

accelerate

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It pays not to *panic*
**THE CYCLE
LIVES ON**

THE LAST ECONOMIC QUARTER WAS DOMINATED BY NEGATIVE NEWS: DECLINING NZ DAIRY PRICES, OVER-INFLATED AUCKLAND HOUSE PRICES, BIG FALLS IN GLOBAL SHAREMARKET VALUES, TERRORIST EVENTS, AND THE LIST GOES ON!

In September and October, a follower of media commentary could be excused for thinking that the investment markets were collapsing and the world was coming to an end. However, as always, pragmatism rules: the markets absorb the good and the bad news and sort themselves out.

Those who panicked and moved to cash or conservative funds did so after the markets had already fallen and missed the subsequent rebound in values. Those who stayed true to their longer term investment plan rode out the short term turmoil and their portfolios are back to where they were at the beginning of the quarter. In some instances, they are actually ahead.

What all this shows us is that markets will always go up and down and if you are invested for the long haul, then there are more ups than downs. If one reacts to every negative event that the media highlights, then the outcome will be either sitting for too long in low risk investments earning too little, or else flip flopping and trying to trade assets to take advantage of the short term fluctuations.

The problems with active trading is it costs to buy

and sell, plus you have to get two important calls correct i.e.: when to sell and when to buy. Often it is easy to get one right – but frequently hard to get both calls correct.

Talk to your adviser if you have concerns about the markets and the stage of the market cycle we have now entered.



inside >>

- Funding your retirement – a world view.
- Best options for living off income – a comparison.
- Power of Attorney – plan for the day you can't plan anymore.

Health cover that makes the others look slip, slap, sloppy

As we move into the festive season our thoughts are undoubtedly moving towards holidays and festivities. Unfortunately summer also has a serious side to it, being this is when we are most at risk from melanoma. NZ has one of the highest rates of melanoma in the world and it is a silent killer.

Recently a new melanoma drug known as Keytruda (pembrolizumab) has been approved by Medsafe. Many in the medical profession have hailed this drug as one of the most advanced treatments ever in fighting this disease.

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GENERATING RETIREMENT INCOME

NEW ZEALAND INVESTORS WHO SEEK INCOME TO FUND THEIR RETIREMENT NEEDS HAVE HISTORICALLY BEEN SOMEWHAT SPOILT.

New Zealand has had historically high returns from bank deposits, bonds, company dividends and residential property appreciation. This has created the belief and expectation that one can live off the income from one's retirement nest egg and retain the capital for the kids. However, the rest of the western world has largely lived in a lower interest rate environment where bank deposits and bond returns have been in the vicinity of 1-4%

before tax. For these people, retirement has been about having a well-diversified, relatively liquid investment portfolio, and discussing 'capital drawdown ratios' has had much more significance than how much income they can generate from their lump sum. For much of the western world, retirement has been about calculating how many years their retirement funds will last if they erode the capital at 4%, 4.5% or 5% per annum. New Zealand investors

may need to start thinking the same way. Our economy is becoming increasingly aligned to the rest of the world. Interest rates are likely to stay low for some time and the government is starting to take steps to slow down residential property price appreciation. Obviously, if your retirement nest egg is large enough, then a discussion on capital erosion is not required, but for the average investor, capital erosion is definitely more on the cards than before.

We recommend that a diversified approach to funding retirement be considered. This will provide you with greater flexibility, less risk and potentially more cash to enjoy retirement. Enjoy your retirement and use your capital and income. After all, you worked hard to accumulate the capital so spend it yourself rather than giving it to the kids to spend.

Talk with us about how best to achieve your retirement funding.

TABLE: Options for funding retirement income needs are many and varied and include:

OPTION	COMMENT
Invest into higher returning products	This is dangerous as normally the higher the return, the higher the risk and once retired, one cannot afford to suffer permanent losses. Higher returning products often have higher volatility and this may mean that the value of the investment is low just when you need to access the capital.
Draw down capital at a sustainable rate	A diversified portfolio would be constructed with a conservative projected return. Capital would be withdrawn from the portfolio each month at a rate calculated to sustain your desired lifestyle and to match your expected longevity.
Living off rental income	The problem with having one's retirement based upon investment property is that capital values are becoming more volatile, property is illiquid and can be hard to sell in depressed times and if a major event, such as an earthquake or volcanic event, occurred then you may have no tenants and an insurance pay-out could be some time away. Christchurch has been a traumatic experience for those retirees who were funding their living needs from rental properties which have ended up being uninhabitable.
Selling a business	NZ is a nation of small business owners and many people are anticipating funding their retirement from selling their business. However, the sale may occur too late and the business may have been in decline for some time - resulting in a much lower than expected sale value being achieved. It is recommended a well-structured succession plan is implemented so ownership is transitioned to more energetic people while the business is performing well. Businesses are illiquid assets and cannot always be sold just when the retiree needs the cash.
Sell home and trade down	This works best if one sells and purchases a smaller home, and/or moves to a lower socio-economic area. However, many are reluctant to do that and would prefer to remain in the same neighbourhood. Consequently, the amount of capital freed up is often less than anticipated. One option here is to discuss with the family the concept of a reverse mortgage or where they lend you money at a preferential rate using your house as security.
Sell unused assets	We often hold onto some assets longer than we really need to. This includes holiday homes, caravans, boats etc. If they are not being regularly used then consider their sale as their continued ownership incurs costs.

summing
up

- Living off your savings may have to be thoroughly rethought.
- Time to talk to your adviser as to what the options are.

Christmas – a time of joy?

