

NZFUNDS | U3A Dunedin

Private Wealth

Planning Ahead
– Financial advice
for the Retired

Presented by
Peter Ashworth
July 2020



Further information

For further information or to request a copy of the Investment Statement for either the NZ Funds Managed Portfolio Service, the NZ Funds Managed Superannuation Service or the NZ Funds KiwiSaver Scheme please contact New Zealand Funds Management Limited.

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July 2020

Agenda

01. Introduction – The who, why and how of investing
02. Credentials – Seven questions to ask your financial adviser
03. Asset Class – types, liquidity & returns
04. Risk – types and risk profiling
05. Investment Modelling – how long might your capital last
06. Particular Issues for Retirees
07. Discussion & Questions

Credentials



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Disclosure Statements are
available on request, free of charge

- 24 years as a Financial Planner
- Principal – NZ Funds Management Ltd
- Member of Financial Advice New Zealand
- (previously known as the Institute of Financial Advisers)
- Certified Financial Planner^{CM}
- GradDipBusStuds (Personal Financial Planning)
- Authorised Financial Adviser
- Newspaper Columnist

Selecting an Adviser

- Qualifications and professional memberships
- Is financial advice their core business?
- The question of independence
- How do they charge for their service?
- Remuneration – how are they paid?
- Socially responsive investing.
- Do they consider Environmental, Social and Governance (ESG) implications?

Seven questions you should ask your financial adviser

The elephant in the room

- Who holds the ownership of my investments?
- Where am I depositing my investment capital?
- How do I know that the price applied to my units reflects their current value?
- Does the firm operate a consistent advice process and how is this reviewed?
- Does your organisation require staff to take compliance leave?
- Do I receive third party verification of my investment holdings?
- Can I check my investments and performance online?

