



KIWISAVER—CHANGES PROPOSED FOR 2019

A bill currently before Parliament is proposing some exciting changes to KiwiSaver next year. If passed, the proposed changes would take effect on the dates outlined below.

1 April 2019:

Additional employee contribution rates

New contribution rates of 6% and 10% would be available for employees, in addition to the current 3%, 4% and 8%. This provides a rate between the current wide gap from 4% to 8% and allows for increased retirement savings with the 10% option.

Contributions Holiday changes

From 1 April, 'contributions holiday' will be renamed to 'savings suspension' to remove the positive connection with the word 'holiday'.

The maximum savings suspension period will be reduced from 5 years to 1 year, helping people to restart their savings sooner.

1 July 2019:

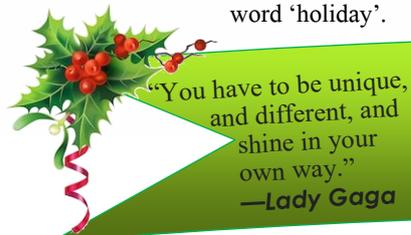
More options for over 60s

- People over age 65 would be able to opt-in to KiwiSaver, giving them an additional managed fund choice during retirement.
- People joining KiwiSaver from 1 July would not have a lock-in period, all new members would be able to withdraw their funds from their 65th birthday (currently people joining between 60 and 65 years old are locked into KiwiSaver for five

years). Customers who joined prior to this change retain their lock-in period.

Until the Taxation Bill is passed, these changes need to be treated as draft, however we are outlining these changes so that our KiwiSaver clients are aware of any potential changes.

If you have any questions regarding this, please give the team at MacKay's a call.



"You have to be unique, and different, and shine in your own way."
—Lady Gaga

"You can be anything you want to be; just turn yourself into anything you think that you could ever be."

—Freddie Mercury

If we treated ourselves as well as we treated our best friend, can you imagine?
—Meghan Markle

GFC 10 YEARS ON: Time & Patience

In Leo Tolstoy's great novel 'War and Peace', a Russian general charged with defeating Napoleon and expelling the French from Russian soil argued against rushing into battle, saying the strongest of all warriors were 'time and patience'.

It's an observation worth recalling as the media runs thousands of words analysing the causes, consequences and legacy of the global financial crisis of 2008.

The GFC, as it's known in Australia and New Zealand, is widely considered by economists to have been the worst financial crisis since the Great Depression.

What began as a breakdown in the US subprime mortgage market morphed into a series of credit shocks, bank crashes and a deep recession in much of the developed world. The climax of the crisis was the collapse of US investment bank Lehman Brothers in September 2008, triggering a bailout of the banking system and extraordinary fiscal and monetary stimulus by governments and central banks.

For investors, it was clearly an anxious time. Global equity markets plunged by 40% or more. By late 2008 Queen Elizabeth, whose personal fortune had fallen by more than \$50 million, demanded economists explain why they hadn't seen the crisis coming.

At the World Economic Forum in the Swiss town of Davos in early 2009, the most popular session was one in which a panel of economic

experts lined up to provide their analysis of why the crisis had occurred and what would most likely happen next.

In terms of the economic analysis, there clearly was a spectrum of opinion. Some blamed lax regulations; others too much regulation. Many cited excessive debt, irresponsible lending, complex financial products, compromised ratings agencies, an over-reliance on mathematical models or just plain old greed.

But aside from a temporary seizure in short-term money markets, where banks lend to each other, global share and bond markets performed as you would expect at a time of heightened uncertainty. Prices adjusted lower as investors demanded a higher expected return for the risk of investing.

In mid-March 2009, sentiment started to turn. By the end of that year, the Australian benchmark S&P/ASX 300 Index had risen 37.6%, recovering just as dramatically from the near 39% plunge it had suffered the previous year. The New Zealand market rebounded by more than 19% after a near 34% decline in 2008.

By the end of 2017, the Australian index had delivered an annualised return of 4.0% even to someone who had begun investing just before the crisis began. Using a global balanced strategy of 60% equity and 40% fixed interest, the return was 5.2% p.a.

By the end of the same period, an investor who had begun investing in the New Zealand market at the start of 2008 would still have experienced a 7.6% annualised return by the end of 2017. Using the same global balanced strategy, the New Zealand dollar return was 5.4% p.a.

The lessons from this experience are familiar. Emotions are hard to keep in check during a crisis. There can be an overwhelming compulsion among investors to 'do something'. But, as it turned out, those who listened to their advisors and stayed disciplined within the asset allocation designed for them, have done considerably better than many people who capitulated and went to cash in 2008—2009.

Think of two people reluctantly encouraged to take a rollercoaster ride. One of them focuses on every sharp turn and sudden decline, his sense of terror compounded by the attention he is paying to the screams of those around him. The second person focuses on a static point on the horizon and tells herself the ride will soon be over.

The arguments over the causes and consequences of the GFC will go on and on. But as investors, there's much to be said for focusing on what we can control.

