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## Partnering with Consilium

We have recently completed a change in our investment platform from Aegis to FNZ through Consilium. Consilium provides an advanced wealth management function. Our partnership with them gives Total Wealth access to world class research, tools and improved wealth management services across direct, intermediated and workplace channels.

### *How this benefits you:*

The main benefit of this switch is that it strengthens our ability to provide scalable yet personalised investment solutions for you. As we have made this platform change, we have been reviewing portfolios and offering improvements to those which were not performing to recommended benchmarks.



## Approved Investment Reviews

We have also undertaken a comprehensive review of our Approved Investments. As a result, to improve performance and maintain the highest standards for our clients, Total Wealth has made the decision to no longer use Hunter Hall as a fund manager. We are currently running analyses on two new potential products for our Approved Investment list. This includes the Castle Points Ranger Fund. This Fund invests in a range of New Zealand and Australian assets with the objective of providing equity-like returns over the long term, while minimising exposure to extreme share-market fluctuations.

## Client Enquiries Regarding Fletcher Building

Over the past few months, we have been responding to questions regarding whether Fletcher Building's downgraded profit raised any concerns about the performance of this asset. We would like to reassure our clients that while the profit of Fletcher Building was downgraded, their profit was still substantial and it remains a strong, reliable asset. Total Wealth will continue to monitor the performance of Fletcher Building (as we do with all of our assets) to ensure that it remains reliable. We will inform our clients and make necessary adjustments if this situation changes.

### *A further insight:*

Within the funds we utilise here at Total Wealth, it is not often that there is more than a 10% holding of any one asset. This diversification of our portfolios provides security for your investment. This is because it reduces the impact of any negative fluctuations of one asset on the overall returns of a fund. This ability to diversify portfolios is one of the reasons why Total Wealth favours investment funds over direct investments. Another reason is the substantial savings on wholesale fees and brokerage costs that this achieves.



## Feedback

Your feedback makes us better. Send us an email, give us a call or visit our website and let us know what you think about our services and support. All opinions are valued.

## Protecting Your Income

Determining how you earn, invest and save your money are important aspects of financial planning. These tend to be given a lot of attention. But another essential component of successful financial planning is overlooked by many: protecting your financial plan.

Financial planning results in future success. Part of this planning involves accepting that we cannot always predict what is coming next. Nevertheless, we can still prepare for it. Putting protections in place to look after your income if you or one of your family members becomes sick or injured can be instrumental in maintaining financial stability and success.

Your income is vital to achieving your financial goals and maintaining your lifestyle. The mean income for New Zealanders is roughly \$75,000. On this income, you would have a future earning potential of \$1,500,000 in 20 years. Most people would not hesitate to insure a house that is worth this amount – over one million dollars! But some people do not consider insuring their income; despite it being one's most valuable asset. Contact us to further discuss the following options for protecting your income:

### Income Protection Cover

Income Protection Cover provides individuals with continuity of income should they suffer a long-term illness or disability that is not covered by ACC.

#### *Why you can't rely solely on ACC:*

ACC will pay you up to 80% of your income while you are off work as the result of an accident. But remember: only one in nine people who are off work for the long term are off due to an accident. The other eight people are unable to work because of illness and so they are not covered by ACC. This is why Income Protection Cover is essential for protecting you, your family and your financial plan.

#### *Consider this:*

James is a 42-year-old builder who earns \$78,200 per annum. He and his wife have a mortgage, with repayments of \$2,000 a month and they are almost finished paying off their car loan. James is healthy and leads an active lifestyle with his wife and two kids.

But after his Christmas holiday, James became one of the thirteen people diagnosed with melanoma per day in New Zealand. It was invasive and he required surgery. His recovery period meant he was unable to work for three months. As James was off work for an illness, ACC did not cover James.

Luckily, James had taken out an Income Protection policy which provided him with 70% of his salary in the event that injury or sickness prevented him from being able to work. This meant his income stream could continue and he was able to concentrate on recovering reassured that his financial plan was still on track.

Without this cover, James would have lost \$14,662.50 of income.



## Kids Cover

It is also important to protect your income in case your children or grandchildren become sick. You can do this through Kids Cover.

It is fair to say that most people find the idea of setting up insurance cover for their kids quite unsettling because they don't want to think about anything bad happening to them. But remember, preparing now is the only way to ensure that your children get the best care and the best opportunity to recover should something go wrong later on.

All too often we hear on the news of a family being devastated by tragedy: their child has become sick or injured. When this happens, family members often have to take time off work which means that they can lose large amounts of their income. This puts an added financial pressure on the entire family.

Kids Cover can help to protect against this loss of income. Many parents and grandparents use this cover because it pays you a lump sum of money in the event that your child or grandchild becomes sick or injured. This can allow you to take time off work and it can help to pay for recovery-related expenses.

Preparing for these unexpected circumstances will protect you, your family and your financial stability.

*"Having income protection has been a godsend. If we didn't have it, we would have had to sell our house in order to have something to live on, and go rent somewhere. Everything would have been so different." – Client Testimonial.*

## Real World Advice

### Don't Always Believe What You Read

Often news articles and headlines are exaggerated to provoke an emotional response. This makes it important to remember that if you are in doubt about the stability or performance of the financial market, do not rely on these sources alone. Remember to check the Previous Year's Forecasts or contact us for professional advice.

*Here are some examples of misleading headlines being unrepresentative of actual financial forecasts:*

On the 1<sup>st</sup> of January, 2014 the New Zealand Herald wrote that "We're probably fully valued." Yet, the NZX50 Index rose 18%.

On the 3<sup>rd</sup> of January, 2015 the New Zealand Herald wrote that in terms of the financial market: "Bull run near end of tether." Yet, the NZX50 Index rose 14%.

In January, 2016, the National Business Review wrote that it was "End of the golden run." Yet, the NZX50 Index rose 9%

### A reminder from last quarter's Newsletter

With many industries operating in the modern economy, from time to time some will suffer from static or decreasing revenues. Two examples of this can be found in the airline industry shortly after the 2001 terrorist attacks on the World Trade Centre and in the housing and mortgage-related industries during 2007.

Thus, the market can be volatile; there will be times when your portfolio may decrease in value. However, what separates successful portfolios from unsuccessful portfolios is whether you reasonably 'stay the course' with them. Typically, when an industry turns negative its effects are far reaching and stock prices almost always drop in advance of actual earnings. But the earnings will hit a trough, after which share price performance will gradually improve along with business results. This is why it is important to stay focused on the long term aspect of your portfolio.

One way to help tune out the short-term market is to remember the original goals and objectives for your portfolio. If the funds are for your retirement savings which are still a few years away, it is reasonable to 'stay the course' in many cases. That being said, it is also vital to ensure that you are not over exposed to any severe market dips. This highlights the importance of one of our functions here at Total Wealth: monitoring portfolios and adjusting any that need rebalancing. This ensures that your portfolios are performing to recommended benchmarks which are risk, age and stage appropriate.



# Total Wealth