Bramwell Brown Ltd

Investment Advisers – Brokers

Director: Brett Dymond – AFA, BBS, GradDipBusStud (Personal Financial Planning)

Bramwell Brown Limited – Newsletter – May 2017

Zero Commission – Spark Offer

Spark has warned investors that Zero Commission is making an unsolicited offer to buy Spark shares at a discount to their current trading price. The Zero Commission offer is to Spark shareholders who own 800 shares or less. Zero Commission is offering $3.02 per share with no brokerage payable. There is nothing illegal in what Zero Commission is doing, however investors should do the sums to ensure they are being paid a fair price for their shares. The only benefit in accepting the offer is the fact that no brokerage is payable on the transaction. However the large discount to the trading price of Spark shares would indicate that only those with particularly small holdings would benefit from accepting the offer.

Spark is currently trading at $3.70 per share – 68 cents above the Zero Commission offer. An investor selling 800 shares through their broker would receive $2,960 less the minimum brokerage of $100 – a total of $2,860. The same investor taking up the Zero Commission offer would receive only $2,416. Simple maths tells us the tipping point where the Zero Commission offer loses any benefit is around 150 shares. An investor holding more shares than that is better off to sell through a broker and pay the $100 minimum brokerage. I would encourage all investors to contact their financial adviser before accepting any unsolicited offers to buy their shares.

Genesis Bond Offer

Genesis Energy is considering an offer of up to $225 million of 30-year subordinated capital bonds to institutional and New Zealand retail investors. Full details of the offer will be released prior to the offer opening in the week beginning May 8th.

Infratil Bond Offer

Infratil has announced they will repay their infrastructure bond maturing on June 15th (IFT160). They have announced that they are considering a new bond issue to enable investors to reinvest their funds.

CONTACT THE OFFICE IF EITHER OF THESE BOND OFFERS ARE OF INTEREST TO YOU

Wise-Up About Retirement Now, So You Can Relax and Enjoy It Later

Last month the Financial Markets Authority released their findings from a survey of New Zealanders attitudes toward retirement and financial advice. The full report can be read on the FMA website https://fma.govt.nz/news/media-releases/wise-up-about-retirement-now/ and the main points are summarised here.

The key ingredients that make it more likely you can relax and enjoy your life after work have been revealed in an FMA survey of older New Zealanders. The FMA commissioned Colmar Brunton to survey New Zealanders aged between 60 and 74 years, to find out their experiences of retirement and how information or advice has helped them manage their retirement savings. Those older New Zealanders reporting strong confidence about their retirement have three key things in common:

1. They started retirement planning early. Ten years or more before retirement is best, but confidence begins to sharply increase even six years out
2. They got help from an adviser, family, financial provider, or through their own research on four key topics (which we describe below)
3. They have a wider range of investments with an emphasis on growth investments

People who had sought advice from a professional adviser were more likely to have invested in shares, bonds and managed funds. In a second piece of research involving the clients of Authorised Financial Advisers (AFAs), investors reported seeking help mainly because they received a lump sum, such as an inheritance or proceeds from the sale of a business or property. Many of these clients were concerned they didn't have the knowledge to prepare properly for retirement. They were also looking for guidance on how to achieve better returns for their investments.

Almost all AFA clients said that establishing trust with their adviser was crucial and this was based on clear communication throughout the relationship. Investors who work closely with an adviser were happier choosing a broader range of investments, taking more risk and worrying less about ups and downs in their investments.

Paul Gregory, FMA Director of External Communications and Investor Capability, said: "A lot of existing research, including our own, has shown how poorly prepared the majority of older New Zealanders feel about their retirement. With this work we wanted to engage with people about the factors that would make them feel confident, and ask them why. We hope the insights these people provided will prompt New Zealanders to take some action. "One of the most important things we found was that while getting advice from a professional, regulated financial adviser works, it's not the only route to confidence.

