

Dear Client,

Once again the year seems to be flashing by with spring already upon us. It also appears that the financial spring has arrived with world markets continuing their strong runs with the Dow Jones index up almost 45% from its mid-March lows. A number of countries have confirmed positive GDP figures and economists reported this week that New Zealand may be out of the recession.

We take the view of “Cautious Optimism” as there are still a number of headwinds for us including unemployment, Government debt over hangings and the value of the NZ dollar. We are now moving to expand our investment options from what has been a very conservative group and are looking at commodity fund, corporate bond portfolio and an Equity based income portfolio. A cold winter is behind us and we look forward to a warm spring and summer.

We aim to provide education to clients through this update, however we do recommend contacting your adviser if you wish to discuss any of the below in further detail or if you would like anything to appear in future newsletters.

Financial Awareness Week

This week is focussing on the levels of financial literacy in NZ and starting to educate New Zealanders about the need to become financially aware. This follows on from our past update which discussed the findings from the ANZ Retirement Commission Financial Knowledge Survey.

There have been a number of activities put on to promote the week and encourage the education. This includes new features, and free advice sessions and seminars.

A great website that has been established by members of the Institute of Financial Advisers
www.financialawarenessweek.co.nz

This website has a huge amount of useful information, including a number of case studies for a range of lifestyle stages. The website also discussed in detail the six steps of financial planning:

1. Plan your financial life – Ready, Set, Goal!
2. Make the most of what you’ve got – Make it, Save it, Spend it.
3. Protect what you can’t afford to lose – Cover the “What if’s”!
4. Manage your debt – Swim, Don’t Sink!
5. Grow your money – Make Dreams Real!
6. Secure your retirement – Plan to Work Less (or not at all)!



We recommend checking this out, and getting in touch with your adviser to see how this works for you.

Other useful websites recommended:

www.interest.co.nz – info on interest rates, bank fees and investing

www.sorted.org.nz – range of calculators and information on paying debt to saving for retirement

www.retirement.org.nz – info about retirement

www.kiwisaver.govt.nz – explains KiwiSaver in detail

www.ifa.org.nz – Institute of Financial Advisers

Have your say & WIN

We want to know what you think. If you complete the attached sheet and return it (freepost) to our office, you will go into the draw.

You have 3 chances to win your choice of either

- **A double pass to the movies**
- or
- **2 bottles of wine**



What we can offer our clients:

Fixed Interest Alternatives

A well diversified corporate bond portfolio can be an alternative to the finance company sector for those requiring a larger portion of fixed interest in their portfolios.

This offers greater diversification, more liquidity, and easier access to funds while giving comparative returns and being PIE compliant.

Talk to your adviser to see if this is suitable for you.

We offer clients one point of contact, by providing clients with the following services under the one roof, utilising Specialist Advisers:

- **Investment Advice**
- **Retirement Planning** – including KiwiSaver
- **Insurance Planning** – life, trauma, income protection & medical
- **General Insurance** – house, contents and business insurance
- **Mortgages and financing**

How does this benefit you? **By providing you with one company with specialist and consistent advice.**

Government Guarantee Update

The Government recently announced that it will be extending the deposit scheme.

The scheme has been extended until 31st December 2011, this now being more in line with Australia's scheme. There are however a number of conditions that will apply from 13th October 2010.

The main conditions being:

- Finance companies and other non-bank deposit-takers must have a BB rating or better to qualify.
- The maximum payout per depositor will drop from \$1 Million to:
 - Bank Deposits: Maximum of \$500,000*
 - Non-Bank Deposits: Maximum of \$250,000*
- Fees charged to be covered will be increased.

*Per depositor, per institution.

Participation will be voluntary, with a more definite figure of the number of non-bank institutions that are eligible for cover to be made by 1st March 2010. By this date under the new prudential regulations set by the Reserve Bank will require those with deposits over \$20 million to carry a credit rating.

What is a BB?

According to Standard and Poor's a BB rating is defined as:

"An obligation rated 'BB' is less vulnerable to non-payment than other Speculative issues. However it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligator's inadequate capacity to meet its financial commitment on the obligation."

What does this mean?

The changes are expected to at least halve the number of institutions covered by the Deposit Guarantee Scheme (DGS) with a possibility that the banks will withdraw from it. With increased changes and compliance costs, those companies remaining part of the scheme will most likely be offering slightly lower rates of return.

For the investors this will mean doing more homework on where you invest and for how long. It may also mean that less reliance is placed on the DGS and more focus will be placed on the quality of the investment and diversification.

List of Ratings

AAA – capacity to meet commitment extremely strong
AA – capacity to meet commitment very strong
A – capacity to meet commitment strong
BBB – adverse conditions can weaken capacity
BB, B, CCC, CC & C – have speculative characteristics with large uncertainties or exposure to adverse conditions.

+/- shows the standing within the major rating category



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