MacKay on Money

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Investments – Insurance – KiwiSaver – Mortgages
Professional Financial Advice since 1976

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TRAUMA INSURANCE—Why?

Trauma insurance has been around for a long time and we have seen many changes and enhancements to products over the years. But the question is still asked, 'Why should I bother buying Trauma insurance?"

The statistics below give a good indication of why Trauma insurance is so important.

General Heart Statistics in New Zealand

- Cardiovascular disease (heart, stroke and blood vessel disease) is still the leading cause of death in New Zealand, accounting for 30% of deaths annually.
- Every 90 minutes a New Zealander dies from heart disease.
- Many of these deaths are premature and preventable.
- Almost one in twenty adults have been diagnosed with heart disease. That's 169,000 New Zealand adults.
- It is estimated that 5,000 people die prematurely from smoking each year—this equates to around 12 people per day dying from smoking.
- How much you move, what you eat and whether you smoke are important factors that influence your risk of heart disease.

Current figures show:

- One in six New Zealanders older than 15 smoke
- Almost half of adults are not physically active for more than 30 minutes per day
- 1 in 3 adults do not eat 3 or more servings of vegetables per day
- Almost 1 in 2 adults do not eat 2 or more servings of fruit per day
- More than 1 million adults are now obese in New Zealand.

These stats are real and could happen to anyone. As we don't know what the future holds, it is important to take control and have a plan in place to deal with potential financial loss due to ill health.

(Article sourced from Statistics New Zealand)

> "Money isn't the most important thing in life, but it's reasonably close to oxygen on the *'gotta have it'* scale."
>
> **—Zig Ziglar**

INVESTING 101

The Benefit of Compounding Returns

Albert Einstein famously said "Compound interest in the eighth wonder of the world. He who understands it, earns it … he who doesn't … pays it."

Compounding returns offer one of the most powerful ways to build wealth. It means earning returns on re-invested returns. Over time, the more returns you re-invest, the more money you have working for you, and the more you can earn. KiwiSaver funds offer a good way to capture compound returns as all of a member's returns are reinvested into the member's account.

SHOULD I CONSIDER LEVEL TERM?

Did you know there are two different ways of setting up your Life insurance cover? While the cover you receive is the same, the way the payments are set up – and how much you pay over the long term – can differ. It is worth learning more and considering your options.

What is a Yearly Renewable Term (YRT)?

Also called a Stepped Premium, this is the most common set up, and represents over 90% of all Life insurance policies. The premiums increase every year, due to both inflation and as the policy holder becomes more of a risk to the insurer. Of course your sum insured will also increase each year, protecting it from inflation.

The advantage of having a YRT is that upfront, when you first get the policy, you are paying the cheapest premiums. As many people first get Life insurance along with a mortgage or a child, price is an important factor.

The downside is that premiums just keep going up. Some companies accommodate this by allowing the premium to stay the same and for the cover to reduce each year.

What is Level Term?

With a Level term policy you have the same type and level of cover as a YRT policy, just the way in which you pay your premiums differs.

The premiums are ideally locked in, and you pay the same monthly premium for the term of the cover. Some insurers guarantee (and others don't) that the premium stays the same for a fixed term – however you are not locked into that policy. Breaking it loses you the cost saving advantages of the Level term.

Level term policies generally don't have the inflation increase options that YRT policies do (although some offer fixed indexation, generally 2% per year). Considering a Level term policy means being open to taking a long term financial view.

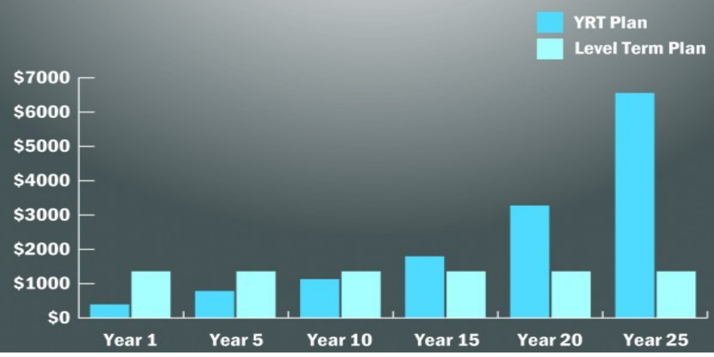
So how does a YRT policy compare with a Level Term policy?

