

SUMMER 2015 / 2016

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

Three things to watch out for if your bank is trying to sell you insurance

Whether you have been with your bank since you were a nipper or later in life, chances are you're a long-standing customer. So, when it comes to buying Life insurance, Trauma cover or Mortgage Protection, it's not surprising that many people take the option offered by their bank. It seems quick and easy to do, so why not?

While getting insurance from the bank might seem like a convenient solution, in reality some bank policies aren't all they're cracked up to be.

Here are three important things to look out for if you're considering taking out an insurance policy with your bank.

1. How hard is the claim criteria?

Your insurance policy is only as good as its fine print. In particular, in regards to Mortgage Protection cover (which pays your mortgage repayments if you can't work), some banks' pay out criteria can be very stringent compared to mainstream insurers.

In the past, we've seen policies where the definition of 'total disability' is so hard to achieve that it's unlikely that the cover would pay out in the event that the policy owner couldn't work. If this were to be the case, it would be very difficult (and stressful) to make a claim.

The irony is that, if you can't work and can't access your Mortgage Protection cover, the very same bank that sold you the policy may soon be chasing you over late home loan payments. Imagine this—the same institution who sold you the policy is the same institution that declines the claim and is the same institution that forecloses on your family home as a result. Potential conflict of interest? What do you think?

2. How do you know you're getting the best available policy option?

Have you every wondered if the banks have some kind of vested financial interest in the insurance products they sell? Some banks produce their own in-house insurance policies; whereas other banks have tied relationships with a certain insurer. For example, ASB Bank sells Sovereign products, this is because Sovereign and ASB are both owned by the same parent company. Likewise with ANZ & OnePath.

What is consistent between them all is that each bank will typically offer only their one available option. This means that going to the bank doesn't give you an opportunity to compare the market in an informed way or to find out how your cover actually compares in both price and quality. Given the information above, is a bank insurance recommendation the best thing for you, or the best thing for them? And is the bank

"Dogs have no money. Isn't that amazing? They're broke all their entire lives. But they get through. You know why dogs have no money? ... No pockets".
—Jerry Seinfeld

happy new year
.... to every one of our valued clients !

employee required to sell so many policies per month in order to keep their job or to get a bonus?

We recommend engaging an objective Financial Adviser who has access to a wide range of insurers and who knows the pros and cons between them, and what the best outcome for you will be based on your individual circumstances. Our Advisers have access to independent research data that demonstrates the differences between policies, giving you the peace of mind that you are receiving the most appropriate advice.

3. What percentage of claims are paid out?

Any insurer worth their salt will be completely transparent about their claims statistics—that is, the number of claims they pay out versus the number they have received.

Many of the major insurance companies publish regular statistics on these and yet, despite recent efforts, finding these statistics from the banks has proven to be very difficult.

Of course, this begs the question—if the banks aren't transparent about how many claims are paid out, how likely is it that your claim will be? Moreover, who is there to help you as an advocate at claim time? The bank employee is just that. An employee who does what the bank tells her to do. Another reason why working with an objective Financial Adviser can make all the difference between receiving a claim or not.

At the end of the day, we believe that insurance products sold by some New Zealand banks offer only average cover when compared to the market's policy conditions and definitions and should be avoided. Some are good, but you are better to buy them from a Financial Adviser versus an employee of that organisation. You deserve to know what you are paying premiums for and how your premium compares to the market and that you have an advocate at claim time.

Using an objective Financial Adviser means you will be offered a choice of the best products on the market, suited to your specific needs.

Give one of our Authorised Financial Advisers a call today for personalised insurance advice.



Where the rubber meets the road

We had a case recently where one of our Advisers unearthed a potential historic Trauma claim on a policy which had been organised by another Adviser. We assisted our new client with filling in a claim form and submitting it. Despite being turned down repeatedly, the Adviser team here at Chris MacKay Financial Planning simply did not give up. We achieved what no banker or online system would have. We got the claim paid and our clients are over the moon with the result.

