

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Money Week

Each year the Commission for Financial Capability (CFFC) runs Money Week in an effort to encourage New Zealanders to think about their own financial circumstances. This year the theme is on financial resilience, and whether you have the ability to weather storms that life throws at you. The campaign will be asking people to think about three areas they can bolster – an emergency savings account, insurance to cover losses they can't easily absorb, and making sure they have a will to protect the interests of their loved ones.

How much is enough to have as an emergency fund? I'd suggest a figure equal to three months of your usual outgoings. You should have a fund that is readily available, so that you are not forced to sell an asset at a time that isn't favourable to you. Any such fund will not offer high returns, however that is the price paid for liquidity. Some banks offer call accounts that have higher interest rates as long as a small sum is deposited each month, and no withdrawals are made. This type of account is ideal for an emergency fund. A Bonus Bonds account is another option. Even though Bonus Bonds don't stack up as an investment, they are relatively risk-free, liquid, and can provide some enjoyment if you're lucky enough to win a prize occasionally.

Insurance is not something Bramwell Brown offers, however I think it's logical to bear the risks you can afford, and insure the ones you can't. Likewise, wills are an essential tool to ensure your wishes are known when you die. Enduring powers of attorney (EPA) are also essential. It's often not until insurance, wills and powers of attorney are needed, and they're not in place, that we realise just how important they are. I would encourage anyone who doesn't have their will and EPA's documented to do so immediately.



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moneyweek.org.nz

Free Financial Advice

For those people who are new to financial planning or those with smaller sums of money, paying for financial advice may seem out of the question. There are a number of freely available resources online, some of which remain useful even for experienced investors.

Sorted – www.sorted.org.nz

This is a great site for anyone wanting to get started. It covers all aspects of financial management:

- Managing debt
- Budgeting
- KiwiSaver
- Insurance
- Investing
- Retirement planning

The site has some very useful mortgage and retirement calculators, and also has a list of questions you should ask a financial adviser.

Commission for Financial Capability – www.cffc.org.nz

Formerly the Retirement Commission, the Commission for Financial Capability's role is to lift the financial capability of all New Zealanders, with an increased focus on low-income and vulnerable groups. The role also includes a three-yearly review of retirement income policies, and a monitoring role for the retirement villages sector. The site has some very useful information on:

- Retirement villages
- Stages of retirement
- Financial capability strategies
- Fraud and scams

Like Sorted, this site also has some useful calculators and questionnaires.

Other sites that are worth having a look at include:

Financial Advice New Zealand – www.financialadvice.nz

Citizens Advice Bureau – www.cab.org.co.nz

Financial Markets Authority – www.fma.govt.nz

KiwiSaver – www.kiwisaver.govt.nz

Bond Issues

The bond market continues to disappoint. Z Energy has just issued a six-year bond with a coupon of 4.00%. Spark has announced an offer of \$100 million of unsecured, unsubordinated, fixed rate bonds. The indicative interest rate had not been announced by the time this newsletter was printed, however was expected to be around 3.50%. These rates are hardly inspiring, and if rates remain low share markets around the world will continue to perform well.

It's understandable that investors are seeking better returns than those offered in the bond market, however I hope those investors also recognise the risk associated with chasing higher returns in shares. I would still encourage investors to retain a core portfolio of bonds and bank deposits that, although offering lower returns, are not subject to the same volatility in a downturn.

Turners Automotive Group

Turners are offering up to \$25 million of 3-year, secured, subordinated, fixed rate bonds with the ability to accept up to \$5 million of oversubscriptions.

- Opening Date – August 28th 2018
- Closing Date – September 24th 2018
- Maturity Date – September 30th 2021
- Interest Rate – 5.50%
- Minimum investment - \$2,000

CALL THE OFFICE IF THIS OFFER IS OF INTEREST TO YOU

Bank Term Deposit Rates

Here is a summary of some of the bank rates on offer at present.

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ*	3.45%	3.65%	3.80%	3.90%	4.00%
ASB	3.45%	3.65%	3.80%	3.90%	4.00%
BNZ	3.40%	3.50%	3.65%	3.85%	4.00%
Heartland	3.60%	3.80%	3.85%	4.00%	4.00%
Kiwibank	3.40%	3.60%	3.70%	3.80%	3.80%
Rabobank*	3.45%	3.84%	3.94%	4.09%	4.23%
Westpac	3.45%	3.50%	3.65%	3.60%	3.65%

* ANZ and Rabobank rates are available through an intermediary relationship with Bramwell Brown.

Official Cash Rate

Yet again the Governor of the Reserve Bank has left the Official Cash Rate (OCR) at 1.75 percent, a level it has remained at since November 2016. Here is Adrian Orr's latest statement.

"The Official Cash Rate (OCR) remains at 1.75 percent. We expect to keep the OCR at this level through 2019 and into 2020, longer than we projected in our May Statement. The direction of our next OCR move could be up or down. While recent economic growth has moderated, we expect it to pick up pace over the rest of this year and be maintained through 2019. Robust global growth and a lower New Zealand dollar exchange rate will support export earnings. At home, capacity and labour constraints promote business investment, supported by low interest rates. Government spending and investment is also set to rise, while residential construction and household spending remain solid.

The labour market has tightened over the past year and employment is roughly around its maximum sustainable level. We expect the unemployment rate to decline modestly from its current level. There are welcome early signs of core inflation rising. Inflation will increase towards 2 percent over the projection period as capacity pressures bite. This path may be bumpy however, with one-off price changes from global oil prices, a lower exchange rate, and announced petrol excise tax rises expected. We will look through this volatility as appropriate, and only respond to any persistent movements in inflation.

Risks remain to our central forecast. The recent moderation in growth could last longer. Low business confidence can affect employment and investment decisions. Conversely, there is a chance that inflation could increase faster if cost pressures can pass through into higher prices and impact inflation expectations. We will keep the OCR at an expansionary level for a considerable period to contribute to maximising sustainable employment, and maintaining low and stable inflation."

All other things remaining equal the long-term projection of very low interest rates is going to continue to provide momentum to our share-market.

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.