

# Investing in Knowledge



Alison Renfrew

## Alison Renfrew wins Financial Planner of the Year

Alison Renfrew, CFP, CLU winner of the Financial Planner of the Year Award 2004.

The awards are designed to promote financial planning and highlight excellence and professionalism within the financial services industry.

Massey University screened the entries and provided a list of finalists. The finalists were then interviewed by a judging panel. The judges this year were; Diana Crossan (Retirement Commissioner), Donal Curtin (Managing Director Economics NZ) and Rob Stock (financial journalist, money columnist for the Sunday Star Times). The judges noted the high quality of the financial plans presented by the finalists. They also said it was good to see that best practice procedures were being introduced to their businesses.

Financial planners who enter the awards are judged on a number of criteria including:

- They must be a Certified Financial Planner (CFP) and have been practicing for a

minimum of five years - Alison holds both a CFP and a Chartered Life Underwriter (CLU) and has been in the financial services industry for 21 years.

- Their professionalism and competency
- Communication skills
- Knowledge of current issues
- Their input to the profession and the community
- Marketing ability
- Career achievements

Entrants have to provide a comprehensive financial plan that they have written and show how it has met their client's goals. The client provides a testimonial. So it is quite an achievement to be selected for the finals.

Alison was also a finalist for the NZ Financial Planner of the Year Awards in 2002 and 2003.

Well done. Congratulations Alison!



## Investment KnowHow Seminar and a celebration

In October clients came along to a Investment KnowHow seminar where Jim Reardon, 'financial engineer' at ING gave a technical talk on "Collateralised Debt Obligations" and how these can be used to replace some of the fixed interest part of a portfolio and increase diversification and reduce risk. Clients had asked for a more technical presentation and Jim fulfilled their expectations.

Graham Redding from St John's in the City, a theologian and philosopher talked on the key elements to making a relationship work.

Following the presentations we surprised everyone by announcing that this was a joint informative talk and celebration. Creating Wealth Ltd is 10 years old this year and the Renfrew's were also celebrating 20 years of marriage. Alison had even cooked a special wedding cake, two in fact, for the occasion.

## Office hours during Christmas

The Office will be closed from 2:00pm Friday 24th December (incidentally Richard's birthday) and opens again Monday 10th January.

## Economic update

*Very little can be guaranteed in the financial world, so the comments below are our best estimate of what is likely to happen in the short term.*

The New Zealand housing market is beginning to soften, especially among the higher-priced houses in Auckland. Short of any major unforeseen event occurring, we do not anticipate a housing crash. However, we do predict a 5% fall on average in 2005 due to slowing population growth, rising interest rates, increased construction activity and reduced market enthusiasm.

With interest rates relatively high at the moment, we recommend you resist the temptation to lock in mortgage rates for more than one year. If the OCR falls next year, fixing for a longer term will merely lock in the relatively high rates at present rather than allowing for the benefit from any interest rate falls.

The New Zealand dollar is still defying gravity. However, the beginning of 2005 is likely to see the NZD slip. The dollar will come under pressure as the economy slows and investors start to focus on when short-term interest rates will come down.



New Zealand has experienced exceptional economic growth in 2004. However, this is likely to slow next year, with the slowdown becoming more evident in the second half. For the 2004 calendar year, GDP growth is projected to reach nearly 5%, while 2005 is projected to have a more modest growth rate of 2%.

On the basis of the Reserve Bank of New Zealand's current concerns over inflation, the Bank will probably increase the OCR to over 6.5%. However, we anticipate that, with the slowing economy, interest rates should start to fall again by mid 2005.

This will contrast with the rising interest rates and continued economic expansion in the US and Australia, as well as more resolute signs of growth in Europe.

2004's brisk global growth trend is now peaking, with growth in 2005 likely to be comparatively slower, albeit still respectable. At the same time, continued climbs in oil prices remain a threat to global prosperity.

In summary, this year's double-digit returns from index-based equity and property investments are unlikely to be repeated next year. Nevertheless investment performance will remain solid.

