



# STUART + CARLYON

Financial advisers for your lifetime goals

## The new rules for making money by Susanna Stuart

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Back in 1995 I embarked on my roots journey back to my mother's village in China. At the time I was overwhelmed by the degree of hardship and sacrifice in the lives of my family in China created by war and political upheavals, but on a visit last year to see these same relatives I was amazed at how their world, and really how China has changed so radically. My cousins in particular are doing nicely and enjoying the fruits of a buoyant economy.

I was mindful of this when reviewing the many recent global investment forecasts that cross my desk. They paint a fairly consistent picture in which the rules and general expectations in the way we invest must now change. For western economies, the focus has to be reducing debt not just by Governments but by individuals.

In New Zealand we need to take heed of these changes because over recent decades we have not invested in productive industries, and instead we have turned a lot of our investment focus onto property. For a while it seemed a quick way to get rich, but as the cascade of leaky building disasters and finance company failures has shown us, the path to riches is not marked by real-estate signs and magical capital gains.



This is true world-wide. Led by the troubled US example, many countries are going back to basics and relearning the lesson that economic growth does not really come from shuffling paper around, an activity that fuelled the excesses of Wall St, but primarily from growing things or making or designing things.

For investors that means a shift in focus. In a world of where double digit returns are not going to be the norm, we are wise to direct our money toward infrastructure investments (airports, power companies) and businesses that successfully make and market products. We can see this with large scale pension funds that are

not simply buying shares for their portfolios, but are also putting in equity to take a share in private companies. Growth will be via companies which export to Asia, Brazil and India from where huge populations are quickly becoming much wealthier.

When measuring the performance of shares, these days, the focus has also shifted from their capital value (the up and down of share values that get reported in the media) toward the erstwhile unsexy measure of how much dividend income they pay each year.

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In this new environment our other financial life strategies need also to be reviewed. Among my younger clients, the most adaptable and successful share certain traits.

- They have skills in demand globally – for example one has fluency in Mandarin, Spanish and English, and is in hot demand as a business translator.
- They are prepared to live where the money is – whether this is China, Dubai or South America and countries like Singapore and Hong Kong where the tax take is lower.
- They are smart enough to amass savings rather than spend excessively. They are building their capital.

Among my older clients the best equipped for retirement also share certain traits.

- Their health is good. They've looked after themselves.
- They have a side interest and can earn money. For example one client is brilliant at growing specialist fruit and vegetables on their land so in time they will earn additional income. My father in law retired 20 years ago, yet his skills as an engineer are still in demand.
- They are able to downsize their living conditions to free up capital. Moving from a big house to a smaller house. Or moving from an expensive city life to a region that is cheaper.

As we head into a new year it is a good time to contemplate the new rules for our financial future. In many ways they're the old rules, but somewhere over the past three decades we forgot them.

## The New Year...It was very moving

When you next visit you will see us in new premises which are in the same building right next door to our old office. Yes, we are still on Level 1 at 155 Parnell Rd. It feels like a fresh start however, and to celebrate we purchased a new artwork (below) called *Withdrawn from Circulation* by Wendy Kawabata. It is beautiful, and is constructed from old books. Kylie from Sanderson Art Gallery says the piece exactly mirrors how we approach our work with precision and care.



## What do the new financial adviser regulations mean?

One result from the finance company failures is the Financial Advisers Act. This introduces minimum standards of professionalism for financial advisers and gives the Securities Commission powers to regulate our profession.

- It requires all financial advisers to act with care, diligence and skill, and to not mislead clients.
- It requires disclosure by advisers so that consumers can make informed decisions about whether to use their services and follow their advice.
- It makes advisers accountable for the advice they give.

The new laws introduce a watchdog, the Commissioner for Financial Advisers, to make sure advisers comply. There are now two main adviser types and the distinction is important:

- Registered Financial Advisers are restricted to transacting simple Category 2 products such as term deposits or term life insurance.
- Authorised Financial Advisers are those who consider your personal financial situation and your goals and then make recommendations on how to achieve those goals using, if necessary, more complex investments (Category 1) such as shares, bonds and managed funds.

Being "Authorised" (by 1 July 2011) requires advisers to follow a Code of Professional Conduct. The first Code standard is to "Put the client first and act with integrity" - a prerequisite we already follow and that we share with other professionals such as accountants or solicitors.

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For us, this means business as usual though the new regulations meant we all had to sit a qualifying exam last December. We all passed this. Rounding off a very busy 2010, Sue Baldwin has obtained her Certified Financial Planner status.

## Loving all of it - book review

by Louise O'Brien

Edited by Gordon McLaughlan - Random House, Glenfield 2010

How do older people view their lives? Social commentator Gordon McLaughlan has compiled and edited essays from a cross section of 32 celebrated and elderly New Zealanders. As he says in his introduction: "the elderly... will have an increasing say in the political policies that govern our collective lives."

For the most part the collection consists of very personal and moving stories of how each author saw the world when they were younger, on the issues of growing old, and how they see the future – all in light of the wisdom they've picked up along the way.

I enjoyed Brian Edwards' humorous separation of old people into two categories. First, he says, there are those who want to share their illnesses. He labels this Group A (Ailing). Then there are those in Group B (Blooming) who are those who boast of their physical prowess. Edwards easily prefers the company of Group A though he notes that they have two taboo subjects; impotence and death.

There's much power in this book. Actress Elizabeth McRae is disarmingly frank when she writes "death sits on my shoulder calmly smiling or fiendishly grinning, depending on my mood". Meanwhile, after taking his readers on an engaging journey through his discovery of psychology and a synopsis of the change in cultural and social norms he has observed through the decades, Professor Michael Corballis makes a plea for the reader to: "Rage, rage against the lying of the right" with its currency of money which "incites greed and fosters dishonesty".

The book is excellent to dip into, and it allows us to ponder the lives revealed in each essay. It makes me wonder what my parents would write had they been included in this muster. I was impressed that each individual remains passionate for their main chosen profession. There is a shared concern about the damage we are inflicting on our planet and the fast and complex world our children are being born into. I was struck by the quality of writing and the clarity of thought. These people still have a lot to contribute to NZ's future.