

Newsletter

As 2009 draws to a close it is good to see signs of economic recovery, which has hopefully marked the end of the credit crunch.

In our summer newsletter we look at the downside of mortgage repayment holidays, protecting your assets over the holiday period as well as the importance of having home loan cover in place to protect the Kiwi dream – your home!

Susanna Stuart – financial author also provides some helpful hints on keeping your affairs in order by tidying up your precious paper work, which is always a good job to take care of when heading into the New Year! Finally, Susanna also provides her insights on goal-based investing; we hope you find the articles useful and informative!

Ros and I have enjoyed the challenges of juggling the needs of our 3 young daughters. Our youngest daughter Scarlett is growing quickly (now 10 months) and giving her parents less broken sleeps as the year has progressed.

Thanks for your continued support. We aim to provide ongoing service and advice whenever you need it. We wish you and your family a safe and enjoyable holiday period and a happy festive season with friends and family!

Have a great 2010!

Seasons Greetings
The team at SW Morris & Associates



Goal-based investing

By Susanna Stuart – financial author, writer and planner

After the big fall-out from the global financial crisis of 2008-2009 the scene for investors seem to be returning to some kind of normalcy, and in fact it's probably a good time to review your investment strategies.

In my view one of the awful failures that accompanied the economic meltdown last year was the mismatch, often, between investments and objectives. In the newspapers we saw many stories of how retired people, whose goals were to protect their life savings, lost everything in speculative developments or in investments that had a high exposure to debt. Being clear about your objectives is a good way to help you keep all advice in perspective.

One really good approach to investment, therefore, is to take a goal-based strategy. No single strategy will cater for all your needs and objectives, so by compartmentalising your needs and goals, you can tailor your actions to suit each of your goals such as retirement, protection against risk, the big world-trip or the education fund for the new-born child.

Start by writing down your goals and alongside each goal write down:

1. The timeframe. Is it a 15-year goal? Or a 2-year goal?
2. The priority. Is it a super-high must-have priority? Or a "nice to have" objective?
3. Do you need assistance with the strategy? If so, what kind of help do you need?

Even with this basic information your strategies start to come into focus – especially those for which you can clearly work out the best path. For example, if the education fund is a 10-year plus plan, then you can choose medium-term avenues for investments that may give higher returns and yet are able to weather a few ups and downs.

Likewise that 2-year goal to pay for the dreamed-of world trip also looks more straightforward. It suits a strict saving strategy – parking your travel funds in a simple savings account into which you can automatically deduct a portion of your salary each month.

Or the objective of setting up an emergency fund or house deposit fund. Keep it simple, keep it safe, and open an account for each purpose with your bank. Feed these accounts with automatic deductions from your pay.

We tend to be more disciplined when we see these separate earmarked accounts grow month by month, and besides, the less your cash that passes through your hands the less the temptation you have to spend it elsewhere. If you don't want to have too many accounts, an option is to have one account earmarked as the "goals" account.

If your priority is to make sure your family is taken care of in the event of death or disability, insurance cover may be the best way to provide protection.

Continued on next page

Continued from front cover

For goals with a long-term time frame like retirement, your investment strategy could include shares and property that potentially give you much greater returns.

Some objectives are more complex, and that's why it is worth writing down whether or not you need some assistance with the strategy. While you may have the time frame worked out, the choice of investment strategy may seem confusing or risky.

For these, your next step should be to seek advice. Your financial adviser can help you clarify your investment goals, work out the amount and type of insurances you may require as well as help you determine your retirement strategies.

The best thing about goal-based investing is that you can have a lot more clarity about what money goes where, and for how long, meaning each facet of your strategy becomes more tangible.

Protecting the Kiwi dream

Most Kiwis love property and have longed for the quarter acre dream that our parents and grandparents all worked so hard to get.

But what's almost always attached to the Kiwi dream - is a great big mortgage.

This means an increase in financial commitment, and pressure to continue to bring the dollars through the door.

Home sweet home

At SW Morris & Associates, we recognise that having a home, isn't just about the four walls that are surrounding you – it's where the people you love and all your treasured possessions belong:

- The veggie patch
- The dining table (that you had to keep your elbows off)
- The footpath you put your initials in
- The priceless tree hut (which Dad eventually built after endless nagging from the kids).

Don't let that history be lost as a result of a few bits of paper not being filled out, and some dollars going out the door.

Protecting the home you love

It's important you have the necessary protection in place to ensure you could continue to meet home loan repayments, should the unexpected happen.

In the 2008 mortgage interest payments made up the highest proportion of total housing costs at 35.7%*. For the average Kiwi that's a lot to make up if for one reason or another you no longer earn an income.

Aside from protecting your home, you're taking care of your loved ones too. If something were to go wrong, wouldn't you want reassurance that your family would stay in the home they love? Home Loan Cover can provide that protection.

Create a plan to protect your dream

Sometimes things don't always go the way you want, but you can put a plan in place to help combat the unexpected. Your AMP Adviser can help you put the

right plan in place tailored for your individual and family needs, to help you keep the home you love and combat the unexpected surprises.