“Money is not the most important thing in the world—love is. Fortunately, I love money”.
—Jackie Mason

Reasons to keep your KiwiSaver account after 65

Many New Zealanders have the mistaken belief that once they get to 65, they have to pull their money out of KiwiSaver.

In fact we understand that 28% of KiwiSaver holders withdraw all or part of their investment within 12 months of turning 65; and it's estimated that 75% of them are probably transferring their money to a bank term deposit.

Leaving your money in some KiwiSaver schemes offers you more freedom and potentially better returns than term deposits:

1. You could earn better returns: Current one year term deposit rates for the major banks are around 3.5% pa gross or 2.9% pa net of tax at 17.5%. Compare this with the market average return from a KiwiSaver Conservative Portfolio from October 2007 to June 2015 of over 5% pa before tax.
2. You can operate some KiwiSaver schemes like a regular bank account—offering more flexibility with no fixed term or notification period.
3. Your investment should have greater diversification / liquidity than a term deposit.
4. You may be able to set up regular withdrawals and arrange lump sum payments at no extra costs.

And KiwiSaver is one of the few products that had its fees formally regulated, so it offers very good value for money. Call your Adviser for more information.

Po Taters

Some people never seem motivated to participate, but are just content to watch while others do the work. They are called ‘*Spec Taters*’.

Some people never do anything to help, but are gifted at finding fault with the way others do the work. They are called ‘*Comment Taters*’.

Some people are very bossy and like to tell others what to do, but don't want to soil their own hands. They are called ‘*Dick Taters*’.

Some people are always looking to cause problems by asking others to agree with them. It is too hot or too cold, too sour or too sweet. They are called ‘*Agie Taters*’.

There are those who say they will help, but somehow just never get around to actually doing the promised help. They are called ‘*Hezzie Taters*’.

Some people can put up a front and pretend to be someone they are not. They are called ‘*Immy Taters*’.

Then there are those who love others and do what they say they will. They are always prepared to stop whatever they are doing and lend a helping hand. They bring real sunshine into the lives of others. They are called ‘*Sweet Po Taters*’.

FIXED INTEREST

Grosvenor Income Securities Portfolio (ISP) *

Current call rate is 3.25% pa

Current 3 month rate is 3.50% pa

Current 6 month rate is 3.75% pa

Current 12 month rate is 4.00% pa

Current two year rate is 4.25% pa

* Ask for an investment statement

Our disclosure statement is available on request and free of charge

Spotlight on KiwiSaver Diversified Portfolios The Grosvenor ‘Balanced’ KiwiSaver Fund

Recommended Minimum

Investment Period: 5 years

Range of Expected Gross Returns in any one year (after fees): -9% to +22%

Range of Expected Net Returns in any rolling ten year period (after tax & fees): 1% pa to 11% pa

Expected Long Term Return Forecast per annum (after tax and fees)

With a PIR of 17.5%: 6.5% pa

With a PIR of 28%: 5.9% pa

Information supplied by Grosvenor Investment Services. All portfolios are market-linked and no future returns are guaranteed. The ranges have been calculated using 2.5 standard deviations of return volatility. Statistically, this means that actual return outcomes are expected to fall within these ranges with 99% confidence. Put another way, actual return outcomes would be expected to fall outside these ranges in only one year out of every 100 years.

TEAM NEWS

Our most loyal, long-standing and knowledgeable Office Manager, Dale Lightfoot, is retiring after 24 years as Chris MacKay's Personal Assistant. She is moving into an exciting new phase in her life and we farewell her with love and best wishes.

Dawn Becker, our new Finance Manager and Christine Franssen, Chris' new Executive Assistant have recently joined our team. We welcome them and hope you have the pleasure of dealing with them the next time you phone or require assistance with your policy or investment.



Chris MacKay

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Fellow IFA, JP, FNZFAA

Investments, Insurance &
KiwiSaver



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Adviser disclosure statements are available free & on demand.