

Life Matters!

Bay Financial Centre
PLAN PROTECT PROSPER



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Overseas Pension and Superannuation

For many years we have been helping clients transfer their overseas pensions or superannuation funds back to New Zealand – with the exception of funds in Australian Superannuation – a source of major frustration for the many thousands of Kiwis who have worked in Australia at some time.

GOOD NEWS! Last month the Australian government finally signed off legislation coming into force on 1 July allowing the portability [transfer] of Aussie super to KiwiSaver. This was some months later than expected, but it means we now move towards retrieving some of the millions of dollars held up in Australia and being reduced by fees.

If you have already provided us with your contact details, we will contact you once we have been informed of the process required to transfer your funds. If you have funds you would like us to arrange to bring back to NZ, please contact us.

Do you have children or grandchildren flatting or renting?

They may think their contents are not worth insuring as they own next to nothing or they feel what they do own is pretty worthless. What students and renters often forget is that they are legally liable for damage they cause to rented premises.

If that damage is deliberate they won't be covered by insurance. But if it's accidental, having a liability cover could save them from a huge bill.

The Insurance & Savings Ombudsman cites the case of a group of university flatmates. One of the students left bacon frying in pan and went next door to see a neighbour. The pan caught fire and caused extensive damage. The tenants were "jointly and severally liable" for the property under their tenancy agreement.



The landlords insurance company paid out \$150,000 to fix the property and then chased all of the students living in the house to recoup it's losses, not just the one responsible for the accident. None of the students were insured.

Several companies such as Vero, Fintel and MAS include liability cover as part of contents insurance.

This is similar to the type of cover included in Third Party Car insurance. It will not pay for damage to your vehicle, but it will cover any damage you may have caused to someone else's property.

Insurance facts



Massey University and Horizon research recently undertook research about NZ'ers being underinsured. Key points to come out of this were:

- ✦ Over the past 5 years, 1 in 7 households have experienced a serious illness resulting in an inability to work for 3 months or more.
- ✦ Extend time off work is twice as likely to be the result of illness rather than injury, ie NO ACC.
- ✦ Sickness benefit. Couple [with or without children] receive @ \$341 per week [at M tax rate], which is household income tested. The average household needs @\$652 a week just to cover existing outgoings.
- ✦ 55% of households would be unable to pay all their expenses and maintain their lifestyle 4 weeks after sick and annual leave ran out.

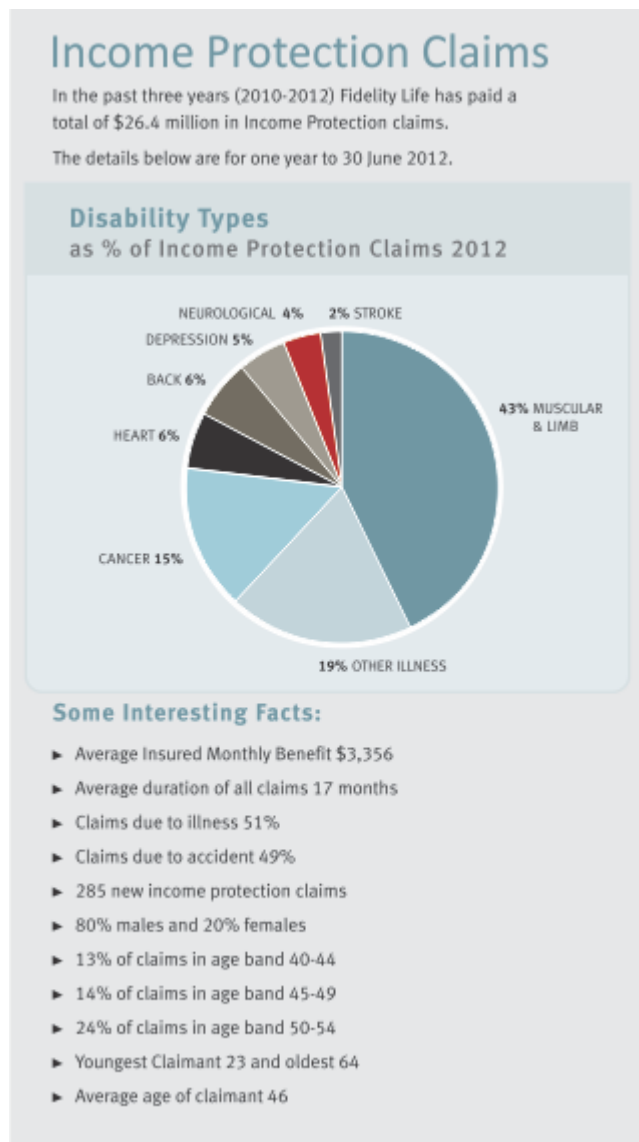
- ✦ EACH WEEK, 288 households in NZ fall into this situation.
- ✦ For some, this was aggravated by the need to also meet higher health costs. "It was the worst time ever. No one helped apart from our families".

