



STUART + CARLYON

Financial advisers for your lifetime goals

Nice to say: it's been a great year for portfolios

All our clients have been rewarded for sticking to their strategies. For overseas shares, they've needed great fortitude after the volatility of 2001/2002, followed by an ever increasing New Zealand dollar. But global economic growth has been strong over the past two years and that has been reflected in robust returns in spite of our high dollar.

At a recent industry presentation, Paul Silk of Medley Global Advisers provided an insight into global political and economic conditions that are influencing the investment landscape. It's refreshing to hear the viewpoint of a company that has the ear of government and treasury officials all over the world and which advises fund managers – but is not a money manager itself. Paul sees global growth moderating slightly in 2006.



"Although the twin engines of global growth, the US and China, are expected to slow into 2006, both the underlying levels of activity and the prospects for the future look fairly robust. Most importantly, both Europe and Japan look set to make a contribution which might almost be considered meaningful".

Are there risks? Of course there are. Silk says that inflation is being controlled by higher interest rates but the main concern is sustained high energy prices. Bird flu, China-Japan tensions and the war on terrorism are also potential risks, but these are known at least, and have been factored into his forecasts.

Meanwhile let's not forget the excellent returns from the New Zealand share market over the past three years. Looking ahead, the forecast is not quite so rosy.

Jason Wong of First NZ Capital expresses no surprise at the recent downturn in the New Zealand market. His comments reflect analysis of the latest wave of company results:

"Themes to emerge include widespread acknowledgement of the slowing New Zealand economy, weak retail sales growth, weak performing Australian operations, higher raw material prices, strong competition affecting margins and the strong New Zealand dollar affecting the net exporters. On the positive side, property companies continued to report good results, reflecting solid rental growth and low vacancy rates in a relatively tight commercial property market".

"The combination of a high kiwi dollar and better prospects for overseas economies, means that sticking with or adding overseas shares will continue to pay off."

Our economy faces slower growth over the next twelve months at least. Although New Zealand companies distribute a high level of dividend income, as Jason points out "that simply compensates for the probability of poor capital returns".

The combination of a high kiwi dollar and better prospects for overseas economies, means that sticking with or adding overseas shares will continue to pay off.

Spending Binge

There has been much comment in the press since Alan Bollard, Reserve Bank Governor delivered his stern message in mid October about our overspending.

In their Weekend Review, the NZ Herald took a comprehensive look in a feature called "The Debt Trap". As an independent financial adviser, Susanna's views were sought for the article.

According to the Reserve Bank, New Zealand households owed \$71 billion in September 2000 and now we owe \$126 billion. In our view there's good debt and bad debt. Fortunately, most of our clients either do not have debt or have used debt to invest in productive assets (e.g. farm,

or investment property, or a business) and would never dream of entering into bad debt: buying consumer items on credit.

Update on Taxation Changes

Submissions on the Government's proposed changes to the taxation of investment income closed on 30 September and an unprecedented 1,000 plus were lodged. Some softening is expected on the harsher aspects of the tax on overseas investments. Legislation will not come into effect before 1 April 2007 and we will keep our clients informed.

New Year

New Year is a good time to ponder the three big Fs of the festive season: family, fitness and finance. Susanna's column in the January issue of Next magazine, looks at various aspects of your finances to review. These include:

- Update your will. If you have children, have you appointed guardians? Is your executor and trustee still appropriate? Should you leave inheritances to your children via a testamentary trust?
- Scrutinize expenditure. Cull unnecessary spending. You need to work out your actual needs and your budget to see if the problem is a shortage of income or really just a case of overspending on less important things.
- Review all insurances. Have you got the right policies? Are you insured for the right amounts? Can you reduce the premiums by using one insurer for your worldly possessions?
- Revisit your financial arrangements. Are your assets owned in the right way?

If you would like assistance in any of the above matters, ring now to make a relaxed appointment in the new year.

Start Talking Cents

Susanna's book is selling well. If you are looking for a gift, you can purchase Susanna's book through our office for \$20.00 - a saving of \$10.00. Order through Donna by phoning 307 2331 or email info@stuartandcarlyon.co.nz and she will post it to you.

And here comes 2006

We are very pleased with the progress our business has made through 2005, and thank our clients and suppliers for their wonderful support. One exciting project we are finalising is our website - it will be up and running early

in the new year. Actually one of the effects of doing a website is that we have to stand back and re-examine the purpose of our business and how we wish to distinguish ourselves.

“Our business is founded on providing clients quality unbiased advice that is not tainted by being commission based”

Our rationale is simple really. Our business is founded on providing clients quality unbiased advice that is not tainted by being commission based. What gives us the unique edge is our focus on helping clients get clarity around their lifetime goals.

Hee Haw Department. Here's a money story

The Donkey Auction

A city boy, Kenny, moved to the country and bought a donkey from an old farmer for \$100. The farmer agreed to deliver the donkey the next day.

The next day the farmer drove up and said, "Sorry son, but I have some bad news, the donkey died."

Kenny replied, "Well then, just give me my money back."

The farmer said, "Can't do that. I went and spent it already."

Kenny said, "OK then, just unload the donkey."

The farmer asked, "What ya gonna do with him?"

Kenny, "I'm going to raffle him off."

Farmer, "You can't raffle off a dead donkey!"

Kenny, "Sure I can. Watch me. I just won't tell anybody he is dead."

A month later the farmer met up with Kenny and asked, "What happened with that dead donkey?"

Kenny, "I raffled him off. I sold 500 tickets at two dollars a piece and made a profit of \$898."

Farmer, "Didn't anyone complain?"

Kenny, "Just the guy who won. So I gave him his two dollars back."

Kenny grew up and eventually became the chairman of Enron.

For any queries on items in this newsletter, please contact us directly.

