

AUTUMN/WINTER 2013

Underinsurance in New Zealand

New Zealanders are underinsured by \$650 billion, according to a research project (Exploring Underinsurance within New Zealand) commissioned by the Financial Service Council in conjunction with Massey University. Key findings from this report have received a lot of media attention, and so we believe there is no time like the present to talk to your Authorised Financial Adviser at Chris MacKay Financial Planning about the value of insurance and identify any gaps that may exist in your current cover.

NZ ranks 28 out of 31 OECD countries for personal insurance Product Penetration - just ahead of Greece & Mexico.

Severely inadequate Life cover in family households, as defined in the report, was recorded at 43.3% for the primary householder (breadwinner) and 33.6% for the second householder.

The research found that over the past five years, one in seven households has experienced a serious illness resulting in an inability to work for three months or more.

Every parent wants the best for their family. But how does a family survive financially if either spouse or partner suffers a serious accident or illness?

55 per cent of households would be unable to pay all their expenses and maintain their lifestyle within a month after sick leave and annual leave ran out.

It doesn't have to be that way.

Get the protection you need!

Set aside time now to ensure your family is protected from the unexpected. Whilst insurance can't prevent serious illnesses and injuries from occurring, it can protect your family from the financial consequences such misfortune can bring.

From basic Life cover to eliminate debts such as your mortgage, to Income Protection cover to take care of expenses if you can't work for an extended period, we can help you formulate an insurance strategy that suits your circumstances and budget.

If you would like to review your insurance needs or if you know of anyone who would benefit from our services please call us.

KWISAVER WOMEN BECAUSE YOU DESERVE IT

Recently in the media, the gender difference of KiwiSaver was highlighted when Westpac revealed female members of its KiwiSaver scheme had smaller balances on average than men of the same age, with a discrepancy of 25%-30% between mid-30s and mid-40s. We thought that we would take a closer look into these claims and the reasons why this may be occurring.

The majority of KiwiSaver schemes are expressing the same statistics with the difference probably due to three factors:

1. Women choosing lower contribution rates than men;
2. Lower average wages for women; and/or
3. Career breaks for women who take time off for maternity leave.

The Financial Services Council has called for a taxpayer-funded top-up for KiwiSaver members who don't have enough to buy a pension equivalent to NZ Super from age 65. "This not only helps women who may have spent time outside of the workforce, it will also help anyone who has had very low earnings over their adult lives," FSC chief executive Peter Neilson said.

From 1 April 2013 the minimum employee contribution rate for KiwiSaver rose from 2% to 3%. At the same time, compulsory employer contributions also rose from 2% to 3%. Almost 2.1 million New Zealanders have accumulated \$15.4 billion in KiwiSaver funds. They are forecast to grow further to around \$25 billion by 2015 and to almost \$60 billion by 2021.

"It will also help anyone who has had poor returns on their investments close to retirement, which would have taken their retirement pot below the level needed to fund a fixed-term pension equivalent to NZ Super at 65."

For those clients that still need to be convinced of 1) whether KiwiSaver is a good idea and 2) to save enough for their retirement:

- Only 1 woman in every 20 is saving for her retirement.
- 50% of women 65 and over are totally dependent on New Zealand Superannuation according to research conducted by Women in Super (WiS).
- A famous (but not very PC) lady once said: "From birth to 18 a girl needs good parents, from 18 to 35 she needs good looks, from 35 she needs a good personality and from 55 on she needs good cash."
- Married women are on average two years younger than their partners and are therefore likely to outlive their partners by five or more years.
- The difference in life expectancy is reflected in the proportion of men and women over 65. In the 65-74 age group, the proportion of men and women is nearly equal. However, women make up 61% of the 75-84 age group and outnumber men more than 2 to 1 in the over 85s.
- 1 in 3 marriages ends in divorce.
- Over 50% of women in retirement are totally dependent on New Zealand superannuation in their retirement years.

Team News!

Neil Henderson has recently been recognised for his 10 year membership with Hutt Business Connections BNI (Business Network International) chapter in Lower Hutt.

BNI is a business and professional referral organisation and is one of the largest organisations of its kind, with 6,128 chapters in 48 countries.

If you would like to know more about BNI, please contact Neil or visit www.bni.co.nz. Neil also celebrated 25 years marriage to Sheryl in January.

