

accelerate

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Money, money **MONEY!**

BESIDES AIR, HEALTH, LOVE, FRIENDSHIP, FAITH, AND HAPPINESS,
MONEY IS ARGUABLY ONE OF THE MOST IMPORTANT THINGS IN LIFE.
HOW WOULD WE EAT, OR PAY OUR MORTGAGE OR RENT, OR GO
TO THE DOCTOR **WITHOUT HAVING MONEY?**

To function in society, we have to have a certain amount of money to operate comfortably. That could mean \$300 per week or \$1000 per week, depending on your circumstances and your location. Anything above that survival amount is less important than your health, your family, your happiness, your friends, and your spiritual life. Anything below that amount becomes a struggle for survival and should be avoided at all costs.

Money is not the root of all evil

Many people form their opinions about money from an early age. Unfortunately, this means that many untruths get picked up from those in our life that mean well. One of the biggest untruths is that money is evil and the cause of all our problems. This may have come from our parents, or mentors, trying to teach us their beliefs.

True, money has been involved in many of society's problems, but it is really the people that are causing the problems. Money is just a tool that is used and abused by people. While

there are many people willing to kill or die for money, there are more people using money to heal the sick and feed the poor. A good person will do good with money, while a bad person will usually do evil. A knife shouldn't be labelled evil because of a few bad people using knives incorrectly.

Money can buy happiness

Another common cliché that money has been burdened with is that it can't buy happiness. However, look at the two richest men in the world as an example. Bill Gates is finding his greatest happiness in giving his money to those that are less fortunate.

His friend Warren Buffett has pledged to give the majority of his fortune to the Bill and Melinda Gates Foundation. They are working on solving some of the biggest problems in

society because they have the money to do it. Very few wealthy people find happiness in clinging to their great fortunes. They find happiness in providing for their families, their community, and even solving global issues like Warren Buffett and Bill Gates are doing.



inside >>

- The 'money myths': Evil, happiness and a means to an end.
- Retirement rethink: Is the economy slowing down at the same time you are?
- Letter from Nigeria: Scams and protecting yourself.

The consequences of an incorrect Prescribed Investor Rate (PIR)

- If you have an incorrect PIR it will cause you to either overpay tax or have a liability with the IRD.
- If the PIR is lower than the correct rate and in addition to any tax owing, penalties may apply.
- If the PIR is higher than your correct rate no refund for over-deductions will apply
- It is your responsibility to make sure you have advised us your correct PIR.
- If you are a non-resident investor we also urge you to seek tax advice immediately.

We urge residents and non-residents to seek tax advice and/or refer to the IRD website www.ird.govt.nz/toii/pir/changes



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Increase your money

Even if you do believe that money is evil and that money can't buy happiness, it is hard to argue that your life would not be better, if you had a little more money. You may not want a multi-million dollar home or a hundred thousand dollar sports car, but being able to pay the bills on time and eating good food should be the starting point for any happy individual.

There are ways to increase the amount of money you have with very little sacrifice to your current lifestyle. There are ways so simple that most people disregard the advice because they think money is not that easy to acquire. All you need is commitment, persistence, and time to have more money (and perhaps a financial adviser!).

Keep 10 percent of your money

The path to becoming wealthy starts with keeping at least 10 percent of all you earn. It's a rule that is ignored only by those with no money. The ten percent is not for holidays or fast cars or a bigger house, but for investing in assets that produce an income and/or increase in value. As your total income increases, your ten percent increases and the tiny amounts that you first started saving each week become larger and larger. Your wealth snowballs with time.



life's tip #1

"Do not save what is left after spending, but spend what is left after saving."

– WARREN BUFFET

RETIREMENT RETHINK

LAST DECADE WE HAD THE GLOBAL FINANCIAL CRISIS. SINCE THEN, THE INVESTMENT MARKETS HAVE BOOMED BUT TOO FEW NEW ZEALAND INVESTORS HAVE MAXIMISED THE BENEFITS OF THAT BOOM – PREFERRING INSTEAD TO KEEP THE MONEY ON TERM DEPOSIT OR PAY OFF A MORTGAGE ON AN UNDERPERFORMING RENTAL PROPERTY.

