

# accelerate

Q1-16

## IT'S A FICKLE WORLD

in which we live

2016 HAS ALREADY GOT OFF TO A VERY ROCKY START WITH SHAREMARKET FALLS IN MANY COUNTRIES AND CONCERN RISING ABOUT THE FINANCIAL SITUATION IN CHINA.

Around the world, many traders were spooked by the Chinese stock market falls and have been predicting the worst. The reality is that China is not a basket case. Its economy is still growing – albeit at a slower rate than over recent decades. However, the new reality is that China is a major economic player and if it slows down, then nervousness inevitably kicks into the markets. The good news is that the largest market (the USA) is growing and showing many positive signs. This along with a small European recovery may help offset weakness out of China.

### So, what can investors expect from 2016?

- NZ bank interest rates continuing to stay at historic lows. Therefore, keeping large sums of money on term deposit will not make you rich.
- The NZ dollar may weaken against the US dollar, particularly if the USA economy continues to recover and our dairy commodity prices remain low. This means that if you already have money invested in unhedged international managed funds, you could be rewarded with a currency gain.
- Auckland house prices may stabilise. What this actually means is anyone's guess – but the likelihood of continued double digit growth in Auckland house prices is low and a small fall in prices in some areas is possible.

### inside >>

- The six rules of investing in volatile times.
- Free smart planning checklist.
- Apathy in KiwiSaver will cost you money.

### Looking forward to regulation

Britannia welcomes Gavin Dixon as our new CEO. Gavin is originally from the UK and has been in New Zealand for 6 years after some time in Asia, mainly Singapore and South Korea. In New Zealand, Gavin worked as Chief Operating Officer for Sovereign, a life assurer, and as CEO for Stream Group, a loss adjuster. Under new laws in New Zealand, Britannia will become regulated by the Financial Markets Authority (FMA) and Gavin is experienced in and worked in regulated companies. He will ensure that we maintain all the high standards our clients and advisers expect as well those required by the FMA. Away from the office, Gavin lives on the Auckland North Shore, is married with 3 children and a very slow moving dog.

Feel free to contact Gavin on [gavin@opt-ltd.co.nz](mailto:gavin@opt-ltd.co.nz).



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The good news is that house prices in areas that Aucklanders may wish to relocate to will likely go up. Purchasing an investment property in Auckland is now considerably more risky than over recent years. Any purchase should be regarded as a long-term decision, and factor in the implications of higher mortgage interest rates in years to come. Do your budgets on whether you can afford to service a mortgage at an average rate of 7% or more.

- Much lower returns from shares and possibly even a negative year for some shares and share-based managed funds. This is a year when active management by a quality fund manager may obtain better returns than a passive investment in an index which may make a loss.
- An increasing focus on what is happening with commodities. For us in NZ, this particularly applies to the global dairy trade prices. If these prices fall further, and the projected farmer pay-out levels are not achieved, then many dairy farmers will be under even worse financial pressure and this will have a negative impact on many sectors of our economy. Therefore, our investments need to be sufficiently diversified so we are not overly exposed to local and international businesses dependent on rising commodity prices.

*Give us a call if you have any questions about the market and your investments.*

## Life's tips #1

"On taking risk, never test the depth of a river with both your feet."

– WARREN BUFFET

# 2016 will be a year to FOLLOW KEY PRINCIPLES

2016 IS UNLIKELY TO PROVIDE THE HIGH LEVEL OF INVESTMENT RETURNS WE HAVE SEEN IN RECENT YEARS. IN FACT, THE MARKET IS LIKELY TO BE QUITE VOLATILE WITH THE POTENTIAL FOR SIGNIFICANT UPS AND DOWNS IN VARIOUS MARKETS, SECTORS AND INDIVIDUAL INVESTMENTS.

This can lead to investor unease – often resulting in short-term fear-based decisions being made to the detriment of longer term gain. Key considerations for investing this year include:

- **Quality pays:** High quality investments have historically withstood economic downturns and negative investor sentiment better than their poor quality cousins.
- **Ignore the short-term market noise:** Do not react to all the market noise that will inevitably surround the short-term ups and downs in the market. Modern media likes to trot out commentators and statistics to show how things have performed in the last few hours, days or months. This sells media – especially if it is negative news. However, the markets live on and quality investments inevitably recover and go to new highs. Panicking and selling at the bottom does not help you achieve those longer term goals.
- **Diversification is key:** A well-structured portfolio will be diversified across multiple asset classes, sectors, investments and managers. This avoids having "all your eggs in the one basket". If a specific market, (e.g. the New Zealand sharemarket), fell hypothetically 10%, then there is usually some other part of the portfolio that would have made a positive return to help compensate for that loss.
- **Take care if using term deposits and some high yielding savings products:** In 2015, a number of banks changed the rules relating to their term deposits and high yielding savings products. What was a simple product is now much more complex assuming you wish to obtain the return you signed up to. Check the fine print to identify when you are eligible to withdraw your funds without losing all the interest. We are seeing an increasing number of people becoming frustrated with losing the expected interest or not being able to access their funds due to failing to notify the bank within the due timeframe of their intention to access their funds.
- **Take advantage of market downturns:** The market will rise and fall over the year. Talk to us about using your surplus cash to buy when things are cheap.
- **Stick with the plan:** If you have medium- and long-term financial goals and you do not need to use all of your money right now, then stick with the plan and stay invested. If you have a well-diversified portfolio of high quality investments managed by a reputable fund manager, then they will be taking advantage of the market opportunities and buying when things are cheap. Additionally, indices may fall but the cycle lives on and things recover.

summing  
up

- 2016 could be a volatile year. Keep your head and keep to the rules.
- Ask for your free smart planning checklist

## SMART PLANNING FINANCIAL CHECKLIST

THIS MAY BE THE BEST EVER  
USE OF 5 MINUTES!

