

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – SHAREBROKERS

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Scams

Yet again we are seeing a disturbing number of investment scams circulating. The Ministry of Business, Innovation and Employment (MBIE) estimate nearly \$200 million of New Zealanders' money has been lost to scams in the last year. There has been a significant rise in the number of investment scams targeting New Zealanders in recent years. Since 2020, the Financial Markets Authority (FMA) has received more than 1,300 complaints and issued 373 warnings about investment scams. Two common types of scams targeting New Zealanders lately are fake investment prospectuses and term deposit comparison sites. These scams are becoming increasingly sophisticated and have caught out experienced investors. Also, of particular concern to the FMA is the increase in scams targeting New Zealand's vulnerable communities and the advertising of fake investments on social media platforms.

Red flags to watch for and ways to avoid being scammed include:

- Check the source to make sure it's real. Make sure the company is based here, has a New Zealand phone number and the website URL matches the company.
- Get a second opinion before handing over money. Press pause and think hard before handing over any money. Check with a trusted adviser, friend or family member – often all it takes is a fresh set of eyes to raise red flags you may not have considered.
- Real investments don't come out of the blue. Banks and fund managers are licensed and regulated and do not generally call you, offering a new opportunity that demands you immediately send them money.
- Check very carefully before sending any money or personal information to an investment opportunity, even if you think you're investing with a legitimate or well-known financial institution. Do not trust links, emails or contact details supplied by callers. Check for yourself with the institution.
- Pay attention, and listen to your bank if it raises questions or concerns about your payment requests or money transfers – they may have seen other customers lose money responding to the same opportunity.

New Zealand Retirement Expenditure Guidelines

The Massey University Fin-Ed Centre aims to empower New Zealanders to make more financially savvy decisions, and to give people the tools they need for the life-long process of managing their finances. Part of their work includes the New Zealand Retirement Expenditure Report to establish guidelines for "modest" and "comfortable" retirement. The 2023 Retirement Expenditure Guidelines are the twelfth in a series that began in 2012, to assist New Zealanders in making financial plans for their retirement.

Two levels of expenditure have been included in the guidelines. The No Frills guidelines reflect a basic standard of living that includes few, if any, luxuries. The Choices guidelines represent a more comfortable standard of living, which includes some luxuries, or treats. The report also distinguishes between one-person and two-person households, and city living versus living in the provinces. The table below shows some of the most recent findings.

Weekly Income	One-Person Household		Two-Person Household	
NZ Super (After Tax)	\$496.37		\$763.64	
Weekly Expenditure				
	City	Provincial	City	Provincial
No-Frills Budget	\$826.26	\$689.54	\$982.02	\$849.82
Choices Budget	\$1,163.09	\$1,263.65	\$1,665.85	\$1,330.30

As you can see, all groups are spending more than they are receiving in NZ Super, which means all groups must supplement their income somehow. The next table summarises income (NZ Super) versus expenditure, and shows the shortfall for each category.

		Weekly Expenditure	NZ Super	Deficit
One-Person Households	No Frills - City	826.26	496.37	329.89
	No Frills - Provincial	689.54	496.37	193.17
	Choices - City	1,163.09	496.37	666.72
	Choices - Provincial	1,263.65	496.37	766.98
Two-Person Households	No Frills - City	982.02	763.64	218.38
	No Frills - Provincial	849.82	763.64	86.18
	Choices - City	1,665.85	763.64	902.21
	Choices - Provincial	1,330.30	763.64	566.66

Nearly all groups experienced a widening of the gap between NZ Super and weekly expenditure this year. Two-person households on a no-frills budget saw a negligible decrease in that gap. Food is one of the largest expenditure classes for all households. The Consumer Price Index (CPI) for food was 12.30% for the period, which is twice the overall CPI of 6.00%. The difference between income and expenditure makes for fairly grim reading. A single person living in provincial New Zealand must find an extra \$766.98 per week if they want a retirement with choices. How do you fund that difference? The following table shows the estimated lump sums required to fund the difference between NZ Superannuation and expenditure.

		Weekly Deficit	Lump Sum Required	Lump sum calculations assume retirement at 65, and life expectancy to 90.
One-Person Households	No Frills - City	329.89	\$355,000	Investment is in a Balanced Fund.
	No Frills - Provincial	193.17	\$207,000	
	Choices - City	666.72	\$717,000	
	Choices - Provincial	766.98	\$824,000	
Two-Person Households	No Frills - City	218.38	\$235,000	The full lump sum is expended in retirement.
	No Frills - Provincial	86.18	\$92,000	
	Choices - City	902.21	\$969,000	
	Choices - Provincial	566.66	\$609,000	

Again, some of the figures here are fairly daunting. A single person living in the provinces needs to have saved \$824,000 in order to enjoy a comfortable retirement. Even though the figures may appear out of reach to some, it's better to know what's required than not. Unfortunately, there is no easy fix to generating the large sums required to meet our retirement goals. All solutions involve compromise of some description. If we have to, where do we begin to compromise? For most of us the problem is that we simply don't have the amount of capital to achieve the dream retirement lifestyle.

The areas we can influence include:

- Retirement date – pushing it out allows more time to build capital, with less time to use it
- Spending – it might not be palatable but we do have the ability to curb our spending
- Leaving a legacy for children – not necessary in my opinion – spend it yourself
- Risk – instead of investing in bank deposits, we have the ability to take on risky investments such as shares in an attempt to boost returns
- Income – taking on part-time work to boost your income

Bank Term Deposit Rates

One positive outcome of the increase in the Official Cash rate is for those relying on fixed interest investments to supplement their income. Bank deposit rates and bond rates have been increasing gradually over the last couple of years. Here is a summary of some of the bank term deposit rates on offer at present. To give an indication of where we were just two years ago, the top line shows the rates available in November 2021. The rates underlined and in bold are the current rates.

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ	1.40%	1.60%	1.90%	2.15%	2.25%
ANZ	6.10%	6.00%	5.50%	5.45%	5.45%
ASB	1.30%	1.60%	1.90%	2.00%	2.15%
ASB	6.10%	6.00%	6.10%	5.65%	5.55%
BNZ	1.40%	1.60%	1.90%	2.00%	2.15%
BNZ	6.25%	6.00%	5.50%	5.50%	5.50%
Heartland	1.30%	1.20%	1.35%	1.55%	1.75%
Heartland	6.30%	6.10%	5.85%	5.75%	5.65%
Kiwibank	1.35%	1.70%	1.70%	1.90%	2.00%
Kiwibank	6.15%	5.80%	5.50%	5.50%	5.50%
Rabobank	1.54%	1.69%	1.88%	2.13%	2.23%
Rabobank	6.13%	5.94%	5.75%	5.70%	5.60%
Westpac	1.30%	1.60%	1.90%	2.20%	2.30%
Westpac	6.00%	5.90%	5.50%	5.40%	5.40%

We are still seeing higher rates being paid on short-term deposits. Is this an indication the banks expect rates to drop within the next few years? It is tempting to simply chase the highest return; however I would encourage investors to lock in some of their funds in longer-term deposits. We've seen how quickly rates have increased, and there is no reason the same can't happen on the way down.

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.

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