

***“.....I am
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From Pete's Desk



Well so far 2018 has been busy and not just with investment advice. I'm putting a lot of it down to the aging of my clients. There have been a few who have moved into retirement villages and this has prompted the need to look at their Estate Planning. Whilst I don't prepare Wills etc., part of my role as a Financial Planner is to ensure that your investment structure matches your Estate Plans. So please; if you are making any changes in this area let us know so we can check that we are in sync. Enduring Powers of Attorney also feature in this process and the legislation around this has changed, so it is important that you review your intentions. If/when the time comes we will have to load the EPA against the portfolio so if we can have a copy on file we are forearmed with names etc. and can implement easily.

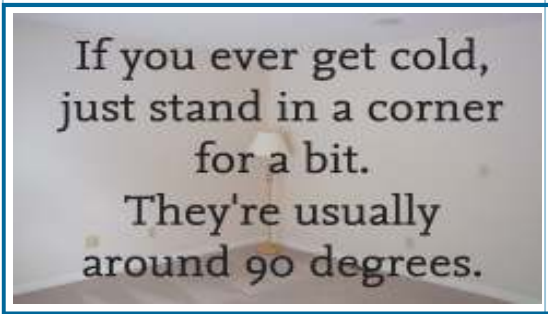
We have also been busy transitioning clients across to the new administration system, on to a new contract and auditing files at the same time and this process has been proceeding well.

In amongst all this and the normal day-to-day running Lynne had a week out of the office to visit the family in Hamilton—boy did that put us under pressure!

Whilst Lynne was away, as luck would have it, I received an enquiry requesting work in our industry and I am delighted to advise that we are expanding. Further on in the newsletter our new team member, Stephen, has written a short bio and as you will see he is a local, very attached to the Manawatu.

Stephen will be starting work with us on the 21st May, initially as a Para Planner / Administrator. He has completed his Financial Planning Diploma at Massey and will soon be completing his requirement to become an Authorised Financial Adviser (AFA), so he is not yet quite ready to take on his own client base. We are looking later in the year for this to be in place and can again consider growing the business. If you know anyone that could benefit from financial planning and investment advice please recommend our services. Stephen will be on a steep learning curve over the next few months, whilst he comes to grips with Aegis, along with the administration and office systems, not to mention FATCA, AML/CFT, CRS —oh don't you love the jargon we have out there!

Next time you are in the office we will have the pleasure of introducing him to you in person.



Passive vs. Active Management

Currently there is a debate in the market place around KiwiSaver fees being charged by fund managers and whether you are better to take a Passive or Active stance. Passive management being lesser fees and active management higher, as they have to cover the extra cost of their active process.

This debate has gone on for years—not only in the KiwiSaver arena but in investment as a whole. There are Advisers who favour Passive and others who don't so I thought it might be a good idea to explain further what the difference is.

Passive investing is usually linked to a market index and the goal is to match this index, not to outperform it. A simple buy and hold strategy computer driven process and low cost, so performance follows the market both up and down.

Active investing generally tries to “beat the market” or outperform standard benchmarks, looking to outperform rising markets but more importantly protecting/minimising falling markets. There is more cost analysing themes, trends, stocks and following a strategy with human expertise and input.

There is a case for an investor to take a stance in both camps.

As a general rule you can find that Active vs. Passive debate follows cycles and just when it seems that Passive has permanently pulled ahead, directly following a long rising market, things change and the futility inherent in declaring a “winner” is revealed anew as good active managers protect their fund against the fall.

In the current market I would tend to favour Active management so that potential downward slide maybe somewhat controlled. Remember a nasty 50% fall, like 2007/08, will require 100% gain to get back to an even footing.

Your best investment strategy remains diversification and having a structured mix of direct vs. managed funds, utilising differing but often complementary strategies.

Stephen Redwood

I was born and raised in the mighty Manawatu, attending PN Boys High and Massey University. After 10 years as Managing Director of a local business, I have recently been working in the insurance industry, while studying toward, and attaining, my Grad. Diploma in Business Studies (Personal Financial Planning).



Alongside my experiences in business and insurance, I have concurrently developed a passion for investment and the financial markets. I have a keen interest in estate and tax planning and believe that establishing the right asset ownership structures is key to a solid financial plan. I am excited to be embarking on a new career that I have aspired to and worked toward for some time. I am looking forward to applying my accumulated knowledge to assist clients by developing plans that are tailored to their own unique circumstances, which will reflect their specific goals and aspirations.