Asset Class

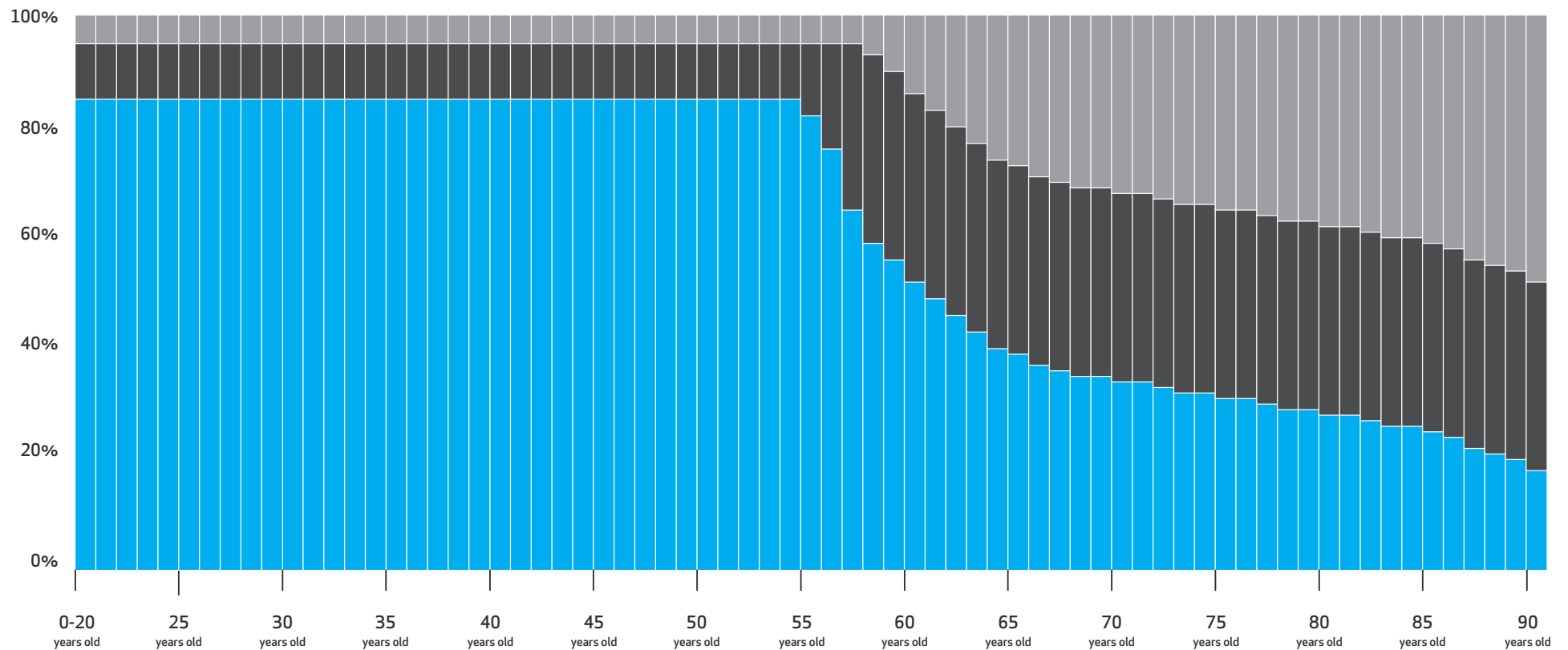
Types, liquidity & returns

Characteristics	Cash	Fixed Interest	Property	Shares
Time horizon	Short Less than one year	Short to Medium Term One to seven years	Long Five years plus	Long Ten years plus
Liquidity	Very good	Not so good	Poor (or very good)	Very good (or poor)
Risk	Lowest	Low to high	Higher	Highest
Return (Long Term)	Lowest	Low	Higher	Highest (potential)

Asset allocation

for many this will need to evolve over time

A Lifecycle Approach



○ Income Strategy

○ Inflation Strategy

○ Growth Strategy

Understand the three key investment risks

Volatility Risk

The risk that clients intuitively understand.

You can accept a low return with low volatility, or you can seek a higher, but more variable return.

Liquidity Risk

The risk that people tend to discard.

The risk that you might not be able to access your investment when you need to, or you may need to sell at a discount to access it.

Permanent Capital Loss

This can occur through the failure of a particular investment (or sector). Fraud is also a potential source of this risk .

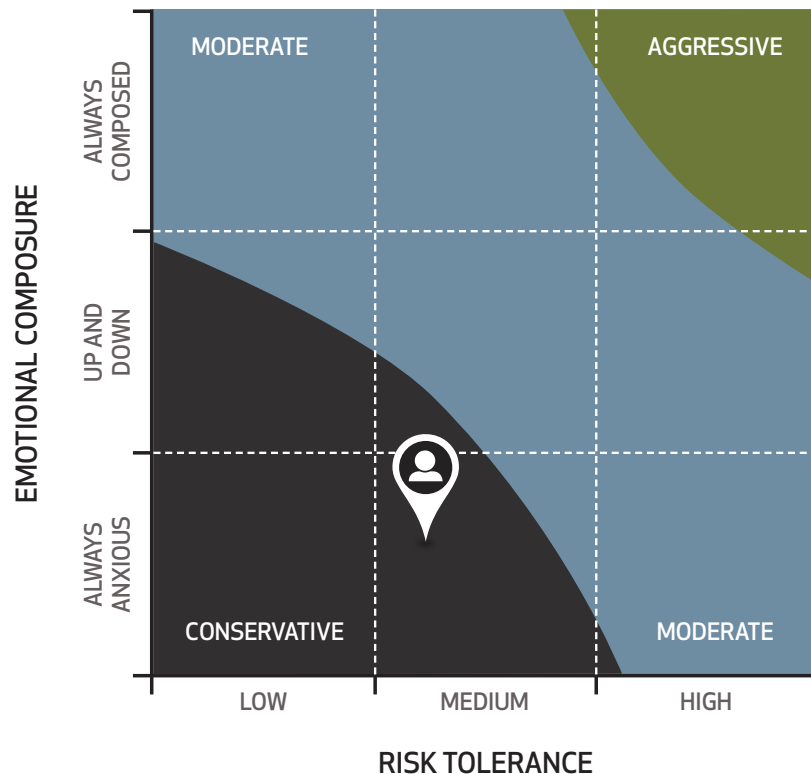
Risk Profiling – Risk 360

Understand your personal risk profile

Moderate

Name: Sharon Ashworth

Adviser: Peter Ashworth



Your Risk Profile, as described in this Risk Profile Report is designed to add to your overall understanding of your attitude towards risk, when considering investing over longer periods of time. It is not by itself a financial plan. Rather it is a tool to be used in helping you build your financial plan.

