



Keeping in touch

WINTER NEWSLETTER 2007

Our Newsletter

CEO Comments

2007 is turning out to be a busy year for new legislation and changes to investment tax rules, with particular impact on managed fund investors.

KiwiSaver is very topical at the moment and rightly so, KiwiSaver kicks off on 1 July 2007. The KiwiSaver funds will be managed funds, and we are fielding a lot of enquiries on how we can assist employers get ready. We pride ourselves in the expert knowledge we have already established and welcome all enquiries to assist you from both sides of the equation, as an Employer/Self Employed or as an Employee. With the recent budget announcements you don't want to miss this amazing opportunity and the benefits that are now available via this initiative.

The height of the NZ dollar is still depressing international returns and while our interest rate remains high compared to the rest of the world, we are still anticipating an easing of the Kiwi dollar in the medium to long term, so for those in unhedged positions, don't panic. It is a simple case of sitting tight, the strategy and underlining principles have not changed.

A big thank you to all that turned up to our recent Liantamer BRICK series seminar. This was again a hugely successful series for us and Liantamer. Prudent investors are encouraged to consider these styles of investments as they further diversify and protect the total portfolio, plus offer very attractive return potential.

Stay warm this winter, I know there's plenty of things to keep you entertained, we look forward to Team New Zealand winning the America's Cup, the Silver Ferns returning to form and the ABs bringing home the Rugby World Cup.

Best wishes from the Lifetime Team

Warren Stephens

CEO Lifetime Group
(a member of the Argent Group)



0800 65 64 66
www.lifetime.net.nz

Helping New Zealanders Save



A government initiative, KiwiSaver has been developed to help New Zealanders support themselves in retirement, by increasing the amount that they save during their working lives.

In a nutshell, KiwiSaver schemes are government-registered saving funds, managed by independent organisations, such as AMP, ING, AXA, Tower, Mercers and ASBGI.

Starting from 1 July 2007, every new employee (from age 18 to 65) will be automatically enrolled in KiwiSaver, and existing employees can also join ('opt-in').

So, as an employer this involves you directly.

WHAT DOES THIS MEAN FOR EMPLOYERS?

From 1 July 2007, you will be required to:

- Provide all new employees (and existing employees who choose to opt-in to KiwiSaver by giving you a KiwiSaver deduction notice) with a KiwiSaver information pack (supplied by Inland Revenue), within seven days of starting work (or opting in). Temporary staff on contracts of 28 days or less are not required to be enrolled.
- Provide the details of new employees to Inland Revenue. Other employees may opt-in by giving you a KiwiSaver deduction notice - the details of these employees are also required.
- Make deductions of employees' KiwiSaver contributions from their gross salary or wages. These need to be forwarded (together with your own contributions, if any) to Inland Revenue, via PAYE.
- Accept and forward any employee 'opt-out' notifications to Inland Revenue.
- Refund contributions that have been deducted but not yet forwarded to Inland Revenue, to any employee who opts-out.

...continued over 

“ **Even if you're on the right track, you'll get run over if you just sit there.** ”
Arthur Godfrey

An employee's KiwiSaver scheme can be their own choice, your choice (as employer) or a default provider if neither you nor your employee makes a choice. If you choose a preferred scheme for your employees, you must also provide an Investment Statement for that scheme to all new and opting-in employees.

The Investment Statement outlines how the scheme works and provides information on fees, risks and administrative requirements. Investment Statements will be provided to you by your adviser.

From 1 April 2008, all employers (including not-for-profit organisations) will be required to match employee contributions for KiwiSaver

(or a complying superannuation fund). This will be phased in over four years, starting with 1% of gross salary from 1 April 2008, and moving by 1% per year to reach 4% of gross salary by 1 April 2011.

From 1 April 2008, these employer contributions will be eligible for a matching employer tax credit of up to \$20 per week (\$1,040 per year) per employee.

