SW Morris & Associates **Newsletter**

Autumn 2008

Welcome to our Autumn newsletter.

Well, the question is, has Autumn actually arrived yet? It seems that we have a never-ending summer this year. So far, it's been a busy and somewhat interesting year, especially the financial market turmoil, which has made front page news on a regular basis. Under the 'News' section of our web site, you'll find an informative article on 'Finance Company Do's and Don'ts' by Joan Baker - a worthwhile read to help protect you and your finances from unnecessary risk.

On a personal note, Steve was very proud to have completed the Sovereign 2.8km ocean swim in Tauranga, which has now inspired him to enter the King of the Bays swim in Milford at the end of April. Watch this space!

Demystifying financial planning

Many people assume that personal financial planning is only for the wealthy, when nothing could be further from the truth. Whether you have a small amount of money, or alot, you can still benefit from financial planning.

Knowing what you need to achieve financially and how you intend to do it, gives you an edge over someone who simply reacts to financial events as they unfold. Financial planning is a dynamic process - as you move through different stages of life, your needs and goals will change.

To find out more about personal financial planning and the services we provide, visit our web site at www.swmorris.co.nz, or give us a call on 09 630 0070 to book a financial review.

Best regards,
The team at SW Morris & Associates Ltd.

Quote of the month:

"One thing successful investors have in common is that they don't get carried away by the issues of the day - stay the course."

– Andrew Clarke in Wealth of Experience.

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Kids and KiwiSaver
The benefits of starting early

The earlier we start planning for retirement, the more time we have to create the lifestyle we desire and grow our savings through investing regularly and earning compound interest.

Opinions are formed at a young age and although for kids, retirement is a long way off, it's never too early to start teaching them about the value of money.

By enrolling your kids into KiwiSaver now, they can receive the $1,000 tax-free kick-start and annual fee subsidy of $40 per year. It could also be a good way to encourage them to take an interest in their financial future, teach them good money habits and help them take advantage of the help offered to home buyers when they get older.

If you want to contribute to their KiwiSaver account, or if they're older, to encourage them to make regular payments to help their savings grow, some KiwiSaver Providers (including AMP) accept regular payments via direct debit, and one-off payments can be made through the IRD.

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Choosing a KiwiSaver Provider

To enrol your child into KiwiSaver, you'll need to contact a KiwiSaver Scheme Provider directly. Choose a longstanding provider that you know and trust and ask them for an Investment Statement. This will give you key information about their KiwiSaver Scheme, including what their fees and charges are, the investment options they have available and their rules around switching between funds, making withdrawals and changing contributions.

Also check the Provider's terms and conditions around KiwiSaver contributions for kids, including the ability to make regular contributions and lump sum payments.

Choosing an investment option

Each KiwiSaver Scheme Provider will offer a range of investment options, from lower to higher risk. Cash and fixed interest assets (e.g. government bonds, bank deposits) are considered to be lower risk, lower return investments, while property and shares are considered to be higher risk (more volatile), growth based investments, that may provide a higher return.

Of course, returns will vary depending on the investment's performance. Although the return isn't guaranteed, choosing an investment option that's appropriate for your kids is important.

If your kids are slightly older, and think they may want to take advantage of current KiwiSaver initiatives for first homebuyers, you may want to consider a lower risk option with less variance in investment returns.

Alternatively, if they're younger and have more time to undergo some significant fluctuations in their savings that may lead to higher long-term growth, you may want to consider a higher risk option to start with. For more information about KiwiSaver, and for assistance in choosing the right investment option for your kids, talk your AMP Adviser.

Protecting yourself financially from serious illness

It's easy to take good health for granted, especially when we're younger.

Without it, we may lose the ability to keep working to meet our financial obligations and provide for ourselves, and people who depend on us. We may also be unable to enjoy the lifestyle we've built up.

When setting your financial goals, it's important to consider not just building wealth, but also retaining it. This includes assessing your risks – things that could have a major impact on your financial health if they were to eventuate.

Where life insurance can give financial certainty to loved ones upon death or terminal illness, Crisis Cover (also called Trauma cover) can safeguard your financial future so that if you get seriously ill, there's some cash available to help you maintain your quality of life.

Although it's not possible - nor practical - to be covered for every illness, AMP Crisis Cover can protect you financially from a range of serious medical conditions, including three of the most common – cancer, heart attack and stroke[1].

AMP Crisis Cover claims are paid by way of a lump sum payment. The money can be used however you wish – whether it be paying the mortgage while you're off work, accessing faster treatment through private healthcare, or to pay for rehabilitation and/or ongoing medical costs.

Having the ability to pay for ongoing costs can free you from financial stress, allowing you to focus on your recovery. You and your Adviser can work out the amount of cover you need, taking into account your household income, family obligations, existing savings and the amount of your mortgage.

1Please refer to the AMP Lifetrack Policy Document for the full terms and conditions that apply to AMP Crisis Cover and for a full list of medical conditions that are covered.