There are signs that the New Zealand economy is slowing and interest rates are at historical lows. This might be good for those who wish to borrow for a mortgage but what about those in retirement who depend on bank interest rates and income from an investment portfolio?

Some options to consider are:

- Could you accept a lower standard of living in retirement?
- If you are not already retired, could you continue working for longer, giving yourself extra time to build greater wealth and less time to consume it once retired?
- If you are retired, are you willing to get a part-time job? You will be surprised just how employable retirees are in comparison to school leavers.
- Are you willing to take a higher risk with your remaining investments in order to theoretically get a higher total portfolio return? This option should only be contemplated once you have fully discussed the risks with your financial adviser.
- Are you prepared to spend your capital in retirement? There is no point taking your money to your grave. Enjoy it in retirement, especially while you are fit and active.



- Would you prefer to take a low-risk approach with a well-diversified portfolio? The day-to-day income flow from investments may be less than you are used to, but this is compensated for by regular cashing up of the asset base.
- Are you open to eventually selling your home and using the proceeds to generate additional retirement income to spend on your family, pay for rent, purchase a lower-value smaller house or build something at one of your children's homes to live in?
 - Are you willing to use other vehicles to grant access to the equity in your home to fund retirement? This can be achieved via reverse annuity mortgage facilities from a small number of specialist lending institutions or via innovative financial arrangements within your family. We can talk through how this works and discuss whether these are viable options for you.
- Are you prepared to sell your residential rental property at a potential high point in the property cycle and invest the proceeds into a diversified portfolio to provide liquidity and income?

You may cringe at some of the options, but in the new reality we now face, a review of your retirement planning may be the biggest favour you will ever do for your future self.

Contact us for a discussion on this retirement rethink.

summing up

- Not the 1 percenters, but the 10 percenters: saving 10% of your earnings is a great target.
- Time to re-do the sums: Interest rates may not improve for those needing income.

'Time Queen' Robyn Pearce says PUT IT AWAY NOW!

If you constantly struggle with 'stuff' left lying around, and your desk, office, garage or bedroom is a litter of 'I'll do that later' piles, it's time to change. Learn to put things away as you go and you'll surprise yourself as to how easy it is, and how fantastic you feel once it becomes a regular habit.

It's easier to shift a moving object than a stationary one. It generates higher energy and it's less time-consuming. It's when we have to go back to something that we end up in a muddle. It slows us down – procrastination becomes a familiar companion, and tidiness becomes a hard and challenging chore.

Folk who struggle with this issue typically do good work but just stop too soon. They tend to leave the putting away, or the final completion, or the decision as to where an item should live, for another time.

Next time when you:

- Complete a task at work – put away the tools and paperwork.
- Finish the day – tidy your desk and leave out only the first task for tomorrow.
- Return from a trip – unpack everything immediately.
- Get out of bed – make it.
- Dress or undress – hang things up and put the dirty washing in the basket (or ready to go out the door next time you leave your bedroom).
- Eat something – clean up after yourself.
- Arrive home with used gear – clean and store it ready for next time.

- Finish a task in the garage, workshop or garden – clean down and put away the tools.
- Come in from work or town with a bundle of items (groceries, post, accounts to pay, magazines to put away) – whatever miscellany you typically bring home – deal with it straight away.

Consider this:

- What is clutter? Just something in the wrong place at the wrong time.
- Space and clutter strugglers just stop too soon – the job's not done until it's all put away. Simply shift the finish line.
- Why make it hard when it could be easy, all for the sake of another two or three minutes?
- Capitalise on your existing momentum. Do it now! Remember, it's faster (and a lot easier) to shift a moving object than a stationary one.

Every piece of paper or equipment lying around is a symptom of a decision not made or an action not completed.

*For more information, visit
www.gettingagrip.com.*



How to spot an investment scam

Every year New Zealanders lose millions of dollars in investment scams. Learn how to identify some of the tricks scammers use and protect yourself.