I live locally with my partner, Karen and two children. I love travelling, cricket, spending time with the family, and sneaking in a round of golf (or two) when time permits.

I am delighted to begin my new position with Lynne & Peter and look forward to meeting you all.



Bright-line Test and Tax Statement Requirements

Some of you may have heard the term “**Bright-line Test**” for those of you who may be interested in property investment you should definitely know what this means.

Simply put:- those who sell residential property in New Zealand within five years of acquiring it will be subject to income tax on any gain.

This legislation was introduced by the National led Government in 2015 with a two year time-frame, however, this has been extended out to five years in March this year by the current Government with a view to deter speculators and help to dampen the housing market “bubble”.

The Bright-line Test does not apply if the property was:

- Your main home
- Transferred as part of an inheritance
- Transferred to you as an executor/ administrator of a deceased estate.

What does the term Residential Land refer to:

- Land that has a dwelling on it
- Land for which the owner has an arrangement that relates to erecting a dwelling, or
- Bare land that may be used for erecting a dwelling under rules in the relevant operative district plan.

This has become a complex tax issue and there are exemptions so it needs to be looked at on a case by case basis. It requires professional advice before you look to sell. We work with tax consultants and are happy to refer you on.



How Much Money Do I Need To Retire On?

I don't know how many times I get asked this question but basically my standard answer is: “That depends”. So, not much help first up but truly retirement is something that needs to be planned for.

New Zealand Superannuation provides currently \$20,290pa for a single person and \$31,215pa for a couple (both over 65). This can mean an enjoyable retirement, if you have savings and own your own home or just surviving, if you have no savings and do not own your own home. It is extremely difficult on Superannuation alone if you have to pay rent.

There are some calculations that state that you need up to \$1M⁺ to enjoy retirement—again “That depends”.

However, having worked with clients for almost 30 years now and watching them go through the life-cycle; as a common rule of thumb I would say this:

When you first retire you will probably need around the same income per annum as when you were earning, especially if you retire at around 65 years. Lifestyle choices play a big part in the early stages:- eating out, holidays, motorhomes, grandchildren etc. Dependent on health this could cover a span of 10-15 years.

After this life can be cheaper, as you tend to stay at home more, as long as your health remains robust.

Set your goals for retirement, how many times a year do you want to holiday (overseas and locally)? Do you require a new car and how often? Are you planning on dining out often? Will you need medical insurance in retirement? What insurances do you need in retirement? Come and see us and we will help you work towards strategies that fit within your means and your goals.

“Work for a living

Invest for a life”

TAX SUMMARIES

We have sign-off on tax summaries for year end 31/3/2018 and will be getting these out to you/accountants shortly.

If you have an Accountant / Tax Consultant prepare your return and you wish us to provide them with your summary direct please let us know

admin@investcentre.co.nz

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 EPA'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.

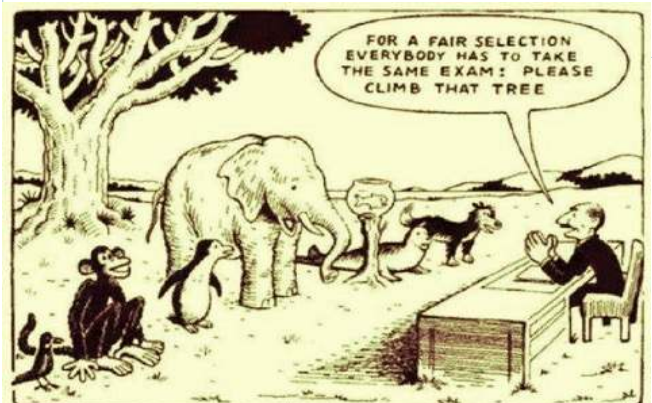


MAGICAL MUSICALS CONCERT

Sunday 17th June @ 2pm

St Paul's Presbyterian Church
Cnr Church & Grey Streets, FEILDING
Gold Coin Entry

Come along and hear the Decibelles and Troublesome Troubadours sing. **Your chance to see Peter in a different role.**



Our Education System

"Everybody is a genius. But if you judge a fish by its ability to climb a tree, it will live its whole life believing that it is stupid."

- Albert Einstein



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