Insurance payment statistics

The insurance industry pays out millions of dollars every year to policy holders who claim on their policies. If it wasn't for the insurance industry, billions of dollars would be lost to the NZ economy each year.

We thought the following statistics from just one of the companies we use – Fidelity Life and just one of their types of cover – Income Replacement, would reinforce the size of the industry and how important it is to protect your income from disaster.

The average duration of all claims is particularly interesting. Could your family survive with no income for 17 months?



Self Employed? ACC?

Disability Income replacement?

Are you self employed?

Do you take drawings or are a shareholder/employee?

Does your accountant reduce your taxable income to the lowest amount possible?

Do you think accidents or major illness only happens to someone else?

Have you considered the consequences of this in the event of an ACC claim? We regularly come across clients with a taxable income of less than \$30,000. Great for reducing tax and ACC levies, but what if they had to claim ACC? ACC Cover Plus only pays a maximum of 80% of your last years gross income. We reckon 80% of \$30,000 isn't much, even more so after tax is taken out!

ACC provide a solution in the form of ACC Cover Plus Extra. This guarantees your pre approved amount of payment from ACC. No mucking around quantifying your income or getting your latest figures to the accountant when you are incapacitated.

Remember, in the event of an illness, ACC aren't interested!

Talk to us for further advice on your options and the benefits.

House Insurance is changing

The effects of the Christchurch earthquakes have spread throughout the insurance industry in New Zealand. From this year, at annual renewal time, every house policy will be insured on an insured cost of replacement basis. No longer will you have the choice of rebuilding to the equivalent quality, no matter what the cost. You will now be required to provide a cost to rebuild figure and your premium will reflect this amount. Estimate too much and you will be paying too much in the way of premiums. Estimate too little and you may be left thousands of dollars out of pocket in the event of a total loss.

The website www.need2know.org is an insurance industry site with a calculator to assist you in estimating the cost of rebuilding. It appears to be a guide and is just that – a guide. There may be many costs that are not covered. If your house is not a typical 3 bedroom + study single story on a flat section, actual rebuilding costs may be tens of thousands different to the calculator. We suggest doing some homework well before you get your renewal notice. A quantity surveyor may be needed to provide accurate rebuilding costs. Rumour has it they may be hard to come by at short notice over the next couple of years.

We suggest you do not rely of the government valuation provided on your rates notice. This is a computer generated value that may not have any bearing on your cost to replace.

Extended overseas holiday?

According to Statistics NZ, over 62,000 Kiwi's left NZ last year either permanently or for long term travel/work.



For many it was the start of the longed for OE and everything will be "rosy" wherever they go, with no real thought to the financial costs of personal disaster. If lucky, medical costs may be covered by a public health system. But what if they weren't? What if the unthinkable happened and they were killed? How would the body be bought back to NZ? Who would pay?

Did you realise how cheap and affordable Funeral Insurance can be? Private Medical Insurance taken out before you go may cover the cost of overseas treatment and return to NZ for further treatment.

Retirement Savings confidence barometer

Key figures from a survey conducted earlier this year

- 64% of those surveyed are saving for retirement
- 31% of those surveyed are not in a savings scheme
- Almost 1/3 of those not saving expect their retirement income to come from other sources like selling their business, an investment property or inheritance. More than 1/2 of those not saving plan to save in the future
- 5% of all respondents said they intend to live solely on NZ Super in retirement
- 48% are confident of reaching their goals, among those who are saving, plan to save expect to have an additional income in retirement
- 43% of those who plan to have a retirement income on top of NZ Super chose \$500 or more as their additional weekly income
- 51% of those contributing to KiwiSaver are confident; 29% of those who have stopped contributing to KiwiSaver are confident; 47% of those on a contributions holiday are confident

How is your KiwiSaver performing?

According to FundSource's recently released quarterly KiwiSaver report, over the December 2012 quarter net fund inflows into KiwiSaver funds were \$398.9 million.

As you would expect, due to Conservative Funds being the default option, the majority of net flows were into the Conservative sector with 40% of net flows, while the Balanced and growth sectors experienced 34% and 25% of net flows respectively.

Comparing KiwiSaver sectors, the Growth sector outperformed the Balanced sector and the Balanced outperformed the Conservative sector. The average return over the quarter for the Conservative sector was 1.89%, while the average return of the Balanced sector was 3.07%. The Growth sector achieved an average of 4.17% while the highest returns were seen by the Equity sector with an average 5.33%.

Summary of Life

Great truths children have learned

1. No matter how hard you try, you can't baptize cats
2. When your Mum is mad at your dad, don't let her brush your hair
3. If your sister hits you, don't hit her back, they always catch the second person.
4. Never ask your 3yr old brother to hold a tomato
5. You can't trust dogs to watch your food.
6. Don't sneeze when someone is cutting your hair

Do you have a topic you would like to know more about? Let us know and we will provide a personal reply.

Contacting us

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