TIME TO GET IT SORTED!!

AS WE AGE OUR
VIEW ON CHRISTMAS
SEEMS TO CHANGE.



When young, Christmas is a period of presents, fun and excitement. When we are middle-aged, Christmas becomes a time of stress, rushing, expense and a sense of having to do one's duty and catch up with long lost family. Once the kids have left home, Christmas still seems to be stressful and you are confronted with who to share Christmas Day with, what sort of presents will the grandchildren like, plus how to stay awake after a huge meal and a few drinks.

Christmas seems to have taken on too much commercialism and we seem to be trying too hard to jam too much into just one day. If you think this way, then it's time to get Christmas sorted this year. Consider some of the following changes:

- Give the present of time and wisdom rather than money or some toy.
- Spread the joy over the entire Christmas break rather than jamming it into one day.
- Experiences are usually remembered long after the more tangible gift. Spend time thinking of each person you love and consider carefully what sort of experience you can provide for him/her that they will remember long after Christmas Day.
- Surprise the kids and/or grandkids by embracing technology and communicating with them using their technology. Get them to help you build your Facebook page, web page or personal electronic vault.

Encourage a more relaxed Christmas Day. Be light on the presents but make the presents more relevant and enjoy the time discussing what to do and how to give it. Everyone will benefit.

Life's tips/1

"Just about every time you go against panic, you will be right if you can stick it out."

– Jim Rogers

THE IMPORTANCE OF AN ENDURING POWER OF ATTORNEY

An enduring power of attorney gives legal authority to your appointed attorney to deal with your assets and/or make personal care and welfare decisions in the event that you are not able to do this for yourself (whether temporarily or permanently). Incapacity can occur as a result of an accident or by natural deterioration of the mind, and is assessed by a specialist who performs these assessments in the usual scope of their practice.

If you are assessed as being incapable of looking after your own property and/or personal care and welfare matters and you have not appointed an attorney to act on your behalf, the only option is for an application to be made to the court for the appointment of a property manager and/or welfare guardian. This is an expensive and very stressful process for you and your family, and the appointment is usually limited to a period of three years, at which stage a new application must be made.

Enduring powers of attorney aren't just for "old" people. We have had cases of younger people who have been incapacitated by stroke or severe head trauma. If no nominated attorneys are in place then the families have to use the Court process before anyone can make decisions for them in relation to their welfare or their assets and liabilities. Enduring powers of attorney can save a lot of time, expense and stress at a time when you and your family do not want to be engaged in a legal process.

For more information regarding enduring powers of attorney or other estate related matters, please give us a call.

summing
up

- New Year's resolution? Who would make your financial resolutions if you were incapacitated?

Unfortunately the New Zealand Crown agency PHARMAC (who subsidise a select number of drugs) have decided that this drug is a low priority and too costly.

As a result, if you need it you will have to personally pay and it will be expensive.

This decision is also a double edged sword as many health insurance policies will only cover PHARMAC funded drugs and not those on the wider Medsafe list such a Keytruda.

Unfortunately many individuals with health cover only discover this at claim time. By then it is too late!

The good news is that there are some health insurers who will cover all drugs on the Medsafe list and we know who they are.

If you have health insurance and are unsure what it is you are covered for, then we encourage you to talk to us immediately. After all, if you are willing to pay for your medical cover you may as well know what it is you are paying for.



So how does this affect you?

The new legislation focuses on the period when you arrived and became a New Zealand tax resident and when your United Kingdom domiciled pension was transferred to New Zealand. Basically, the new regulations are all about your membership of an offshore pension scheme prior to you engaging with Britannia, your period of residency in New Zealand and the date you transferred your pension to New Zealand.

The new regulations are applicable to both current and past members of Britannia Superannuation Scheme

We would add that previous to the new regulations it was extremely difficult to understand the tax position of individual clients as there were so many options and variables. The new tax regime has introduced clarity and made a person's tax liability fairly easy to estimate.

Have you been contacted by INLAND REVENUE?

IN FEBRUARY 2014 THE NEW ZEALAND GOVERNMENT PASSED NEW LEGISLATION TO CLARIFY THE TAX POSITION OF PERSONS TRANSFERRING PENSION ENTITLEMENTS FROM OFFSHORE SUPERANNUATION SCHEMES TO NEW ZEALAND.

As Britannia is not a tax specialist we encourage you to take advice from a qualified NZ tax agent who has a firm grasp of the workings of this specialised area of tax.

The introduction of the legislation doesn't automatically have a tax liability. However, it would be prudent to follow the links below, read the information and take advice if you then feel you should.

<https://taxpolicy.ird.govt.nz/sites/default/files/2014-faqs-foreign-super.pdf>

<http://www.ird.govt.nz/resources/5/e/5e3bc0d6-e4d9-4ec2-a2fd-e3c8aacd8aa0/ir1024.pdf>



MEET THE TEAM

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



Maureen Mischewski
has been with Britannia for 8 years. She manages all accounts/payroll and also collates and balances the Financial

Accounting information for the Superannuation Schemes operated by Britannia. Maureen's hobby is spending time with her family, friends and her 8 grandchildren; which includes a set of twins and a set of triplets.

Tracey Harper-Verwoerd

is the pension transfer team's manager, first coming to Britannia 10 years ago with her husband as clients to transfer their pensions. Her previous experience as a business analyst has been utilised as the company's business processes have evolved in line with changes in both the UK's QROPS regime and NZ's financial industry. Away from work Tracey and her husband feed, chauffeur and sponsor the lifestyle of their two sons.



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