PERSONAL INVESTMENT CENTRE
FINANCIAL PLANNERS AND INVESTMENT ADVISERS

Winter 2009

From Pete's Desk

As large companies have been endeavouring to reduce their debt levels and strengthen their balance sheets, markets have been inundated with a number of high quality long-term fixed interest bonds and we have been busy in the office trying to meet deadlines for these. Many have had extremely short time frames and I thank those that have participated in returning their forms promptly—it certainly makes our job easier. Whilst short-term interest rates are at all time lows longer-dated money still delivers a reasonable return without compromising quality.

Share markets have rebounded strongly over April and May, which is pleasing to see and also confirms once again that you must stay invested in the market to participate in any recovery. Trying to pick the bottom of the market is near impossible but what you can lay odds on is that by the time economic recovery is declared share markets will have moved. If you wait for recovery to be evident you will miss most of the year's performance.

"By the time economic recovery is declared share markets will have moved."

We are beginning to hear words of optimism out there with the media calling a… "housing market recovery etc." I'm an advocate of conservatism, as you all know, and I'm not entirely convinced that we have turned the corner. Having taken profits during the good times it is time to start to look at putting a bit more back into the pool. I am therefore advocating a cautious "dollar cost averaging" approach;- a little bit now and a bit more later.

I'm off to an IFA Conference in Auckland in July—didn't get to last year's you may recall as I was full of the flu - hopefully this swine flu won't be rampant by then!

Our industry conference will be interesting as we will be looking at the new legislation to come into force and how it will effect the individual adviser. Changes are long overdue and education/qualification of advisers and setting ethical standards is an extremely important part of the overhaul. I just hope they aren't taking a "sledgehammer to crack a peanut" attitude to it. The IFA is trying to raise the profile of a "qualified adviser" because let's face it anyone can hang up a shingle at the moment and call themselves a financial adviser, they currently don't need to belong to a professional body like the IFA or hold relevant qualifications.

"These days an income is something you can't live without—or within."
Tom Wilson

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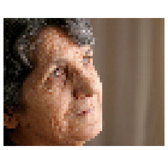
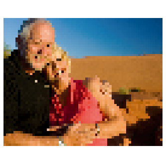
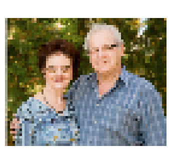
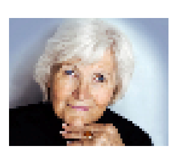
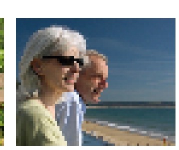









AEGIS TAX SUMMARIES

Tax Summaries have been posted out. For those clients who have provided their tax consultant details we have sent these out to the tax consultant direct. You will now need to provide your consultant with any other income you have received outside of your portfolio e.g. bank accounts, etc.

We have been advised by Aegis that there is a hold up again this year (it should be the last) with clients holding what was formerly **NZPS Princes Property Fund**. They advise that they expect tax summaries to be available in July.

☏ If you have not received your tax summary, or would prefer us to post your summary direct to your tax consultant next year, please phone the office 354 7900

A Little Light Relief …….

TODAY'S STOCK REPORT

Helium was up, feathers were down

Paper was stationary

Fluorescent tubing dimmed in light trading

Knives were up sharply

Cows steered into a bull market

Pencils lost a few points

Hiking equipment was tramping

Lifts rose while escalators continued a slow decline

Weights were up in heavy trading

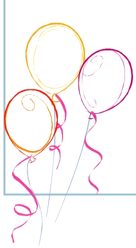
Light switches were off

Mining equipment hit rock bottom

Shipping lines stayed on an even keel

Balloon prices were inflated

Caterpillar stock inched up a bit



ESTATE PLANNING

As a Financial Planner part of my brief is to check that a client's estate plans are in sync with their investment / retirement plans. I am always surprised at the young ones that I have in my office that have not made provision for their survivors—they have put it in the "too hard" box.

A recent survey of 750 Kiwis has shown that it is not just the young that are not preparing for a sudden event - nearly two –thirds of New Zealanders over 40 do not have a will or have one but need to revise it. In fact 4 per cent of these people had no intention of having a will!

If you die without a will, it is not a given that your assets will pass to your partner, especially when there are children involved. There is a strict legal process that will be followed by the courts if you die intestate (without a will). A percentage is passed to the partner and a percentage to the children, this includes the family home.

People should be more aware of the importance of having a will and updating it when there are changes in their life—children, a divorce, a second marriage (especially if there are children from previous partnerships). Of the people surveyed that had wills 31 percent had revised it three times, 31 percent two times and 18 percent once.

