Financial Freedom

QUARTER 2 2015 NEWSLETTER

OUR SERVICES

- **Full financial planning**
- **Retirement planning**
- **Personal insurances**
- **Investments**
- **UK pension transfers**
- **Business protection insurance**

INSIDE THIS ISSUE:

Would you sooner receive your copy of our newsletter via email? If so please give me a call on 07 5715333 or let me know via email cathy@g3freedom.co.nz

UK Pensions Transfer

Major changes just taken place – May 2015

All KiwiSaver schemes have recently been removed from the list of Recognised Overseas Pensions Schemes the UK HMRC.

This has implications for anyone in the process of transferring to a KiwiSaver scheme as well as those whose transfers have been completed since 6 April 2015.

The reason for the removal of KiwiSaver schemes from the HMRC list is that they allow access to benefits before the age of 55 e.g. through financial hardship and first home buyers. Any scheme receiving UK pension transfer money has to adhere to strict access controls with severe ill-health being the only admissible event for access before age 55.

If anyone is in the process of transferring to their KiwiSaver scheme, then they should consider stopping the transfer immediately. If the transfer continues, they could be liable for a 55% tax charge on the fund from the HMRC as this transfer will be classed as an unauthorised payment.

Anyone who was wishing to transfer their UK pension funds to their KiwiSaver will now be in a predicament, particularly those who are in the middle of a transfer being processed from the UK public sector pension schemes, such as the NHS, Teachers scheme, Armed Forces, Police and Civil Service schemes. These are now likely to be rejected. Many of these pension transfers take months to complete and may still be in the 'work in progress' line from before 6 April waiting for the money for to be sent over; only to now find that if the receiving scheme in New Zealand was a KiwiSaver, this will not be able to proceed. Transfers from these type of UK schemes were banned by the UK government from 6 April 2015, so any thoughts of starting the process again to a non KiwiSaver Recognised Overseas Pension Scheme will not be available and benefits will now have to remain with the UK scheme. It may be the UK Scheme will not take back any transfer cheques already posted having fully discharged their liability.

Anyone who has had their UK pension transferred to a KiwiSaver between 6 April and 19 May (when the HMRC list was updated) may find themselves with a 55% tax liability. HMRC have been changing the pension landscape in the UK for a while now and it was clear well before 6 April that transferring to a KiwiSaver may not be the best solution.

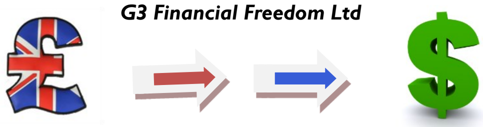
Fortunately, we here at G3 have been concerned for a few years now about transferring UK pension benefits to a KiwiSaver because of this very issue. Any clients where very small funds were transferred under advice were made aware from the outset that the KiwiSaver funds could not be accessed early and so they were excluding themselves from any first home withdrawal etc.

Anyone requiring **advice** on the advantages and disadvantages of transferring their UK pension to New Zealand and needing support to organise the best Recognised Overseas Pension Scheme (ROPS) for receiving their UK pension funds, should contact us. We are experts in this area and have both the UK and NZ knowledge to provide the solutions that are in the client's best interest.

Article by Charlene Overell and Jane Benton

Authorised Financial Advisers

G3 Financial Freedom Ltd



Understand if transferring is right for you

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

It is tax summary time! Our clients with investment portfolios should by now have received their end of financial year Tax Summary information. If, for some reason you think you should have received one and haven't yet please get in touch with me.

It is important to us that our communications to you provide you with the information you need to know. We want to ensure that what we are telling you is relevant and current to you. Our newsletters are just one way of keeping you up to date with some of the things that could help you to achieve your goals and live a more secure financial life.

We are in the process of revamping our website keeping us up with the changing trends in how websites are used and how information is retrieved and communicated. It will be an exciting new look and I can't wait to share it with you, though I think it is still a few months away yet.

Part of good communication is also being a good listener. We are here to listen to your financial issues, ideas and goals and help you to maximise your savings to give you the advantage of a retirement well deserved. We are able to model out different saving scenarios to give you a likely outcome in 10, 20, 30 years or any time frame you would like. We want you to be in the best possible financial position to retire when you want. It's our job. Talk to us today!

