Financial Freedom

QUARTER 4 2013 NEWSLETTER

OUR SERVICES

- Full financial planning
- Retirement planning
- Personal insurances
- Investments
- Employer group insurance schemes
- Health insurance
- 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

Why Investment Safety Is As Important As Road Safety

Police are imposing a two-month lower speed tolerance in December and January to increase road safety. Even a near accident is enough for most of us to become hyper-vigilant on the road...and the same vigilance should be applied to your investments.

Complacency is, arguably, the greatest threat to road safety. This is why the authorities continue to remind us of the importance of road safety.

For just the same reasons, we need to be reminded about the importance of investment safety. Like any long distance road journey, when we embark on our investment journey, our destination may be too far away to define in very specific terms. For most of us, a desired lifestyle later in life is our goal. As we draw closer, the specifics of where we're headed become much more real.

While it's right to maintain our focus on where we're headed, we also need support along the way, and this is where most investors benefit from the advice of a professional and experienced financial adviser. Advisers not only have a strong technical understanding of how best to structure investments, for tax, legal and other issues, but they also understand the investment risks we may face along the way such as:

Concentration

This is as common an investment risk as is speeding on New Zealand roads. Many Kiwi investors have the mistaken belief that a large number of New Zealand and Australian shares represent a diversified investment portfolio - even though both countries comprise less than two per cent of the global economy! The problem with concentration, or putting all your eggs in one basket is that you may be limiting yourself to a world of further opportunities. With tens of thousands of shares around the world easily accessible to New Zealand investors, concentration is a risk you just don't need to take.

Default

It was only a matter of years ago that New Zealand felt like 'default central' for finance companies. Many investors, lured by the promise of high returns, ignored the risk of the associated high risks when they signed up for bonds issued by a variety of finance and other companies. It's an adviser's job to make clients aware of the risks associated with the rewards offered by any particular investment and to recommend appropriate safeguards. This doesn't mean that all bonds are off the table. Discrimination and a pair of experienced eyes can be the difference between reaching your destination safely and ending up somewhere you never wanted to be.

So close and yet so far

We all know the feeling coming home from a long weekend - along with everyone else in town. You end up in gridlock. It can be much the same with an illiquid investment. An illiquid investment is one that is difficult to get your cash quickly from - for example residential property. Again, a financial adviser can provide the guidance you need to avoid liquidity risk.

In summary, just because we're not cautioned about investment dangers like concentration and liquidity as frequently as we are of road dangers, it doesn't mean they're not ever-present. There is no room for complacency. Speaking to your financial adviser is the best way to ensure you reach your investment destination safely.

Article by IOOF New Zealand Ltd

Now and then it's good to pause in our pursuit of happiness and just be happy

Guillaume Apollinaire

G3 Financial Freedom Editorial

from the desk of Cathy Fletcher (G3 Office Manager)

The end of the year is fast approaching so this will be the last newsletter for 2013. Christmas and holiday time means a lot of planning and lists written, maybe even one for Santa.

Here at G3 we are also in the midst of a lot of planning and lists. G3 is a thriving, growing business. We now look after hundreds of clients who have protected themselves and their families against personal misfortune, we have reviewed numerous UK pensions for transfer, many clients have their KiwiSaver funds well on the way to a nice retirement nest egg and/or, have instigated their retirement planning and are now on their way to saving towards their ideal retirement. Goals + Guidance = Growth. We really value guiding and encouraging our clients to succeed with their plans. We need more space to grow further so we are again moving our office. **As of 20th December we will be working from 55 Eighth Avenue, Tauranga.** It is the building directly behind LJ Hookers real estate. We have dedicated office parking so no more having to deal with small change for parking meters and dicing with parking wardens. We will also have the room to increase staff as the need arises.

Our plan is that we will be packing up and moving over the 19th and 20th of December and then take our Christmas break to recover from it all. We might be without landlines and emails for part or all of those two days but if you need to contact us please phone our mobiles: Tracey 027 6817391, Charlene 021 599940, Jane 027 2805933 or Cathy 021 1772990. We will be back to business as usual in the new year from 6th January 2014.

If you are in our new neighbourhood in the New Year do come in and say hello and we will happily give you a tour through,

Our postal address, emails and phone numbers will all remain as they are now.

Another year has come and gone. So many events mark 2013 which will stay with us for quite some time. A few that come to mind are the America's Cup racing where we perched on the edge of our seats for how many races? Prince George was born and christened, Margaret Thatcher died, Wellington and Seddon had earthquakes causing serious damage, Lance Armstrong admitted to doping in his seven Tour de France wins, Europe had a horsemeat scandal and Fonterra had a botulism scare. We had a fantastic summer for 2013 but, unfortunately the Philippines had a cyclone, the Aussies had floods and fires and the South Island had snowstorms and flooding too. Plenty of memorable events. We will see what 2014 brings.

Christmas and New Year Office Hours

Office Move Thursday 19th December & Friday 20th December

Closed 4pm Friday 20th December

Re-open 9am Monday 6th January

If you require anything urgently please Phone Cathy 021 1772990

Living Local, Acting Global

Sometimes the questions are complicated and the answers are simple

Dr Suess

Although I'm British, I've lived in New Zealand with my family for nearly 8 years and I'm proud to say that I'm now a citizen. I love this country and although I wasn't born here, this is definitely my home. I also feel that as I've done some travelling in my time, the quality of life that many of us enjoy in New Zealand is outstanding. I am a supporter of all things Kiwi and I believe that, as a nation, New Zealanders punch well above the weight of our very modest population in many different fields of human endeavour.