To minimize compliance costs and impacts on cashflow, these tax credits will be paid to employers through the PAYE system by offsetting against the employer's contribution and other PAYE liabilities.

TAKE THE OPPORTUNITY

Although KiwiSaver requires your involvement and some administration, it also represents a positive opportunity for you and your employees. In particular, selecting a preferred KiwiSaver scheme for your workplace, especially if you choose to contribute on behalf of your employees, will help your employees take an important step towards securing their financial future. How you utilise this opportunity could also assist you in attracting and retaining the right staff for your business.

Contact KiwiSaver@lifetime for further details.

New Zealand's ageing population

How will it affect your health?

New Zealand's ageing population has been widely reported in the media. By 2051, there will be over 1.14 million people aged 65 years and over in New Zealand and there are projected to be at least 60 percent more elderly than children.¹

One of the main concerns about our ageing population is that it will drive demand for increased health services for older people. Already today, a large majority of New Zealand's health service resource is spent on our elderly population. In fact, from age 85 onwards, the cost per head for personal health-care expenditure is approximately eight times more than for adults aged 45 to 64 years.

So, the more our elderly population grows, the more money we will need to spend on health services. Will our public health system have the capacity to respond to this demand?

Another consideration is that the money spent on health services comes from taxpayers – the number of which will be disproportional to the number of people needing care as our population ages.

To put further pressure on resources, New Zealanders are now living longer, and so are likely to need health care for longer. How will our taxpayers fund this increased demand?

As we know, our public health system is already struggling to meet the demand of today's population with 119,106 people waiting for surgery. If we're barely coping today, how are we going to cope tomorrow?

On the bright side, people are now choosing to work longer and are retiring much later than previous generations. This indicates that generally they are healthier, plus their taxable income continues to contribute to the public purse for health services. The current generation of 'baby boomers' is also proving to be healthier than their predecessors – they smoke less and are more active.



The situation being shaped by our ageing population is also driving a greater push to develop and fund advances in medical treatments, to enable people to enjoy better health later in life.

New Zealand's ageing population leaves us with many unanswered questions about how the Government will respond to an increased demand on the public system. One question is left for us as individuals to answer – do we need to take personal responsibility to ensure we'll be cared for in our time of need, by covering ourselves with private health insurance?

Many would argue that health insurance is non-essential. But increasingly, as more people are facing increased waiting lists through the public system, it is becoming something we can't afford to be without. And with the challenges being brought about by our ageing population, our choice could be one that is critical.

1. Population ageing in New Zealand - key statistics, January/February 2000, Statistics New Zealand

FINANCIAL PLANNING

Talk to a professional Adviser about getting sorted

Having a financial plan can give you so much more direction than simply figuring out how you're going to pay the bills each month. Whether it's buying a car, taking a trip, or setting your sights on retirement, without a clear goal and plan, you may find it difficult to get ahead.

A quick and easy way to find out how far ahead you are in your financial planning is to ask yourself:

1. Have I written down both short and long-term financial goals?
2. How do I plan to achieve these goals, (e.g. two years, five years, ten years and beyond)?

Even if you have a financial plan, it's important to review your goals regularly to ensure that you're on-track, and to accommodate changes to your financial situation and lifestyle.

Here are seven benefits to seeking professional advice from Argent Financial Services, to help you plan and achieve your financial goals.

1. How often have you made a plan to sit down and sort out your finances, but something else always crops up and you don't get around to it? Booking an appointment with an Adviser gives you a commitment and an incentive to get on with it.
2. At Argent Financial Services, we see a diverse range of customers and have financial tools to help you make an informed decision to suit your individual situation.
3. As we specialise in financial planning, we may be able to recommend new products or solutions to help you achieve your goals.
4. It will empower you and make you feel in control of your financial future. You may find that it suddenly becomes possible to save for goals that you never thought you could achieve, such as that overseas trip you always wanted to take.
5. We understand when priorities and goals change, and can move quickly to help you adjust your plan. In many relationships, one partner handles the finances, which leads to one person having all of the financial know-how.
6. Working together with us shares the burden and knowledge of your situation and enables you to set mutual goals. Should one partner end up on their own, they will have the confidence and the skills to handle the family finances.
7. Often, the birth of a child, an inheritance, a major illness, starting a new business or the death of a spouse can prompt you to take stock of your own overall financial situation. Usually, because of the emotions involved in these life-changing events, the disciplined, rational counsel of a financial professional can be beneficial.