Kate Cozens has joined Ian Jordan as his P.A. Kate has recently graduated with a Commerce & Administration degree from Victoria University. Nepotism is alive and well at CMFP; she also happens to be Bridget Hawkins' niece. Bridget has been with us on and off for over 15 years.

Ian Jordan has clocked up 5 years with CMFP in March He celebrated 35 years marriage to Carol in April, just six weeks behind Chris & Kathryn. Ian has also successfully passed his UK Diploma in Financial Advice exam.

James Twigden has also recently celebrated his one year anniversary working with CMFP in March and is enjoying being part of the team!

The CMFP team of Neil Henderson, Blair Bennett, James Twigden & Tom Robertson are proud winners of the 2013 Te Omanga Hospice Charity golf tournament which was held recently at Boulcott's Farm Heritage Golf Club.



Chris MacKay

AFA, BCA, CFP^{CM}, CLU,
Fellow IFA, FLBA, JP

Investments, Insurance
& KiwiSaver



Neil Henderson

AFA, Dip Mgt, NZ Dip Bus,
Dip Bus Studies

Investments, Insurance, UK
Pension Transfers & KiwiSaver



Ian Jordan

AFA, Dip FA, CeMAP

Investments, Insurance, UK
Pension Transfers & KiwiSaver



Peter Baird

AFA, BE (Civil),
Dip. Bus Studies, CFP^{CM}

Investments, Insurance
& KiwiSaver



Blair Bennett

AFA, MBS, Dip Bus & Admin,
Dip Banking, F Fin.

Investments, Insurance,
KiwiSaver & Mortgages



Chris Cornford

AFA

Investments, Insurance,
& KiwiSaver

Adviser disclosure statements are available free on demand.

MORTGAGE BROKING SERVICE

Our last newsletter provided a little background regarding the Mortgage Broking service at Chris MacKay Financial Planning, which is run by Blair Bennett AFA (Authorised Financial Adviser). As a bank manager in a previous life Blair has arranged tens of millions of dollars in mortgages and is using that expertise to help our clients with some terrific deals.

We have access to over a dozen different lenders, their latest interest rates and details of any special offers they may have available.

You may be considering moving house, purchasing an investment property or simply unsure whether to take a fixed or floating rate option. If so ring or email Blair on 5702233/ blair@mackay.co.nz and he will be happy to assist. Please note this service is free. We are paid by the lender.

The shinbone is a device for finding furniture in a dark room.

"It does not matter where you live, as long as you live where you are."



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Succession Planning & Business

Succession planning in business is one of the last areas of business planning that people turn their minds to. Succession planning for a business is essential to enable you to preserve and maximise the potential from your business when it comes time to exit.

It also involves having a plan in place in the event that you are incapacitated and unable to remain involved in the business.

If you are in a Company this would involve having a Shareholders' Agreement. It may involve having life insurance policies over each Shareholder/Owner with the Shareholders' Agreement making it compulsory that the life insurance policy is used for the compulsory purchase of shares of any Shareholder who becomes incapacitated for a certain period of time or dies.

Succession planning also involves formulating a plan to dispose of the business when you want to retire. For many small to medium sized businesses most potential is for selling the business to existing employees.

It is therefore essential to have a plan to groom employees showing the most potential and to slowly involve them in more of the business.

This may involve selling small parcels of shares to them to encourage their loyalty and to further explore their potential.

If you do not turn your mind to succession planning in your business you may well be devaluing your business because if you are incapacitated, you die or you retire, for many small to medium size businesses you are the business and therefore it is the business that is incapacitated, dies or retires, and immediately upon one of those events occurring, the business is seriously devalued.

It is important that you put a plan in place, take the appropriate advice and put the necessary documentation in place to protect both you and your business as part of that succession planning.

(Sourced from Collins & May Law)

Fixed Interest

Grosvenor Corporate Bond
Portfolio*

Current running yield of around
4.30% (after fees).

Grosvenor Income Securities
Portfolio*

Current 3, 6 and 12 month rate is
4.25%

Current 24 month rate is 4.50%

*Ask for an investment statement.

If you were a smoker when you took out your insurance and haven't smoked in the last 12 months, it may be possible to get your premiums reduced. Call us.