Like Tolstoy's general said, the strongest warriors are time and patience.

—Jim Parker, Vice President,
Dimensional Fund Advisers, October 2018

BIGGEST CLAIMS PAID BY HEALTH INSURER

Southern Cross says it has 870,263 members and, as a non-profit organisation, has paid out 92c in claims for every \$1 received in premiums. In the period 1 April to 30 September 2018, it paid out \$567.1 mill in total claims, including: 124,897 surgical procedures; 383,223 GP visits; 253,361 specialist consults; 379,296 prescriptions.

Top three specialties by cost:

Orthopaedic – \$104.7m
General Surgery – \$94.8m
Imaging & Tests – \$56.6m

Top three highest claims by cost:

\$211,978 – spinal fusion
\$170,106 – spinal fusion
\$169,723 – spinal fusion

Top three surgical procedures claimed:

Skin lesion excision (biopsy and freezing) – 31,779
Colonoscopy – 10,718
Nasendoscopy (nose and throat) – 4,698

TEAM CHANGES

Our Investment & Compliance Manager, **Chrissy Williams**, accepted a new role with Cigna and left us in early December. You may be aware that Cigna bought OnePath insurance from ANZ. Chrissy was a valuable member of the MacKay team for three years and we were really sad to see her leave. There's one real positive — we only have two 'Chrises' on the team now, not three!

We also take this opportunity to announce that **Tania Meehan** started with MacKay's on 10 December 2018. Tania brings a wealth of experience working for financial advisory firms, having spent well over a decade with Bernard Gresham at Rutherford Rede and also at Camelot/Lifetime. Please contact Tania for any queries which you would previously have asked Chrissy at tania@mackay.co.nz, or call on 04-570 2233.

Congratulations to **George MacKay** for completing the National Certificate in Financial Services (Level 5) in December. George is now an Authorised Financial Adviser (AFA) with the Financial Markets Authority.

"Peace on earth will come to stay, when we live Christmas every day."
— **Helen Steiner Rice**

THE MFAS TEAM OF FINANCIAL ADVISERS



Chris MacKay

AFA, BCA, CFP^{CM}, CLU, Fellow Financial Advice NZ
KiwiSaver, Insurance, Retirement Planning, & Wealth Management



Ian Jordan

AFA, Dip FA, Cert PFS, CeMAP
(Contractor to Chris MacKay Financial Planning)
UK Pension Transfers, KiwiSaver, Insurance, Retirement Planning & Wealth Management



Blair Bennett

AFA, MBS, Dip Bus & Admin, Dip Banking, F Fin.
(Contractor to Chris MacKay Financial Planning)
Mortgages, KiwiSaver, Insurance, Retirement Planning & Wealth Management



Chris Cornford

AFA
(Contractor to Chris MacKay Financial Planning)
KiwiSaver, Insurance, Retirement Planning & Wealth Management



George MacKay

AFA
Insurance & KiwiSaver 'Class' Advice

"The only thing flat earthers fear.....is sphere itself".
— **Rory Curtis**

GLOSSARY OF INVESTMENT TERMS

| Investment Term | Meaning |
|-----------------------------|---|
| Face Value | The amount a bond issuer is required to repay investors on the bond's maturity date—being the nominal or original cost of the bond when it was first issued. Also known as 'par value'. |
| Financial Statements | The written record of the financial status of a fund or company, usually published in the annual report. The financial statements generally include a balance sheet, income statement, and other financial statements and disclosures. |
| Fixed Interest | Investments with specified payment dates and amounts, primarily bonds that pay interest at a rate (%) that is pre-determined. |
| Fixed Interest Fund | A managed fund that invests primarily in bonds and other fixed interest securities. The income received from the underlying fixed interest investments of the fund is often reinvested back in to the value of the fund rather than distributed to investors in the fund. |



Income Securities Portfolio (ISP) *

| | |
|------------------|------------|
| On call | 2.75% p.a. |
| 3 months | 3.25% p.a. |
| 6 months | 3.60% p.a. |
| 9 months | 3.35% p.a. |
| 12 months | 3.40% p.a. |

* Ask for a Product Disclosure Statement

"A ship is always safe ashore, but that is not what its built for."
— **Albert Einstein**

SOVEREIGN HEALTH INSURANCE STATS:

- Each year 130 Kiwi kids are covered for the cost of their grommets by Sovereign.
- 25% of all claims payments were for cancer.
- In in the financial year of 2016-2017, 14,500 Kiwis had their healthcare costs covered by Sovereign.
- Nearly every day, one Sovereign customer claims more than \$20,000.
- Most common claims
 - Males—at any age is musculo-skeletal issues.
 - Women—under 35 years is for gynaecological issues and over 35 is cancer.

Has it been a while since you have been in touch with your Financial Adviser?

If you would like to have a chat with your Adviser about your plans and policies to discuss whether your current insurances or investment portfolios are working for you, please contact us at office@mackay.co.nz or on 0800 622 529.

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Disclosure Statements are available on request and free of charge