Getting good advice is one of the best things that you can do for your financial future. Get the hard work out of the way so that you can rest easy, knowing that you have a secure financial future. So, whether you need to start from scratch or simply update an existing financial plan, talk to us about getting sorted today!

Home Loans: it's not just about the rate



It takes time and effort to find the right home or investment property, but the feeling of satisfaction and confidence when you finally sign on the dotted line can make it all worthwhile. The same can be said about finding the right home loan. Deciding how much you borrow, from where and on what terms is likely to be one of the biggest financial decisions you make, so taking your financial goals into consideration and getting professional, non-biased advice can be as important as getting the right interest rate.

If, like many people, the home loan you choose corresponds to your ability to meet the repayments, a relatively quick way to compare lenders may be to compare their interest rates. However, the lender with the lower interest rate is not always the best option for your home loan. Service and flexibility are also vital to ensuring that you make the most of all your options, so that your home loan supports your financial goals.

LOOK AT THE WIDER PICTURE

As with all aspects of financial planning, it's important to think about your financial goals and this means planning ahead. Life brings continual change - change in job, income, family and lifestyle, and the flexibility of your home loan can play a key part in making these decisions.

Here are some examples of questions to consider before choosing a home loan:

1. What are my monthly expenses and can I comfortably afford the home loan repayments?
2. How long do I intend to keep the home?
3. How important is it to me to pay off my home loan as quickly as possible?
4. How disciplined am I at sticking to a budget and making regular payments?
5. Do I expect my income to rise, and/or to receive bonus payments or commissions that could be added to my home loan repayments? If so, how much could this save me in interest?
6. Are there plans to start a family and how would this affect household income?
7. Will I need access to funds to renovate my home, or for self-employment purposes?

THE IMPORTANCE OF FLEXIBILITY

Based on a \$300,000, 30-year table mortgage, the difference of 10 basis points to fixed interest rates repayments, (e.g. between 8.80 percent to 8.90 percent), is just \$9.92 per fortnight¹. However, if you're planning to start a family, to renovate or perhaps take a trip overseas, having a flexible home loan structure that lets you make additional repayments without penalty can save you thousands of dollars in interest, while allowing you to build up additional funds that you can draw on when needed.

In a recent media release², Good Returns reported on the rise in interest rates across lenders, stating that "Two and three-year fixed rates are now at their highest levels since mid-2000."

1. Sorted Home Loan calculator, www.sorted.co.nz

2. Good Returns web site, www.goodreturns.co.nz, home loan report 'Interest rates keep on rising', Mortgage News 12 April 2007



Financial Services and Insurance Brokers

Proud supporters of the IFA, IBANZ & NZMBA

Advisers

BLLENHEIM OFFICE

Peter **Bruce** (03) 579 2200 027 226 5613
Chris **Pigou** (03) 579 2200 027 292 5555

CHRISTCHURCH OFFICE

Paul **Gill** (03) 353 4787 021 224 0904
Grant **Kingan** (03) 348 5740 027 432 6911
Stephanie **Spain** (03) 353 4790 021 203 1015

NELSON

Geoff **Powell** (03) 544 6368
Graeme **Prestidge** (03) 545 8115 021 544 580
Beverly **Stevenson** (03) 544 1994 027 226 6468
David **Westbrook** (03) 544 0817 027 277 8199

WESTPORT

Denis **Straker** (03) 789 8010 027 431 8028

Lifetime Fire & General

Albie **Brand** (03) 579 2200 027 369 6900

Management & Support Staff

Warren **Stephens** (03) 372 1908 027 240 6525
(Director & CEO)