With a fixed term policy your very first premium will be almost triple what you would be paying for your first premium on a YRT policy. However, as the infographic on the next page shows, over the term of the policy you are looking at saving a significant amount of money. (See graph over page for a 40 year old male non-smoker). *(Article sourced from Plus4)*

> "I detest life-insurance agents: they always argue that I shall someday die, which is not so". **—Stephen Butler Leacock**

LEVEL TERM COVER vs YRT—25 year term for $500K cover

Year	Level	YRT
	Annual Premium	Annual Premium
1	$1,359.72	$544.08
5	$1,359.72	$733.20
10	$1,359.72	$1,110.48
15	$1,359.72	$1,821.36
20	$1,359.72	$3,328.08
25	$1,359.72	$6,519.36
Cumulative Premium	$33,993.00	$53,563.08



"I know words. I have the best words".

—Donald Trump

Spotlight on KiwiSaver Diversified Portfolios

Grosvenor's Socially Responsible Investment Growth Fund

Recommended minimum investment period	10 years
Range of expected gross returns in any one year *(after fees)*	-18% to +42%
Range of expected gross returns in any rolling ten year period *(after tax & fees)*	-2% pa to +18% pa

Expected long term return forecast (after tax and fees)

With a PIR of 17.5%	7.7% pa
With a PIR of 28%	7.3% pa

The ranges have been calculated using 2.5 standard deviations of return volatility. For each return period shown (1 year or rolling 10 years), actual return outcomes would be expected to fall outside these ranges in only one period out of 100. Statistically, this means that actual return outcomes are expected to fall within these ranges with 99% confidence.

FROM CARAVAN TO MILLIONAIRE—TONY QUINN

Born in Aberdeen, Scotland, Quinn grew up in a wooden caravan built by his dad, Jimmy. From the age of 5, he started helping his father with his pet food business, weighing and bagging minced meat. The Quinn family moved from Perth to NZ and settled in Dargaville. There, Quinn succeeded in building his own pet food business and returned to Australia some years later to set up VIP Petfoods, the company that would make him his fortune.

He ran the business for more than two decades before selling it last year for AU$410m. In 2012 he bought flailing Australian confectionery icon, Darrell Lea, and has spent AU$50m on turning the brand around. It's now worth more than AU$100m.

The Quinn's were valued at AU$411m in this year's BRW Rich 200 List, a list of Australia's 200 richest families.

He's at pains to point out he never does anything for money and it's just a tool to help him be the best at what he does. Money is a burden and never as good as people think it is. So if not for the money, then why the hard slog?

"I've always been competitive. I think when you're competitive it's the game that counts. And when you've tasted winning, it's a pretty cool position to be in."

Quinn's advice for winning in business is simple. If you can't work out your business financial plan on the back of a cigarette pack, then it's not going to work. Put more money into the bank than you take out. Work hard. Create a good brand. Deliver on promises. Make margin.

He's also got his 2 + 2 = 7 theory, which he applies to making profit. If the cost of your product is 2 + 2, selling it for $4 will make you bankrupt. If you sell it for $8 and give the customer a $1 discount, everyone will be happy.

Of course, challenges will come up along the way, but Quinn says focussing on the game is key. How do you be the best at what you're doing?

(Article sourced from Tao Lin, Sunday Star Times)

"What does friends with benefits even mean? Does he provide her with health insurance?" ***— Jim Parsons*** *(The Big Bang Theory)*

Socially Responsible Investing

There has been some media attention recently about KiwiSaver funds being invested in companies which are not socially responsible, Grosvenor is one of the few KiwiSaver providers who offer socially responsible funds. They exclude investments where the underlying activities are principally involved in the tobacco, gambling, armaments and fossil fuels industries.

Give one of our Advisers a call if you want some more information.

FIXED INTEREST

	Grosvenor Income Securities Portfolio (ISP)*	Kiwi Bonds*	UDC *
On call	2.75% p.a.		2.20% p.a.
3 months	3.50% p.a.		2.70% p.a.
6 months	3.25% p.a.	2.00% p.a.	3.20% p.a.
12 months	3.25% p.a.	2.00% p.a.	3.45% p.a.
24 months	3.25% p.a.	2.00% p.a.	3.40% p.a.

* Ask for an Investment Statement

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Adviser disclosure statements are available free & on demand.