Managing your risk with **Dollar Cost Averaging**

Dollar Cost Averaging may be a financial 'buzz word', but it's meaning is quite simple. Whether you're a novice or a more seasoned investor, it can be a good way to balance out the risks – and returns – of investing.

Economists are responsible for reading and interpreting market conditions, which can guide us on the current performance of the market and the right times to invest to make the most of rising prices.

But as financial markets can, and always will, have a certain amount of volatility that can affect the performance of individual investments, economist's predictions cannot always be accurate. There are no guarantees of when is the best time to start investing, or when prices have fallen to their lowest point.

Using Dollar Cost Averaging, you can 'even out' the peaks and troughs of investment performance by drip-feeding your money in at regular intervals (e.g. by transfer or automatic payment) rather than investing it all at once. In effect, you're investing money at a range of different unit or share prices – sometimes you'll be able to buy more, sometimes less, for your investment dollar.

By investing regularly in smaller amounts, rather than with a lump sum at one point in time, Dollar Cost Averaging can protect your investment from any sudden falls in the market. It supports the old adage that investment is about 'time in' the market, rather than 'timing' the market. Given the current unpredictability of global financial markets, along with choosing the right investment option, Dollar Cost Averaging can help you to manage your risk effectively.

You can use Dollar Cost Averaging for investing in a wide range of investments, including shares, bonds and managed funds. If you're investing in KiwiSaver, and contributing either 4 or 8 percent of your after-tax pay, you are using Dollar Cost Averaging each time you contribute to your chosen investment option.

Dollar Cost Averaging example:

The following example is for illustrative purposes only and does not constitute advice of any kind.

As you'll see, the concept of Dollar Cost Averaging can be advantageous for investments that are subject to more volatility, for example, higher risk, higher return investments.

You invest $250 per month into a managed fund as follows:

In February, the unit price is $0.90 each, so you're able to buy 278 units

In March, the unit price falls to $0.80 each, so you're able to buy 313 units

In April, the unit price falls to $0.78 cents, giving you 321 units

In May, the unit price recovers slightly to $0.82 cents, so you're able to buy 305 units

In June, the unit price rises to $1.00, so you're able to buy 250 units.

At the end of the five months, your $1,250 investment has bought you a total of 1,467 units. These units are worth $1,467 in June, an increase of $217 on your $1,250 investment.

Lump sum investment example:

Using the above Dollar Cost Averaging example, if you were to invest the five months' savings of $1,250 as one lump sum in February, your investment would have bought you 1,389 units. In June, as the unit price increased to $1.00, your investment would be worth $1,389 – an increase of $139 on your initial investment.

As with any investment strategy, it's important that your investments reflect your attitude to risk, your financial situation and your short and long-term goals. For more information about Dollar Cost Averaging, talk to your AMP Adviser.

How being up-front can ensure a **stress-free claims experience**

Life holds no guarantees, and having insurance gives people a way to protect themselves against the risks that are most concerning to them, given their responsibilities, commitments and goals.

Insurance works by pooling people together who share similar risks. Money is paid into the pool as premiums, and paid out in the form of claims. As a given risk may eventuate at any time, the insurer must always maintain a surplus in premiums to pay claims.

Fairness is maintained both to the insurer and other policyholders by charging premiums that reflect the risk that each person represents – made up of such things as age, gender, lifestyle, recreational activities and personal and family medical history.

Your Personal Statement

When applying for life insurance, including Crisis Cover, Income Cover or Disability Income Cover, your Adviser (or insurer) will ask you to complete a Personal Statement as part of your application.

An insurer uses the Personal Statement to assess the risk you represent and decide on the terms of cover they can offer you. It includes questions about your lifestyle, including any hazardous activities or sports you engage in, your occupation and your personal and family medical history.

If you're an AMP client, you may wish to complete your Personal Statement with the assistance of your Adviser.

If there is private or sensitive information, you can complete your Personal Statement individually and post it to the AMP Underwriting team at P O Box 55 Auckland. You could also ask your Adviser to make a note on your Personal Statement asking AMP to call you for more information.

Tell the insurer your full medical history

You and the people you love rely on your insurer to keep their claims promise and pay out on the conditions you're covered for.

To enable them to assess your risk accurately and charge you an appropriate premium, your insurer also relies on you to give them a true and accurate picture of your medical history at the time of your application.

It's in your best interests to tell your insurer about you and your family's full medical history, and give them details of any past or existing health conditions. Even if you're no longer receiving treatment for a particular condition or you've seen a different doctor or medical practitioner, it can still impact on your insurer's risk assessment.

If you answer 'no' to medical questions on your application form, and you do have some history of these medical conditions, it could impact on your ability to make a successful claim.

By telling the insurer about your past and present medical conditions, you give them the option to decide whether it has bearing on your application and premium, and to ask for more information if required. The onus is not on you or your doctor to decide which past medical conditions may be relevant, or are a risk – that's the insurer's job. If in doubt, tell them about it.

The true value of having insurance is recognised at claim time. By being upfront about your medical history and disclosing full details to your insurer, you can feel confident that your cover will be available when it's most needed – when you make a claim.