What events will I be covered for?

At SW Morris & Associates, we can offer a range of Home Loans Covers, so that in the event that you became ill, injured, and unable to work or were made redundant, you could continue to meet your home loan repayments. And most importantly – protect your home.

How much cover do I need?

That depends on your needs and situation. With Home Loan Cover you can choose which type of cover to put in place, based on your needs and your budget.

Ensure your cover is up-to-date

Life can change gears pretty quickly at times, so it's important that you regularly review your insurance. That way you can ensure all your treasures are protected. If you already have cover in place – when was the last time you had a review?

How can I get cover?

It's pretty easy really. Talk to your AMP Adviser today and they can take you through the options, keeping in mind what's right for you.

*Household Economic Survey, stats.govt.nz



Fast facts

For those households making mortgage payments, median weekly mortgage payments rose from \$256 to \$328 (up 27.8%) between 2006/07 and 2007/08.¹

Median weekly expenditure on housing costs rose from \$130 in 2006/07, to \$156 in 2007/08 (up 20.1%).¹

The average New Zealand household is becoming smaller (from 3.0 people in 1966 to 2.67 in June 2009).²

Building consents have almost halved from a peak annual trend rate of 27,000 in 2007 to 14,000 in August 2009.²

1. Household economic survey, year ending June 2009: www.stats.govt.nz

2. NZIER, No housing shortage at present: www.interest.co.nz

Protect your possessions over the holidays

Summer is a great time to get away and make the most of the warmer weather and gorgeous beaches.

However, as people are out of their usual routines and can leave their homes unattended for extended periods, it's also a more risky time for burglaries.

Before you hit the road, make sure you have a current insurance policy that provides cover for your house, contents, and car and that you're familiar with your insurance policy and what you're covered for.

It's also wise to take some extra precautions to ensure your home and assets are well protected, which could help to reduce the risk of burglaries.

Escape the burglary trap

To help you protect your home over the holidays, check the following before you hit the road:

- Consider installing deterrents like security lights and a burglar alarm. Having an alarm professionally installed may also reduce your insurance premium.
- Check the security of your windows and doors. Consider installing deadlocks and window catches for added security.
- Use timers on lights and radios to give the appearance that someone is home.
- Check batteries in the smoke detectors around your home.
- Hide valuables, such as electronic equipment from outside view.
- Ensure all doors and windows are closed and locked and leave a key with someone you know and trust.
- Hiding a spare key outside (eg under a pot plant or door mat) is a bad habit and often the first place a burglar will look.
- Ask a neighbour to collect your mail, and give them your contact phone number and date of return.
- Make arrangements for your pets to be cared for in your absence.
- Lock away ladders and tools that could be used to gain access to your home.



- Check for leaks, including pipes or taps and get these repaired. Better still, turn your water off at the outside mains, and turn off your hot water cylinder.
- Record serial numbers of electronic equipment (eg TV, DVD, stereo) and take photos just in case.
- Store important documents, including receipts for big ticket items in a safe place.
- Don't leave valuables visible in your car. Most house and car insurance cover does not protect the contents inside a car.

If there is a burglary and/or any damage to your property, report it to the Police, then to your insurer as soon as possible.

Ensure your cover is up to date

If it's been over a year since your last review, there's a good chance your situation may have changed and your current cover may no longer be suitable.

For example, if you've made improvements to your home or acquired more assets since your last review, then you may want to increase your cover.

On the other hand if you've downsized, (maybe the kids have finally left home!) you may be paying for cover you no longer require. Wouldn't it be nice to have a few extra pennies for Christmas if that's the case?

Reviewing your insurance annually is the best way to stay on top of things and help combat any unexpected surprises over the holidays. Talk to your AMP Adviser today, so they can help you determine whether you're paying the right amount for the right cover.

The downside of repayment holidays

With costs of living escalating and redundancies becoming commonplace, AMP Advisers are increasingly being asked about mortgage repayment holidays.

The simple truth is, there's never a good time to take a repayment holiday. While it may ease cash flow problems in the short-term, it may cost you money in the long-term.

During a mortgage repayment holiday you won't be making payments but the interest on the loan will continue to accrue. So effectively, it's going to take longer to pay off your mortgage and you'll pay more in interest overall – unless you increase your repayments after the holiday.

You should only consider taking a mortgage repayment holiday when you have no other option and can't meet your monthly payments. This could be for a variety of reasons – redundancy, maternity leave or an unexpected emergency.

If you are struggling financially, the first thing to do is speak to your AMP Adviser to see what other options might be available to you.

One alternative is to see if you can extend the term of your mortgage, allowing you to lower your monthly repayments, although it will take you longer to pay off your mortgage and you'll pay more in interest overall.

Converting to an interest-only mortgage will also decrease your monthly payments, so this could be an option. But at some stage you'd still need to pay off the principal as well as the interest so this too is only a temporary measure.