Hallmarks of a scam

An 'investment' is likely to be a scam if you are:

- Promised very high returns with little risk. These promises are often too good to be true.
- Given little information in writing. All legitimate investments must have documents explaining the investment.
- Told the offer is known only to a select few. This is often a ploy to make you feel special.
- Not told who is behind the offer or given a physical address. Legitimate businesses give names and full addresses.
- Promised access to 'secret' overseas banking markets supposedly offering very high returns. These markets don't exist.
- Asked to keep the investment a secret. This is to stop the authorities hearing about it. You should also be wary of transferring money to internet-based foreign exchange dealers as you may have no redress if they take all your money.

Protect yourself

Asking to see the investment statement is one of the best ways to protect yourself against scams. Almost all legitimate investments offered in New Zealand must have this document. But scammers rarely put things in writing.

If there is no investment statement, seek advice from an Authorised Financial Adviser before handing over any money. Never send money to someone you only know from an unsolicited phone call.

summing
up

- Get a grip! Find out more from Robyn Pearce www.gettingagrip.com
- Scam skepticism: Never even consider investing without seeing an investment statement first.

What is happening to markets? WHERE TO FROM HERE?

THE RECENT SELL OFF IN MARKETS RESULTED FROM CONCERNS ABOUT CHINESE GROWTH AND ITS RECENT DEVALUATIONS.

Earlier in the year the Chinese stock market had a large rally increasing 60% since the start of 2015. After such a large and quick increase it was nearly inevitable that there would be a sell off. The decline from the peak is now over 40%, having lost all the earlier gains, and is now back to late 2014 levels.

In size terms the Chinese stock market is not that big or important – rather it is the signal and possible contagion effect upon other markets. Just like Greece impacted world markets, China is impacting the important US and European markets. The US market is now technically in a correction (10%+ fall) with all major US indices falling over 10%. At one point on Monday night the Dow was down over 1000 points, but then bounced back.

How is this different to the 1987 stock market crash?

Whilst the point declines are now larger than in the past and seem large, compared to the percentage declines of the past they are much smaller. For instance, on Black Monday in 1987 the Dow declined over 22% and the Australian

equity market declined over 40% in that period. The decline in the Dow has been around 5% to 6% or lower taking into account bounce backs. It should be remembered that the US market is up around 200% since the GFC, being one of the longest stock market rallies in history. Along the way we have had a number of corrections, which have all been buying opportunities.

Could this time be different?

Nearly all markets and asset classes have been at elevated levels as a result of the massive monetary stimulus after the GFC. Some sort of correction was long overdue and markets need to find a new equilibrium level where valuations are not as elevated and prices are supported by fundamentals. In the short-term a lot will depend upon the policy response by Governments and policy makers. If markets fall much further some sort of coordinated policy response is likely.

There are a number of negatives and positives to come out of the recent volatility.

On the negative side, China is the second

largest economy in the world and a slowdown here will have a much larger impact than the Greek crisis. China has been responsible for over 50% of world economic growth over the last few years and has been an important source of revenue for many multinational companies.

The China slowdown is severely impacting commodity prices such as iron ore, coal and now oil which is negative for Australia and our terms of trade and currency. Resource stocks are likely to remain in the doldrums for the foreseeable future.

On the positive side, inflation remains well contained due to lower prices, there will be no incentive to increase interest rates (the Fed may remain on hold now) and lower oil prices will be stimulatory for world economic growth. Thus, with a reasonably benign macro environment, lower prices for assets, possible policy responses and still a lot of cash on the sidelines, a case can be made for a stabilisation of markets.

Going forward, markets are likely to be volatile and investor confidence has been impacted (maybe a reality check we needed to have) but it is still too early to call an end to the bull market.

*By Steve Merlicek IOOF, Chief Investment Officer
26 August 2015*

MEET THE TEAM

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



Alun Rees-Williams,
Director of Britannia.
Alun is involved in the day to day running of the company and his passion is meeting new clients and building

relationships with them. He is a member of the IFA and an authorised Financial Adviser. Alun is married to wife Julie with two children, Ben and Phoebe. When not at work he is either with his family or in a martial arts dojo where he has been training and teaching since 1986 or

training at Auckland Crossfit.

Tania Sweet

Tania has been with Britannia for 6 years and works with the NZ Endeavour Fund processing payments. Tania is an avid rugby fan and enjoys walking her dogs and spending time with family and friends.



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