Winter has arrived, stay warm and dry. Till we talk again.

Have A More Secure Retirement

Getting Started

If you haven't yet started your savings, start today - the hardest step to take is getting started. So, how and where do you start?

- Review your finances and make sure you can spend less than you earn. In other words do a budget.
- Set aside money for emergencies
- Enrol in KiwiSaver. Despite the recent removal of the $1000 Kickstart, the scheme still offers some attractive benefits.
- Don't borrow from your savings to buy stuff or fund short term cash flow problems.

> One train of thought:
>
> Spend 50% on necessities
>
> 30% on enjoying the present
>
> Save 20% for the future

- Set up an automatic payment to start building your savings. Even small amounts add up over time.

Keep It Going

The key to long term success is to activate and then stick to a savings plan. This is important for any future plans including home owning, travelling or retiring. Be disciplined and remember that a savings programme is your future.

- Each contribution will add up over time, so get started! There are important benefits to starting early and continuing to invest consistently.
- Seek financial advice from a trusted financial adviser. This is where we can help you understand your savings needs and design a savings plan appropriate for you.
- Save as much extra money as you can. If you receive money you weren't expecting - maybe a bonus or an inheritance - do something nice for yourself with some of it but then try to save the bulk of it.
- Save regularly and strive to increase the amount you set aside every year.
- The majority of our pre retirement investment clients put a regular monthly amount into their investment portfolio. This is called dollar cost averaging and is something we encourage. It is vastly preferable to trying to time your contributions or adding a lump sum at the end of the year.
- Research shows that increasing the amount saved over time is one of the most effective ways to a more secure retirement. Make a promise to your future by saving 50% of any annual salary increase.
- Look at the balance between saving and reducing debt.
- Try not to use debt to buy things. With the

> *Motivation is what gets you started. Habit is what keeps you going*
>
> *Jim Ryun*

> Just $100 each month for 30 years could grow to $141,000 at 8%; in 20 years that grows to less than half that amount - only $57,000.

Have A More Secure Retirement *continued*

exception of homes, cars (that are reasonably priced and truly necessary) and education, using debt is almost always a bad investment.

> Keep your lifestyle constant so that your income rises accrue to your retirement savings, not your expenses

As Einstein is rumoured to have said 'compound interest is the most powerful force in the universe"

Invest Wisely

Establish a low-cost, globally diversified portfolio that's appropriate for your goals.

- An Authorised Financial Adviser can help you with this. Make sure that you and your adviser review your retirement needs and your investments regularly. We have an annual review with our clients, so we remind them. If you have skipped your review for a year or two then contact us for one now.
- Think long term. Understand that you're planning for the rest of your life. Don't focus on the short-term performance of your investments. Instead, stick to your long term plan and review your portfolio periodically to stay on track.
- Invest in a broadly diversified mix of global stocks and bonds. The ratio of stocks and bonds depends on your ability to tolerate the market turbulence i.e. risk.
- How do you get a globally diversified portfolio? Talk to us, this is what we do best. We can offer you an efficient and effective way to achieve a diversified portfolio tailored to your specific needs and goals.
- Returns are only expected, but expenses are certain. We only use products that are transparent in their charges so you know what the costs are.

> Diversification allows you to spread your investments among many different securities, which significantly reduces risk.

- Consider the need for insurance, including health insurance, life cover, disability insurance and income protection insurance. As qualified advisers this is another area we help our clients.

Retire Well

Your ability to achieve a secure retirement and live comfortably after your working years depends on Getting Started, Keeping It Going, and Investing Wisely.

- Why? Because a more secure retirement depends on:
  1. How long you are retired
  2. How much you spend before and after retirement
  3. How much you have saved and,
  4. How well you invest

Sometimes the choices investors have to make to achieve a secure retirement are hard, however those choices can be easier to understand with the support of a qualified financial adviser to guide you.

> Retiring well starts and ends with you.