Why all this patriotic fervour – and from a Brit? It's just to put what I'm about to tell you next in proper context. One of the most common challenges I face, when discussing investment strategies with my clients, is to persuade them to give New Zealand the investment allocation its due – which is very little. Scrutinising spreadsheets showing where I am proposing their investments be allocated, clients will often peruse the extremely widely diversified list of companies operating in the USA, Europe and Asia before looking up at me in bewilderment. 'What about New Zealand?' they often ask.

It is perfectly natural to reach for things that we know. We tend to feel more secure when surrounded by the familiar. But the reality is that the capitalisation of New Zealand's stock market is around $75 billion with the NZX50 index market counting for approximately $50 billion and to put this in context, the capitalisation of Microsoft is approximately $380 billion (in NZ dollars). Therefore Microsoft alone is 5 times larger than our stock market and over 7.5 times larger than the total capitalisation of our main top 50 companies.

If we look at Apple in comparison too, then its capitalisation is currently around $510 billion, so it is 6.8 times larger than the NZ stock market and 10 times larger than our top 50 NZ companies. Yes our entire stock market is worth around 14% of Apple – just one US company. '

If we were to allocate one dollar in a way that reflected the value of global capital markets, we wouldn't invest a single cent in New Zealand, such is the irrelevance of the Kiwi economy. That's not a good thing or a bad thing – just the way things are. The difficulty with choosing to allocate more of our investments in New Zealand companies, is that we are concentrating our money in one market. Or to use the familiar cliché, we are putting too many of our eggs in the one basket.

What's the problem?' you may think. 'At least we can keep an eye on the sharp suited executives in New Zealand.' That kind of thinking is deeply flawed. You only need to look at the number of failed finance companies in New Zealand to see that close proximity is no guarantee that company managers will do the right thing by you. Of far more importance is regulation. And the corporate environments of most developed countries are far more tightly regulated than New Zealand is.

The problem with concentrating investments in any single market is that a negative event in that market will probably adversely affect your overall wealth much more than it needs to. What if you had invested heavily in property in central Christchurch? Or in US mortgage bonds pre-2007? Right now you would be wishing you had diversified your investments, and avoided taking such a disproportionate hit arising from the tragic sequence of events.

As a Financial Planner, my job is to help clients achieve their financial goals *with minimum risk.* Concentrating your investments in one company or one market can work wonders if Lady Luck is on your side. But that form of speculation is not for most people. My advice to clients seeking the best outcome for their investment journey is to diversify. A very widely diversified portfolio has been established, both by research as well as experience, to deliver optimal returns during upswings, and to protect us from the worst effects of any downturns. In summary, live local – but act global.

Charlene Overell AIF® CFP^{CM} CLU is a Director of G3 Financial Freedom Ltd. A Disclosure Statement is available on request free of charge.

Age and glasses of wine should never be counted

Italian quote

Don't Forget!
Tax rules are changing - if you have a UK pension plan, you need to talk to us **NOW**. Leaving a decision to transfer until after 1st of April 2014 could result in a much bigger tax bill

Seriously Decadent Christmas Cake

Tracey made this delectable cake last Christmas but recommended it be eaten in small portions

Fruit mix

500g dried fruit mix
75g glace cherries
250g prunes roughly chopped
1 cup walnuts chopped
1 cup grated apple (skin on)
2 tablespoons golden syrup
1 cup brandy

Cake

175g butter
3/4 cup raw sugar
2 eggs
1 3/4 cups plain flour
1 teaspoon baking powder
1/2 teaspoon each ground nutmeg, cinnamon, cloves, ginger & mixed spice
1/4 teaspoon ground chilli (optional)
250g dark chocolate finely chopped (72% cocoa)
Finely grated zest of 1 orange
3 tablespoons orange juice
1/2 teaspoon baking soda

Fruit

Combine all ingredients in a large bowl, cover and refrigerate until ready to use. Stir daily. If you have time leave it for at least 1 week or up to 3 weeks.

To assemble and cook: Preheat oven to 150^{C} and set the oven rack one level below the centre of the oven. Grease and fully line an 8cm deep x 20cm square cake tin with 3 layers of baking paper.

Cake

Beat the butter and sugar until pale and creamy. Beat in the eggs one at a time, adding a tablespoon of the flour with each egg (stops mixture curdling). Combine the remaining flour, baking powder, spices and chocolate in a bowl. Stir the orange zest, juice and baking soda together in another bowl. Using a large metal spoon fold both mixtures into the butter along with the soaked fruit.

Spoon into the tin and smooth the top. Cover with a piece of baking paper, pressing it onto the mixture. Wrap a thick piece of brown paper around the outside of the tin, securing with kitchen string.

Bake for about 2 hours or until a skewer inserted in the centre comes out clean. Make sure it's not just melted chocolate on the skewer. Cool in the tin.

The cake can be left plain or iced with traditional icing or chocolate ganache!

G3 FINANCIAL FREEDOM
Goals + Guidance = Growth

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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 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.