## Contact

For further information, please contact the team at:

### Creating Wealth Ltd

*Unbiased investment advisers and financial planners*

Level 3, 79 Boulcott Street,  
PO Box 11-249, Wellington

Tel: (04) 471 0662

Fax: (04) 471 0615

Email: [invest@creatingwealth.co.nz](mailto:invest@creatingwealth.co.nz)  
website: [www.creatingwealth.co.nz](http://www.creatingwealth.co.nz)

*Providing quality, impartial investment advice with integrity*



**creatingwealth**

## Close of 2004

How did it happen so soon? Why does time move faster as we get older? We have had a very exciting year. Numerous new investments with a focus on protecting your investment have been introduced. In addition investment markets improved after the downturn between April 2000 and March 2003. Thank you for your support during 2004 and we look forward to working with you in 2005. Have a great Christmas and New Year break.

next  
step

- SEE US ABOUT THE BEST INVESTMENT OPTIONS FOR YOU

**creatingwealth**

page  
4

inside

- FIXED INTEREST WARNING
- BEWARE DIRECT SELLING
- STROKES TAKE TOLL ON BABY BOOMERS
- TAKE CARE WITH FAMILY TRUST ADMINISTRATION

page  
1

# Take care with family trust administration

Family trusts are a great device to aid asset protection and estate planning. However, to be robust and effective, they must be correctly administered. Contact us for tips on how best to administer your family trust.

Below are some tips on how to avoid some of the more common mistakes we see with family trusts.

- If the settlers had term life insurance prior to establishing the trust, transfer the ownership of the policies from the surviving spouse to the trustees of the trust who will hold the policy ownership on behalf of the trust. Under this arrangement, if death occurs, the insurance proceeds go directly into the trust without having to be gifted by the surviving spouse/settler. However, as part of the ownership transfer process, ensure a trustee resolution is produced clearly outlining the transfer and that the trustees are holding the policies on behalf of the trust.



- If making investments, it is advisable that all trustees are recorded on the application forms and that all trustees sign.
- If you sell your home or other property to the family trust, ensure the home and contents policies are changed to reflect the change in ownership. The same would apply if for some reason a personal motor vehicle was sold to the trust.
- Trustee minutes and resolutions are important for the effective ongoing operation of the trust. We recommend they be filed in a ring binder rather than a bound book. It is better to have too many than too few resolutions. Contact our office if you would like guidance on what sort of events should trigger a trustee resolution. Confirming investment recommendations or reports produced by us as the family trust financial planner should be recorded as a trustee resolution.
- Ensure the family trust has an interest-bearing cheque account enabling all funds to be working all the time.
- Nominate your replacement trustee in your will. Think carefully about who this person should be. We can provide some guidance in this matter.
- If you have a third independent trustee, ensure you involve that person in decision making and ensure that person signs all minutes/resolutions, applications and withdrawals.

## life's tips : Falsehoods

*"With money in your pocket you are wise, and you are handsome and you sing well too."*

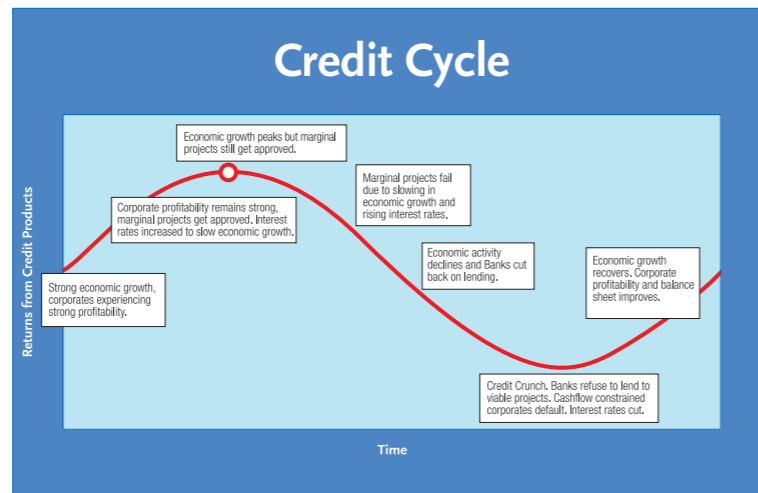
– Yiddish proverb

## Fixed interest warning

In recent months, The Reserve Bank of New Zealand, FundSource (an investment research company) and the Securities Commission have all sounded warnings about certain fixed interest investments. The warning has not been against all fixed interest investments as such. However, these parties are concerned that many New Zealanders with a low risk tolerance are investing into debentures and capital notes via certain non-bank finance companies without fully appreciating the potential risks involved. Investors face increased risk as the New Zealand economy slows and property values fall.

