



Financial Freedom

QUARTER 1 2013

NEWSLETTER

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The Best Investment Advice for 2013

In times of uncertainty, investor attention is focused more than ever on the opinions of experts. Economists with the major banks, leading stockbrokers and fund management gurus all provide their opinions knowing we are all considering our options for the year ahead.

So, what is the investment advice for 2013?

To answer that question, we need to know who has provided the best insights for the past twelve, twenty four and thirty six months. Who has consistently nailed forecasts for the year ahead? After all, we wouldn't want to go with an expert forecaster who just happened to get lucky for one or two years.

What we find, just as the Nobel Prize winning founders of Modern Portfolio Theory found in the past, is that there is no such thing as an expert forecaster who consistently gets it right. This is for the simple reason that no level of economic expertise creates clairvoyance. An expert may be capable of a more educated guess about the future, but it's a guess nonetheless.

Thinking back to a year ago, there was no consensus among expert economists, fund managers or columnists about the major economic issues. Would Europe survive a Greek exit, or would the whole project unravel? Was USA heading for a double dip recession? And what about China, whose apparently insatiable demand for raw materials suddenly slowed, causing commodity prices to tumble and much talk of a 'hard landing'.

It is hardly surprising that since the Global Financial Crisis, volatility experienced throughout the world has made many investors wary of equities, preferring the apparently safer havens of Government bonds or cash deposits with their banks. Returns may be low, has been the thinking, but at least the capital is safe.

In planning what to do next, it is worth giving some thought to the investment landscape we find ourselves in right now. It's fair to say that many of the things people feared most last year, failed to materialise. Europe did not fall apart.

Recovery in the USA continues in a subdued but steady manner. And in China, with the distractions of the leadership change now in the past, domestic demand has seen commodity prices recover sharply.

Stock market returns for the year also probably surprised many. Figures from Trading Economics show that the total New Zealand share market returned 24.18% last year, Australia 14.6%, USA 5.9% and UK 5.8%. If you were a truly global investor, you may also have been exposed to some of Thailand's 38% stock market returns, Germany's 29%, Belgium's 18% and Taiwan's 8.8%. Though to be balanced about things, you may also have been exposed to some of Chile's 4.9%, Portugal's 3.0% and Ecuador's - 4.5%.

At the same time that growth is returning to global stock markets, central banks are not only continuing to keep rates at or near historic lows to stimulate growth, in USA, UK and Europe, they are also printing money. As a direct result, not only are bond and cash rates remaining low, but cash many people have is being devalued because of money printing. Increasingly, investors are becoming aware that the 'safe haven' of cash isn't that safe in the long run. Yes, the sum of money may not decrease, but its buying power is being inflated away. This recognition together with the return of some confidence in the share markets, is likely to see some of the large quantities of cash currently sitting in consumer and corporate pockets, returning to shares, property and other asset classes

So what is our advice to investors in 2013?

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Getting what you go
after is success; but
liking it while you
are getting it is
happiness

Bertha Damon

G3 Financial Freedom Editorial from the desk of Cathy Fletcher (G3 Office Manager)

Here we are into another year. Although anytime is a good time to think about and review your financial situation, the early part of the year seems a particularly good time to plan through to the other side of Christmas 2013. Especially if like me, the spend up to Christmas got a little out of hand. On that note I thought I would include a budget table (facing page) to make that planning more precise. An in-depth look at where your money goes can go along way to taking back control.

So what do you do if the numbers add up to a negative and there is no leftover money? The short answer must be that you need to increase the income or trim the spending. If an increase in the income column is out of the question then trimming the spending is the only alternative. If external debt is the cause of this worrying situation then some serious help needs to be obtained from professionals like ourselves, your bank or the local Budget Advisory Service.

If you are in the position of having funds in surplus and, like any bottom line, that is what the aim is, then you should be seriously putting those funds into a savings/ investment plan.

What to invest those hard earned spare funds in is a decision not to be made lightly. Professional advice is never a waste of time or money and will show you the different outcomes likely with your different choices. You then need to choose the right one in order to achieve your goal.

Teenagers should be encouraged to complete a budget for themselves too. This will help in their financial literacy education and it's a good habit to develop managing income versus expenditure early in life. They too should be encouraged to save their surpluses.

If you would like an extra copy of the budget to give to other family members I would be happy to email you a copy. Just let me know at admin@g3freedom.co.nz.

Why Everyone Needs A Will

You have no money. You have no children and you don't like your relations. You still need a Will.

You may have much loved pets. Do you really want your pets destroyed by the SPCA because a new owner can't be found? Or you may have some very sentimental items or family heirlooms that you want to go to someone special.

Whilst less than 5% of us die intestate (without a Will) we are often very slow to get the process underway fearing the lawyer's costs that may result. If you don't have a Will then the law determines what happens to your estate and the people (children) who depend on you, and we all know the law can be an ass. Don't leave this in the hands of someone who has no idea what you want. Put it all down in a Will and make it clear. If you have dependent children then your Will should appoint a Guardian should both parents die at the same time (e.g. car accident). You should talk this over with whomever you are wanting to appoint, as it will be their job to make the big decisions about schooling and day to day care of your children. Your Will appoints someone to be the Executor of your estate. This person's role is to ensure your wishes are carried out as efficiently and effectively as possible. The duties of the Executor include applying for Probate (getting the Court approval to handle the estate), locating the beneficiaries, selling the assets, distributing funds and paying estate expenses. The Executor should be someone who is very trustworthy, has the time to do everything, is good with keeping records and is up to the demands. The Executor could be a relative (they can also be a Beneficiary to your Will) a friend, your solicitor or a company like Public Trust or Guardian

Trust. Or you could have a combination of these by having co-Executors. Make sure your Executor holds a copy of the latest version of your Will or knows where the original is held.

