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Newsletter Heading

APRIL 2014

Alan

Hello,

It's April! Just a few more weeks until Easter, the school term ends, and we remember our fellow New Zealanders on ANZAC Day.

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April Newsletter

It's been a while since our last newsletter. Since that issue we have moved office, Dayna moved on and set up her own business (and DUX is a client), and Juanita started full time with DUX.

We have big plans for this year, and are looking at ways to make our advice proposal even more innovative to NZers who want advice, not just to be a number on the bank's database.

If you are thinking about going to the Home and Living Expo this year on the 2-4 May, go to our Facebook page and get yourself a two for one voucher.

This month's newsletter covers recent changes to KiwiSaver, some ideas for making saving for Christmas easier, and looking at what could happen if you do nothing with your house insurance.

KiwiSaver – New Default Providers

The government announced that from 1 July 2014 there will be 9 default providers in KiwiSaver to replace the current 5 (originally 6).

The new default providers are: AMP, ANZ, ASB, Mercer, Fisher Funds, Grosvenor, KiwiBank, BNZ and Westpac. KiwiBank will be providing this via their Gareth Morgan Fund and Westpac via BT Funds Management.

The current default providers are, AMP, ASB, ANZ (originally via ING, who they bought), Mercer and Fisher Funds (originally Tower, who they bought). The 6th provider, AXA, was purchased by AMP and merged.

So, all the main banks that have KiwiSaver are now default providers plus some of the bigger non-bank fund managers.

How do default providers work?
If you start a new job, and are not already in KiwiSaver, and do not choose a provider, then you will be assigned to one of the default providers at random. The fund you end up in is a conservative fund, which may not be appropriate for your goals or attitude to investment.

What does this mean?
Anyone assigned to a default provider from 1 July this year, will simply have more options in their random allotment.

What does this mean if you are already in KiwiSaver?
Nothing really. Default providers only matter for those who have joined and not chosen a provider. You cannot choose to join a default provider.

So, essentially its interesting news but of no real consequence to people already in KiwiSaver.

What else is changing?
Not so much changing, but one of the requirements now of the providers is that they provide education on KiwiSaver and investing. How they will do this is unknown, but for the most part it will be very generic, class based advice.

The reason for this is that none of the providers have the staff numbers who can provide the levels of personalised advice that people need. Few of the providers have many Authorised Financial Advisers (AFAs) and the ones they do have cover multiple branches (for the banks) and don't usually give KiwiSaver advice.

As always, the best place to get advice is from a non-aligned AFA, such as DUX Financial. There are only 325 AFAs in the country not working directly for a bank or insurance company, and DUX Financial is one of those.

If you are not currently a DUX Financial client, and wish to get access to our advice program, get in touch with us.

Saving for Christmas

In the first few months of the year I have been working with a lot of people who have over indulged at Christmas. This is somewhat of a surprise (though I guess it should not be), as it's not like Christmas is a surprise, but somehow people just ignore what's going on in their bank account, and spend money they don't have.

I think that people underestimate what it costs, or how to save enough throughout the year.

As well as Christmas, there are other events that people spend big money on and for some reason presents and spending money is not something people tend to save for.

So let's go through a small example to see; firstly how much it could cost per year, and secondly, the numbers of occasions to take into account.

Let’s take a family of 4, mum, dad and two kids.

Assume that for birthdays everyone gets a $100 present, and for Christmas the same. So that’s $800 already. Let’s add in $200 for extra food at Christmas, and we are up to $1,000.

Add in $250 at Valentine’s Day (for presents, dinner out, and a babysitter). That’s $1,250.

Easter is just for the kids, say $100, and Mothers and Father’s day are $100 each. Now we are up to $1,450.

So, that’s just $1450 for the immediate family. Do we buy the grandparents a Christmas and birthday present each? If so, and let’s assume $50 each for each event, then we are up another $400.

If Mum and Dad have 2 siblings each, and we do the same $50 each, it’s another $400.

Now we are up to $2,250 for the year, and we have not allowed for the kids cousins, birthday parties for the kids friends, friends of the parents, random aunts and uncles and distant family members, or events like weddings and engagement parties.

For the sake of easy maths, lets round up to $2,500.

If we save for 50 weeks of the year, ignoring the 2 weeks over Christmas, then we need to save $50 a week.

If you save over a shorter period you need to save more per week.

The point of this is that it does not take for everything to build up to needing to save a serious amount each week.

If you find yourself always scrabbling for money each Christmas or for birthdays and parties, then go through this exercise with your family, decide how much you want to spend for each event, and which people you will be buying for. If you need to cut costs, you may agree with friends or other relatives to not spend on each other, and focus to the kids.

For the saving, put aside the money each pay into a separate bank account just for this. If your bank allows it, name the account on line.

If you need any assistance with this and want to look at a savings financial plan and ongoing monitoring to help you keep on track, get in touch with us to make an appointment.

House Insurance Crisis

Last July, the majority of NZ House insurers switched from square metre cover to sum insured cover. The onus on working out your correct cover moves to you, the insured person.

Unlike in the past where you just needed to get the size of the house right, it’s up to you to determine what the replacement value of your house is for insurance purposes.

If you guess too high you might pay more premium than you need to, guess too low and if you have a total loss, not all of your house will be rebuilt.

It's critical to get it right; and in this case over estimating is probably safer than under estimating. You also need to review it every year to make sure it stays up to date.

In an ideal world, everyone would pay for an insurance valuation to get the right sum insured, but that costs money and with premiums having risen, it's a cost not everyone can cover.

The other, next best, option is to use one of the online calculators to work out a good estimate for your sum insured.

The worst option is to do nothing, and from what I have heard from industry insiders, around 88% of people have done exactly that, nothing!

The default figure that the insurers give you if do nothing is not anything other than a placeholder. The insurers have to use an amount of some sort so they have guessed $X per square metre.

It may well be that your house actually costs that amount to rebuild, but don't assume anything.

The wording on new insurance products is that they will totally rebuild your house to a modern equivalent, up to the sum insured. So, if it costs $300,000 to rebuild your home and you are insured for $200,000, they will not build past $200,000, which means you need to borrow the rest.

So, what should you do? First, work out your sum insured. Then get advice on a good policy.

Over 95% of DUX Financial clients have done the work to find out their sum insured, and in the past few months I have seen many people who thought they had full cover, find out they had sub-standard cover.

If you want advice on what to do next, and how to ensure you are properly insured, with an adviser who will keep you up to date on your policy, drop us a line.

Newsletter Winners

APRIL 2014 Newsletter Winners

Congratulations to Robert Higgs the lucky winner of this month's DUX newsletter and Facebook draw.
Each month DUX Financial picks a lucky subscriber to win a $100 voucher for a Wellington restaurant.
To enter our draw simply "like" us on Facebook or subscribe to our newsletters via our website.

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A copy of Alan's disclosure statement is available on request, free of charge.