The first step you should take is to work out a household budget (www.sorted.org.nz) to try and identify ways to save cash. If you can somehow manage to save money from other areas of expenditure, you might be able to stay on top of your mortgage repayments.

If at all possible, you should continue to pay off your mortgage each month. A mortgage repayment holiday should only ever be used as a last resort.

Precious paperwork

Susanna Stuart – financial author, writer and planner

If you've ever lost your wallet or purse then you'd know the almost naked feeling of having no money or information on hand. You try and stop your credit cards, but you can't remember: was that a Visa or a Mastercard? The bank asks you for some ID and you don't even have a driver's license to show them. You can't get cash. How can you even function?

This problem can be multiplied a hundredfold if you can't put your finger on life's really important documents: your passport, birth certificate or vital insurance and mortgage papers that form the cornerstones of our financial identity.

You see adverts on TV about being prepared for a disaster – they usually talk about having day-to-day survival items such as extra food, bottles of water, matches and candles on hand. Well, it's also important for you to make sure have an emergency plan for your important paperwork as well.

The most important paperwork of all

Regularly update your Wills and life insurance. This simple step will greatly protect your family. Your situation can change faster than you might imagine, especially in terms of the extended family that may be affected by your Will, and by your own personal circumstances. Make sure your family knows where your Will is held.

Put everything in one place

Get a special satchel or "Deeds Box." This is a box for all your very important papers. You can get tin ones that would help protect it from fire, but better still, it would pay to do a practice fire-drill with the family – does everyone know where the papers are kept to pick them up in an emergency?

Include the following documents:

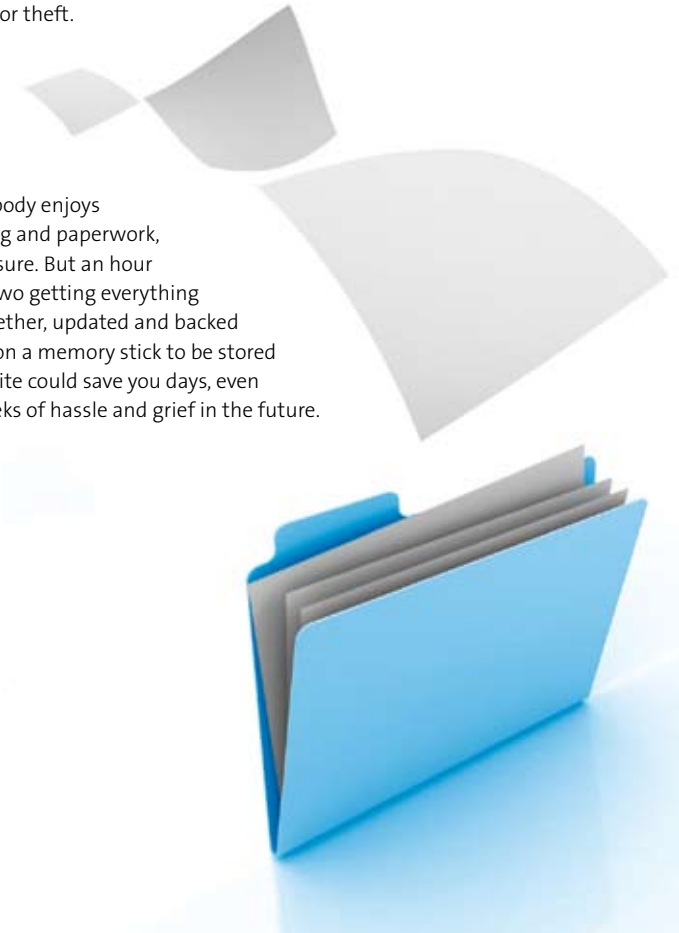
- Passport
- Birth certificate
- Marriage certificate
- Citizenship papers
- Wills
- Life insurance policies
- Trust Deeds
- Enduring Powers of Attorney.

Do back-ups. For additional peace of mind it is also worth scanning your paperwork and safely keeping copies on a computer or memory stick off-site or even storing copies in a bank security vault. This means that if your home was burgled or burned down, you'd still have copies of these vital papers. This could greatly speed up your ability to get your insurances sorted, for example.

The same often applies for 'proof of purchase' paperwork. These days certificates for shares or land titles are often no longer physically issued as these transactions are often conducted electronically. But where do you keep your proof of purchase? Is it all held on a laptop? What if the computer is stolen or fails? It is important to keep contract notes of purchases and receipts of settlement in a safe place.

This also applies to guarantees or warranties on major purchases which may be useful as proof of purchase should you need to file an insurance claim following fire or theft.

Nobody enjoys filing and paperwork, for sure. But an hour or two getting everything together, updated and backed up on a memory stick to be stored offsite could save you days, even weeks of hassle and grief in the future.



Parting quote

"It's not your salary that makes you rich, it's your spending habits."

Charles A. Jaffe

SW Morris & Associates Ltd
123b Dominion Rd, Mt Eden
Auckland
Phone: (09) 630 0070
Email: info@swmorris.co.nz
www.swmorris.co.nz

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