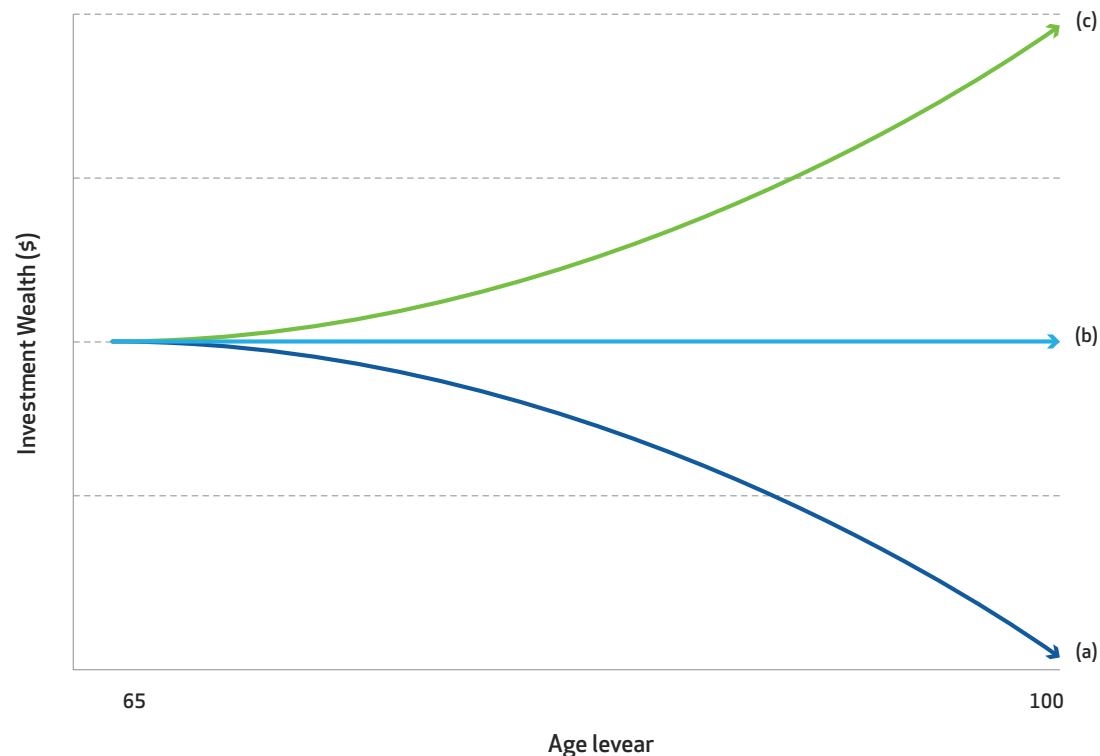
Your Risk Profile is based on two components, your “emotional composure” and your “risk tolerance”. Your emotional composure is an assessment of how you feel about and react to stressful or unexpected events. Your risk tolerance records how you think about tradeoffs in making investment choices and decisions.

In combination your emotional composure and your tolerance indicates that you have a Moderate Risk Profile.

This is shown in white. You can compare this with the response from other New Zealanders which is shown in black.

What are you looking to achieve?

“Begin with the end in mind” Stephen Covey



- (a) Is prepared to draw both income and capital and exhaust their investment wealth overtime
- (b) Wants to receive ongoing drawings but still maintain the nominal value of their capital
- (c) Would like to grow the real value of their capital in spite of ongoing retirement drawings

Retiring Clients

the transition years 60 -70

My observations of successful retirees

1. Retirement can trigger a mini identity crisis
"Retire to something rather than from something"
2. Some people may need to rethink their investment persona.
"concentrated risk can build wealth, but it is diversified risk that protects wealth"
3. Most people underestimate their life expectancy. Currently a 65-year-old female has an average life expectancy* of 89
4. They know what it costs them to live. They have a 'core' cost of living figure and a discretionary figure.
5. They have a written plan, with capital projections.
This gives them the peace of mind that comes from knowing how long their investment wealth is likely to last.
6. Some people adopt a two portfolio approach
(a) Expenditure needs portfolio & (b) Intergenerational wealth portfolio

*Stats NZ. How long will I live – calculator. July 2020

Retiring Clients

the “second half” 80+

1. In the 80 plus age group 25% of the population has some form of dementia.
2. Vulnerable to financial abuse. Prudent behaviour needs to be “hardwired” by good systems, trusted relationships and legal structures.
3. Trusted relationships require monitoring.
4. Enduring Powers of Attorney (EPA's) should be in place and carefully considered. Property, Personal Care & Welfare EPA's are issued separately.
5. Does your Will reflect your wishes and are your Executors still the right people?
6. If you have a Trust has it been administered properly? How will the new Trust Act, that comes into force in February, impact upon your Trust? Does your Trust have a Memo of Wishes?
7. Reducing complexity can provide peace of mind.

Summary

Credentials – Seek quality advice (be aware of vested interests).

Knowledge – Understand the basic building blocks and the challenges of being a human investor.

Risk profiling – Understand the nature of risk and understand yourself.

Scenario modelling – Capital projections can provide peace of mind.

Tidy your desk – How did you do on the “second half” check list?

Tomorrow is good.

Today is better.

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