Every time your circumstances change then updating your Will is a good idea. Getting married negates your Will unless you drafted it in contemplation of marriage however separation/divorce does not. The death of a beneficiary may also be a time to update your Will especially if that beneficiary is one of your own children. Those grandchildren may miss out on their parent's inheritance and their cousins may end up being the beneficiaries of that share.

Adequate Provision

Want to cut your son or daughter out of your Will because you've hardly spoken for 20 years? You can try but the court is likely to override your wishes. Professor Nicola Peart, Otago University Law Professor, says children's claims against a parent's Will are almost invariably successful. "Disentitling conduct" has to be extreme – court decisions show it can't just be a matter of harsh words or limited contact.

In one case, a woman's Will left nothing to one of her two sons. There was bad blood between mother and son and the relationship had deteriorated dramatically in the years before her death. While the court found the son didn't have an "economic need", it said the mother still had a moral duty to her child. This duty had not been recognised in the will and the son was entitled to a legacy of a "moderate amount".

Promises

The Law Reform (Testamentary) Promises Act says if

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Monthly Budget Planner

Income	Client 1 \$	Client 2 \$	Monthly Totals \$
Salary 1 (after tax)			
Salary 2 (after tax)			
Pension (after tax)			
Interest (after tax)			
Dividends (after tax)			
Rental Income (after tax)			
Other			
TOTAL INCOME (net)	\$		
Expenditure	Client 1	Client 2	Monthly Totals
Home Mortgage or rent			
Other mortgage repayments			
Hire Purchase Payments			
Personal Loan repayments			
Credit Card debt repayments			
Local body rates			
Telephone/Mobile/Computer			
Electricity/Gas			
Car Registration/WOF			
AA Membership			
Buildings Insurance			
Contents Insurance,			
Car Insurance			
Car Running costs/servicing			
Medical Insurance			
Life Insurance			
Income Protection Insurance			
Childcare/Education expenses			
Heating - oil/wood/coal			
Groceries			
Meals out/Takeaways			
Clothing/Footwear			
Laundry/dry-cleaning			
Cosmetics/haircuts			
Doctor/Dentist/Optician			
Chemist			
Birthday Presents			
Christmas Presents			
Pets			
Home Maintenance			
Legal/accountancy costs			
Holidays			
Household furnishings			
Newspapers/magazines			
Sky TV			
Club/Social Membership			
Sports/hobbies			
Pocket Money			
Other			
TOTAL			
Monthly Surplus/deficit			



Good habits result
from resisting
temptation

Ancient Proverb





Why Everyone Needs A Will *continued from page 2*

you've promised someone a reward in your Will for their services and don't keep that promise, they can contest the Will. Say you hire a caregiver, telling her/him you can't afford to pay them much but you'll see them right in your Will. If you don't keep that promise, they may challenge the Will.

A Will can be contested but only if a claim is filed with the court within 12 months from the date of death or granting of Probate. The court can extend that timeframe but only if the estate has not been distributed. The Family Protection Act says you have a moral duty to provide for close family members in your Will. If you don't, they have a right to contest the Will because you haven't made adequate provision for them. Cutting a close family member from your Will is extremely difficult to do, if they choose to challenge it.

What happens if I die without enough money to cover all my debts?

This is called an insolvent estate. The estate has to pay off any outstanding debts in a set order before anything is given to people named in the Will, or until the money runs out. Family members and heirs are not responsible for the debt of a deceased family member if the debt was only in the name of the deceased. This includes anything from a loan to a credit card. Although

family members are not responsible for this debt it must still be repaid from the estate of the deceased before any payments to beneficiaries. The estate includes anything from cash and money in bank accounts to insurance money, property, vehicles, household items and investments.

So where do you go to get a Will. Your family lawyer will draw up a Will for you. You could go to a company like Public Trust or Guardian Trust or you can download a Will. We would always recommend that you use a professional and if there is anything out of the ordinary or complicated (see Adequate Provision) use a lawyer experienced in Estate Planning.

Remember: Your Will must be written and dated. You must sign it in the presence of two people. The witnesses and their partners should not be beneficiaries of your Will. Your Executor can be a witness but not if they are a beneficiary. Never physically attach anything to your Will. The attachment may leave marks and a court may be concerned that these marks indicate there were further instructions forming part of the Will.

Information sourced from

www.publictrust.co.nz

www.consumer.org.nz

www.guardiantrust.co.nz



*You only live once,
but if you do it right
once is enough*

Mae West

The Best Investment Advice for 2013 *continued from front page.*

The same as in 2012. Specifically,

1. Take action on the basis of a considered investment plan prepared by a properly qualified financial adviser - not on the latest newspaper article, however exciting.
2. Ensure that there are processes and procedures in place to protect your investments from fraud and loss.

3. For most people, a very widely diversified portfolio of asset classes, structured according to their circumstances, offers the best vehicle to contain losses and maximise returns - whatever the expert forecasts.
4. Stay disciplined! Even the best financial plan will not help you if you do not follow it.

Article by Plan B Wealth Management



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Goals + Guidance = Growth

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Goals + Guidance = Growth

G3 Financial Freedom Ltd - We Make Every Day Count

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We are a group of Certified Financial Planners, Chartered Life Underwriters, Accredited Investment Fiduciaries and we are all Authorised Financial Advisers. Talk to us about your financial future now. It is never too late to begin.

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