If you are a grandparent and your child enters into a second marriage where their partner has children from a previous partnership, how do you want your assets divided if your child should predecease you?

As hard as it is—estate planning is an area that you must give some serious thought to. I find the best way to start is to think; "what if" then "what would I want to have happen," "how this is best put into place" can then be determined with your Solicitor etc.

Doing nothing is not a sensible option.

THE DEVIL'S IN THE DETAIL

"*To change insurance provider or not*?"

As a high percentage of my clients are retired or near-retirement I do not write a lot of insurance business—the older you get the less you need. However as a Financial Planner I am required to be able to assess clients on a "Risk Needs" basis. I am always happy therefore to take a look at your existing insurance cover and advise.

Medical insurance is an area where most people look at their premiums going up as they get older and think about changing or cancelling. It is extremely important that you get advice *BEFORE* you do this.

Insurance companies have a clause called "Pre-existing conditions" and when you look to change from one insurance provider to another you may find that any pre-existing conditions are NOT COVERED.

A recent example of this scenario was a client who received a call from an insurance agency based in Wellington saying that they were sure they could reduce their premium costs. Having just received their Southern Cross advice that their premium was about to increase they were warm to the proposal and changed. Six months later they had trouble with their knee, which actually became a hip replacement requirement. Under their Southern Cross policy, which they had taken out when they were much younger and didn't have "pre-existing conditions", they would have received cover for this operation. Under their new policy they were declined under a "pre-existing" clause—they had been to their Doctor some years ago regarding their other knee and had been prescribed a two week course of anti-inflammatory medication, which seemed to fix it. There were a couple of other innocuous incidents (or so my client thought) that they had been to their Doctor about and the insurance company was very quick to link these to the hip condition and wrap all it up under the "pre-existing" title. Result my client had to meet cost of the hip operation out of their portfolio.

Some people think that they will be covered under the public system if something is urgent—not necessarily the case. The waiting lists are getting longer and your health or quality of life may not be up to waiting an indeterminate amount of time.

The moral of the story really is that it is important to get in early for insurance cover and to ensure that you have the right cover in place. There are many policies out there that may sound good but can be too limited or too defined in their cover.

"Be very wary of changing your provider."

MORTGAGE DILEMMA

Another area that we have been spending time on lately has been mortgage rates and the breaking thereof.

I recently had a young couple in who had been advised by their bank 18 months ago to lock their considerable mortgage into five years at 9.0%. This was poor advice as it was fairly well expected that rates would be easing. The result for this couple now is that it would cost them $30,000 to break and re-fix. Seems the bank has it covered, which ever way they go!

This is quite a complex issue, as in most cases people don't have the funds to meet the break fee and look to add this onto their mortgage. For a short-term fix (lower fortnightly payment) they are extending the length of their mortgage and paying the bank a lot more interest.

PORTFOLIO REVIEWS

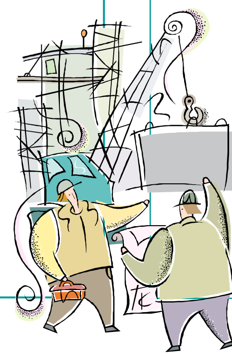
Further to our Christmas newsletter, we have begun working on the new portfolio review format but we are no-where near caught up yet. We apologise for the length of time this is taking. Michele and Lynne are hoping to be able to make a concerted effort over the next few weeks.

In the meantime remember you are able to view your portfolio valuation on line now. If you would like to put this in place please email admin@investcentre.co.nz and the girls will send you the appropriate form to complete.

BUILDING RENOVATIONS

We are currently going through renovations to the air-conditioning system in our building. For some reason they have decided to start on our floor. Result:- ceiling panels missing and extra workers in the office from time to time.

We are assured that the new system will be far superior to the old one. Hopefully Peter's office will be able to be cooled sufficiently through the summer months.



We apologise for the disruption during this time.

OUT OF THE OFFICE

Peter and Lynne will be out of the office

12th to 14th June	**Christchurch**
26th to 29th June	**Auckland**
28th to 31st July	**IFA Conference**

Michele will be in the office from:

8.30am to 3.30pm

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.

NATIONAL PROVIDENT FUND

National Provident Fund has millions of dollars belonging to missing members.

If you or your family were making superannuation contributions to the National Provident Fund in the 1960s, 1970s or 1980s then you may find unclaimed monies due.

To check if you are listed as a missing member visit www.npf.co.nz , click on "Unclaimed Monies" and search for your name.

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97 Rangitikei St, Palmerston North 4410 P O Box 448, Palmerston North 4440
Ph: 06 354 7900 Fax: 06 354 9950 Email: admin@investcentre.co.nz