one, you are COMPLETELY FINISHED!"



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

## CHRISTMAS HOURS

Our last day for 2012 will be Thursday 20th December and the office will re-open fully after Anniversary Day 22nd January 2013.

As in previous years we will however be working "Glide-Time" through January. We will be in the office some days checking mail, emails etc. and still meeting some clients as required.

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FOR ANYTHING URGENT**



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