The graph below illustrates a typical 'credit' or 'business cycle' and the factors that characterise each stage. The red dot signifies where New Zealand is currently perceived to be within the cycle. It does not take an investment expert to see that New Zealand is poised at the peak of its business cycle.

If you or any of your friends have any concerns regarding non-bank finance company investments, please give us a call. We have access to wide-ranging research on these investments and can indicate whether they have the appropriate risk/return ratio for your personal risk profile.



## summing up

- PLAN AHEAD TO TRANSFER OWNERSHIP OF ASSETS TO A FAMILY TRUST
- PREPARE FOR A POSSIBLE DOWNTURN BY MINIMISING RISKY INVESTMENTS

page  
2

## Advice pays

How many times over the past 12 months has someone tried to sell you life insurance through the post? You know those letters that offer you life insurance as an added extra – a bit like McDonald's offering fries on the side.

It sometimes seems the whole world woke up one morning and decided that the direct selling of life insurance was a sure-fire way to make money.

But what about you? How does this direct approach benefit you?

With the direct selling approach, the profit driver for the company is to keep the cost of the sale as low as possible. Therefore, the resources required to complete a full analysis of your needs, to fully research your current policies and to give informed advice to you do not feature in the direct sales model. Neither do the resources to continually review your changing needs over your lifetime and to restructure your policies to meet these changing needs.

This potentially means that:

- You are only offered a very limited choice of product
- You are not given any advice on how the product fits your individual circumstances
- You are left to understand and accept the consequences of any changes or cancellations made to your existing policies as a result of purchasing the new one. In other words, you could end up cancelling a policy that actually provides more extensive benefits just so you can afford to purchase the new direct product – all without receiving any expert advice.

Surely this approach spells potential disaster for you. When you realise that the prices of these direct products are very similar to, and sometimes more expensive than, the products offered through independent advisers, it makes the scenario even more disturbing. Contact us before signing up for any insurance product. We have access to the complete range of insurance companies and can source competitive prices.

## Strokes take toll on baby boomers

The number of New Zealand deaths each day from strokes could more than triple to 60 within 30 years, the Stroke Foundation predicts. Today, an average of 19 people a day die from the condition, which costs the economy and health services an estimated \$154 million a year. Strokes occur when a clot or narrowed arteries starve the brain of blood, or when a blood vessel bleeds into the brain. It is third on the list of top killers of New Zealanders, behind heart disease and cancer.

About a third of those who have a stroke die as a result. A further third are left with disabilities, which can include varying degrees of paralysis or weakness, speech difficulties, incontinence, memory loss and loss of emotional control.

The predicted rise in the number of stroke deaths is attributed to a population that is both growing and ageing, rather than to a growing stroke incidence.

"The Baby Boomers are getting older, and stroke is a disease of older people," said the Stroke Foundation's medical director, Dr Jonathan Baskett.

## summing up

- LIFE INSURANCE SHOULD BE SUITED TO YOUR LIFE NEEDS, NOT EVERYONE'S
- THE CHANCE OF HAVING A STROKE IS REDUCED WITH HEALTHIER LIVING

page  
3

## Questions you've always wanted to know the answer to

1. Why does your gynaecologist leave the room when you get undressed?
2. If a person owns a piece of land, do they own it all the way down to the core of the earth?
3. Why are they called stairs inside but steps outside?
4. Why is there a light in the fridge and not in the freezer?
5. Why does mineral water that 'has trickled through mountains for centuries' have a 'use by' date?
6. What do people in China call their good crockery?
7. Why do people point to their wrist when asking for the time, but don't point to their crotch when they ask where the bathroom is?
8. Why is a person that handles your money called a 'Broker'?
9. If corn oil is made from corn, and vegetable oil is made from vegetables, then what is baby oil made from?
10. Why is it that when someone tells you there are over a billion stars in the universe, you believe them, but if they tell you there is wet paint somewhere, you have to touch it to make sure?
11. Do illiterate people get the full effect of Alphabet Soup?
12. Did you ever notice that when you blow in a dog's face, he gets mad at you, but when you take him on a car ride, he sticks his head out of the window?

According to the Stroke Foundation, the incidence of strokes could be reduced if more people changed their lifestyles. There are a range of insurance products that can be incorporated into your personal risk protection plan to help provide financial assistance in the event of a stroke. Contact us for details.

## life's tips : Money

*"Getting money is like digging with a needle; spending it is like water soaking into sand."*

– Japanese proverb