Five Ways Retirees Could Fool Themselves

Baby boomers are heading into their retirement years with some assumptions - some well-founded and others not so much. Here are some of the ways retirees could fool themselves.

1. "I'll definitely be working past 65." - 2013 Census data shows 40% of 65-69 year olds in NZ are still in full or part time work. That means 60% aren't.
2. "I'll just spend less when I retire." - Sure, you won't be needing work lunches, work attire, shoes or travelling costs but many retirees actually spend more in the first few years. There's that bucket list to get done, travel, house maintenance, hobbies and maybe a new car.
3. "If I plan for the worst, I'll be hit by a bus tomorrow." - We swear some people believe this, because it's the only reason we can think of why people don't plan for the other sure thing (besides taxes).
4. "We are in perfect health - we'll be fine" Be sure you've planned for a good long life , health care expenses and all.
5. "I'm going to play my investments completely safe". - there is a risk to playing it too safely. The safest investments are those that often have you losing money slowly - to inflation.

The one who asks questions doesn't lose his way

African Proverb

Buyer Beware!

Ordinary life is pretty complex stuff

Harvey Pekar

We seem to be hearing more and more in the media these days, of dissatisfied customers when it comes to their insurance policies. I thought that providing some insight into what choices are out there would give some guidance to anyone considering taking out insurance or reviewing what they already have.

We are all able to purchase insurance online these days, without obtaining advice from an insurance adviser. We can buy insurance for funeral cover, life and trauma cover, car insurance and house and contents cover, all online or over the phone – but what are the pitfalls?

When we buy online or over the phone, effectively going direct and bypassing an expert insurance adviser, we are led to believe we are getting a good deal with cheaper premiums and can have cover put in place immediately, without having to complete application forms or provide medical information. This all sounds easy and very attractive to many however, we need to know what some of the traps are and how to avoid them.

- If we want the cheapest premium, we are potentially not getting the best policy. When we pay for insurance, although we don't want a disaster to happen, if it does, we want to know that we are going to have our claim paid. If we've picked the cheapest policy with the worst policy wording, our expectations may not be met and we could be very disappointed!
- If we do not have to provide any medical history details upon application for personal cover, it is likely that any pre-existing conditions we have will be excluded for up to 2 years or permanently. The older we get, the more conditions we accumulate unfortunately, some major and some minor. If everything is excluded, the potential for a claim being accepted by the insurer becomes less likely
- When it comes to specialist types of cover, whether this be for personal covers, for business assets, liability cover, cover for shareholders and key people in a business, or maybe marine, aviation or carrier cover, going direct will just not 'cut it'
- How do we know we're getting the right amount of cover for the right reasons and at the right price? Insurance is about insuring the 'big ticket' items in life, those incidents that are going to cost us a lot financially. Surely we want to ensure that our policy has the best wording for such an event and that we have someone who is going to 'fight our corner' and look after us if a claim arises?
- This leads me on to explaining the role of the expert – the insurance adviser. As advisers ourselves, and as someone who has personal experience of a house fire that took 6 months to sort out, the adviser is the person who will sort out your claim. They will of course initially have you sorted with the right policy, the right cover and with premiums that are affordable to you, however, it is when a claim arises that their other skills 'kick-in'. They are there for you, supporting you, organising the paperwork, liaising with all parties involved and making everything as simple and understandable for you as possible – isn't this what we really want when the problems crop up?! My experience of our house fire and how the claim was handled, is that it would not have been as smooth if it weren't for our Fire & General Insurance Adviser – Ben Burnett, of Burnett Piper. He made all the difference when the going got tough.

If you really want peace of mind knowing that in an event you are covered, you need to engage a professional insurance expert. Insurance of any kind, is about putting the right money, in the right hands at the right time – the insurance expert will know how to do this. The price of going direct, without expert advice, is not worth paying in my opinion!!

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G3 Financial Freedom Ltd - We Make Every Day Count

We are the financial advice company that can help you create the financial future you desire with peace of mind, security and confidence. We operate under the rules of the Financial Markets Authority and abide by the Financial Advisers Act 2008. We are voluntary members of the New Zealand Institute of Financial Advisers.
We are all 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.