Allan **McNaughton** (Director) (03) 372 1912 021 240 0400

John **Dyer** (Director) (03) 372 1900 027 223 0799

Ellen **Gunn** (03) 579 2200

Cathy **Lowe** (03) 579 2200

Debby **Tobeck** (03) 372 1919
(Administration Manager)

Sharon **Glover** (03) 372 1915
(Paraplanner Investment Services)

Argent **Insurance Brokers** (03) 372 1900 0800 Argent

Argent **Finance** (03) 372 1900 0800 Argent

firstname.lastname@lifetime.net.nz

0800 65 64 66 www.lifetime.net.nz



Home Loans: it's not just about the rate cont.

From April 2006 to April 2007, two-year fixed interest rates have increased by approximately 15 basis points. Although it's important to spread your risk and diversify your investments, with current fixed interest rates being above 8 percent, it also makes financial sense to have the ability to put any extra cash into your home loan, without any penalty for making the additional repayments.

A home loan is a considerable financial commitment, so it's important to be aware that 'one size does not fit all', and retain some flexibility. Here are examples of flexible home loan options:

- Keeping a portion of your home loan on a floating interest rate, so that you can make additional repayments to reduce your interest without penalty, e.g. 75 percent on a fixed interest rate, 25 percent on a floating rate
- Reducing your exposure to changing interest rates by allocating set amounts of your home loan to different fixed interest rate terms (this can allow you to take advantage of lower rates if they fall)
- The ability to make fortnightly or monthly repayments, inline with your pay periods

Why have a Power of Attorney?

By Susanna Stuart, Financial Author and Adviser

When he was 60 my own father was diagnosed with Alzheimer's disease. Some readers will know similarly distressing situations in their own families. At that time I discovered the value of having what is called an Enduring Power of Attorney. If my family hadn't already had the documents in place we would have had the grief of applying through the court for the right to look after my father's financial affairs. If this had happened we might have been in limbo for weeks, unable to make some of the urgent decisions that had to be made.

An Enduring Power of Attorney enables you to appoint an Attorney (a chosen decision-maker) to act on your behalf if you become mentally incapacitated. They may be a member of family, a trusted friend or colleague.

There are two types of Enduring Power of Attorney. One relates to *property* and the other is set up in relation to *personal care and welfare*. You can appoint a different person to each of these roles.

- It is best to organise an Enduring Power of Attorney through your lawyer - and before then you need to think about who you'll appoint in the decision-making roles.
- It is better to appoint someone who is financially savvy to be the attorney in relation to property as they can deal with your bank accounts, investments and look after your house, etc.

An Enduring Power of Attorney in relation to personal care and welfare enables someone to consult with medical practitioners and to make decisions about your personal well-being.

Not many of us like to think that we might lose the capacity to make our own decisions. To be honest, the odds are against this happening. But the appointment of attorneys is one of those small financial matters that can make a valuable difference if such a situation arises.

- Using a reducing or flat limit credit facility, where you put all salary or income payments into your home loan account to reduce interest, and use this account for bills and living expenses, with the option to draw on the additional credit if needed
- A free rate-lock facility to lock in an interest rate for a period of time while searching for a property

If you have an existing mortgage, some lenders provide assistance with refinancing and offer a cost-effective legal transfer service to handle the documentation for you.

In summary, the importance of taking a wider view, thinking about your financial situation, plans and goals and getting professional, unbiased advice on the best way to structure your home loan is an important step towards putting you in control of your financial situation.

For a personal financial needs analysis, including up-to-date information and advice on the wide range of home loans available, contact Lifetime's Mortgage Specialist, Linda Worrall, on (03) 372 1910.



This newsletter has been prepared solely for the purpose of general information and does not constitute investment advice. No representation is given as to the accuracy or completeness of any statement contained in it. Lifetime Financial Security NZ Ltd does not accept any liability or responsibility for any information or statement contained in it.