Talking to family and friends, opening some books or using the internet, or resources from a financial provider, were just as good provided they covered the four key topics in the report.

"The real difference comes from starting early. The investors feeling most confident are more likely to have looked for information or advice more than 10 years out from retirement. They are also more likely to have a healthy retirement savings balance. But there is still a lot of confidence, and significant final retirement balances, among investors who started between six and 10 years out from retirement," Mr Gregory said. "None of this is particularly surprising. Starting your planning early and getting help are common sense. But we've gone a step further and had investors tell us that if you do these things, you feel confident, are invested sensibly, and will end up with better financial resources in retirement," Mr Gregory said.

Four key topics to think about and help you wise-up

Investors feeling confident about retirement have identified four key topics that have helped them get set up for life after work. From the professional advice or other help they got, investors feel comfortable because they understand:

1. The most suitable investments for them and their goals
2. Their finances and budgets, so they can have confidence their money will last
3. They can check in with their investments, including with expert help, to get further guidance
4. Investment risk, so they worry less about investments going up and down and also how it impacts the amount of money they will have to live on

Sources – Financial Markets Authority and Colmar Brunton

I've read the full report and the associated research and the findings come as no surprise to me. I would imagine those investors who have an ongoing relationship with a financial adviser would also find no surprises in the article. However there are many people who have never sought advice and stumble through retirement with a portfolio of Serious Saver accounts and a sprinkling of term deposits. They don't have a grasp of the effects of inflation on fixed interest investments and may get through retirement by good luck rather than good management.

For people in this category a first step may be to investigate the various websites offering impartial and practical financial planning tips. Sites such as Sorted https://sorted.org.nz/ and the Commission for Financial Capability http://www.cffc.org.nz/ have a significant amount of very good information available at no cost.

KiwiSaver

The KiwiSaver anniversary (July 1st) is not far away again. Any members who have been in the scheme for a year or more should ensure they have deposited at least $1,043 with their provider before the end of June. This will ensure you receive the maximum Government matching payment of $521.43. Up until July 1st 2011 this matching payment was dollar for dollar and equalled $1,042.86, however the rules were changed and the subsidy has been cut in half. It is still worth having however, and I would encourage all members to contribute at least $1,043. If you contribute less than $1,043 from your wages you can make voluntary contributions that top it up to the desired amount. Your provider can inform you how to make voluntary contributions. Alternatively you can lodge funds directly to the IRD online or with deposit slips available at Westpac Bank. You need to provide your IRD number and use "KSS" as the payment code.

You will receive the 50% Government matching payment up until the date you are eligible to withdraw your savings. You become eligible to withdraw your savings when you qualify for NZ Super (currently at the age of 65), or when you have been in the scheme for five years (whichever is later). So if you join KiwiSaver when you are 62, you would have to wait until you are 67 to be able to withdraw your funds. You would receive the 50% subsidy ($521.43) for each of those five years – not just until you turn 65. A number of our clients have been in the scheme for the required five years, and have reached 65. They are now eligible to withdraw their savings. As soon as you reach this point you are no longer eligible for the Government subsidies, and your employer (if you are still working) is under no obligation to continue contributing to your account.

Now is also a good time to review the type of fund you are in. Is a Growth fund still appropriate for your circumstances? Young investors may have been encouraged to opt for the growth fund because of their time frame and tolerance for risk. But what if you are a young investor considering applying for a first home deposit subsidy, and subsequently about to withdraw your funds from KiwiSaver? I would argue that taking risk out of the equation would be appropriate in these circumstances, therefore moving to a more conservative fund should be considered.

Portfolio Administration

Are you having trouble with the share registries sending your financial information via email rather than post? Are you spending hours searching for financial information for your accountant at the end of each financial year? If so Bramwell Brown can help. We offer a portfolio administration service where we handle all the mail associated with your portfolio and liaise with your accountant at the end of each year. Call the office if you would like to discuss this service.