Achieving your financial goals is all about doing the little things right on a consistent basis. Our 'Smart planning financial checklist' is designed to cover all the key areas of your financial fitness. It is jam packed with questions you may have never thought of. It is quick and easy to use – only five minutes for an initial overview. Share it with your family and friends and use it to identify areas which may need addressing.

*Give us a call to discuss the issues that the checklist may identify for you.*

## THE CHANGING FACE OF INVESTMENT DOCUMENTS

New Zealand will be completing the transition to the Financial Markets Conduct Act in 2016. This regime is designed to provide greater investor protection. Fund managers will need to be licensed with the Financial Markets Authority and meet heightened standards. Fund managers are phasing out their glossy investment statements and introducing bland product disclosure statements (PDS). A consequence of this is that not all the information that you may want to know about an investment will be in one document.

*We have extensive research on the products and services that we recommend so make sure you ask about anything you are not sure about. We are here to help.*

### Life's tips #2

"In the short run, the market is a voting machine, but in the long run it is a weighing machine."

– BENJAMIN GRAHAM

Apathy is costing Kiwis

# MEGA BUCKS



Apathy around what asset allocation one uses for KiwiSaver is potentially costing some Kiwis tens of thousands of dollars in lost potential capital growth over the longer term. Higher risk growth and aggressive KiwiSaver funds traditionally produce

higher returns over a 10 year period than lower risk funds, such as conservative or defensive funds. The difference in long-term performance is usually due to how much of a portfolio is in shares and property.

KiwiSaver is a long-term investment for most New Zealanders and this means that if the funds cannot be accessed for 10 or more years, then consideration

should be given to having a higher risk portfolio. Sadly, there are too many investors sitting with their KiwiSaver money in default or conservative funds and failing to fully appreciate the ramifications of this.

Every investor will have a different risk profile based on when they plan to access their money, their knowledge and experience of investing, and how comfortable they are to accept a short-term loss to achieve a long-term gain.

We have various calculators and questionnaires to help all New Zealanders identify the best risk profile to achieve their long-term goals.

*Give us a call and we can work through what is the right fund for you, your family and friends.*

summing  
up

- Before you invest in something new, ask us about the research available.
- Knowing your risk profile is the foundation of all your investing decisions.



# Why financial advice is A GOOD INVESTMENT

GETTING GOOD QUALITY FINANCIAL ADVICE  
CAN BE ONE OF THE BEST INVESTMENTS A PERSON,  
COUPLE OR FAMILY CAN EVER MAKE.

Before you think about where to invest your monthly surplus or maturing term deposit, you need to know why you invest. Good financial advice is not only about answering questions, it's about establishing new relationships, defining your goals, both short-term and long-term, and recommending solutions that fit your personal circumstances to achieve those goals.

## At Britannia, we give you direction, support and control

Can you imagine getting into the car to drive across town to a road and suburb you've never been to before without a street directory? How would you know if you were heading in the right direction? Our financial advice provides you with a roadmap. We will prepare a personalised plan detailing your current position and recommend solutions to reach your destination (goals).

## Our advice makes your money work harder for you.

We will recommend investment options that have a higher return potential than bank term

deposits. Together we can beat the bank. If anything sits outside our skill set, we know the right professionals to refer you to, and they will do just as an amazing service.

## We can provide you with support on how to reduce your debt

We have systems, processes and tips that will help you learn how to reduce debt and start your wealth creation plan.

## We will stop you from making expensive mistakes

Many people make investment decisions that are influenced by emotions. Let's face it, money can be a very emotional issue. We provide unbiased advice which focuses on and encourages successful investment behaviour without emotional ties.

*Let us make it easy for you. Get in touch with one of our financial advisers today. Call us on 0800 857367 or email [britannia@xtra.co.nz](mailto:britannia@xtra.co.nz).*

## Life's tips #3

"It's only when the tide goes out that you learn who's been swimming naked."

– WARREN BUFFETT



## MEET THE TEAM

EACH QUARTER WE  
WILL INTRODUCE YOU  
TO TWO OF THE  
BRITANNIA TEAM.



**Sara Afghan** relocated to New Zealand with her young family 15 years ago from Zimbabwe. Sara joined Britannia Financial Services Limited (BFSL)

9 years ago and thoroughly enjoys being part of the Britannia Team. Sara is responsible for processing payments and new business within the company. Her favourite pastime is spending quality time with her family exploring NZ, cooking and supporting her children's dream of one day representing NZ in the Commonwealth Games

playing the sport they love which is Squash.

**Helena Witkoski** has been with Britannia Financial Planning Limited (BFPL) for 4

years and has been in the financial industry 17 years. Helena manages the team and all compliance requirements within BFPL. Helena has two gorgeous daughters Mia (9) and Ava (7). In her spare time she enjoys her children, entertaining and exercising.



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