



STUART + CARLYON

Financial advisers for your lifetime goals

Change of pace

It is always a delight for us to meet up with clients who have got things well sorted. Never mind the money details; what we love to hear is how by being financially organised our clients now live a life that, frankly, leaves us with a delicious taste of envy.

So it was when last week we met up with clients Dianne and Stuart Duncan, (not to be confused with Susanna's partner Duncan Stuart,) who were long-term Parnell dwellers and who both worked full time until 3 years ago. When they first talked to us they were carefully considering the next phase of their lives as they transitioned from working to retirement.

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In truth Stuart is in his late 60s, yet he and Dianne are in the midst of an active life and a million light years from old age. For these two the only thing that should be retired is the R-word itself.

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But this was the nub of their financial challenge when they first came to Stuart+Carlyon. They wanted to work out whether the figures would stack up enough to allow them to live the kind of life they wanted. They wanted to embark on a new project and to calculate how much, exactly, they could play with.

We were careful to include in their financial plan enough provisions to take into account any worst case scenarios, but overall the numbers gave them room to make clear choices.

That was a couple of years ago. Empowered both by confidence that comes with being financially sorted, and their zest for adventure the couple moved to Fruitlands – 14 km from Alexandra - in Central Otago and found a rural property that captured their passion for history.

It was a land holding which had a historical stone building and a little cottage in need of restoration. While the cost of restoring the stone building was prohibitive, the Duncans' focus was to extend the cottage and to develop this into a home which also had a charming

bed and breakfast offering: a savvy strategy designed to put their capital to work and to share their enthusiasm for Central Otago.

The couple have also found part-time work and this has helped them embark on the restoration and renovation work without so seriously denting their nest-egg. The work also plugs the couple into the local community. “They're very supportive,” says Dianne.

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The result is a mixed basket of income streams including work, home, NZ Super for Stuart, as well as income from their investments. Their portfolio provides liquidity and flexibility as well as diversification.

Do they miss Auckland? We think they were being kind to us by saying they really do have a soft spot for the Queen City. In reality their delightful conversation is peppered with references to the community they now enjoy with more than its quota of great cafes, vineyards, and restaurants as good as those in the Big Smoke. Not to mention that retirement must-have: an excellent local hospital.

We mentioned the 'envy factor.' No need for that. For those that want a taste of their paradise phone Stuart and Dianne on 03 449 3381.



The Trans Tasman Race

Economists and politicians are always competing to find appropriate metaphors for the economy. Earlier this year the PM described ours as a Rock Star economy. Should we expect TV sets to be chucked into swimming pools when the budget gets announced?

One fund manager has adopted automotive metaphors to describe various economies. Harbour Asset Management depicts the challenges of a booming economy in terms of cars, and their selection of illustrations has that wryness the good economists are known for.

What about Australia? Is it a Holden or a Ford: after all both companies have announced they'll be stopping local production in 2016 and 2017. The car industry is not alone in its demise. Growth in China is slowing and this has affected the mining industry significantly.

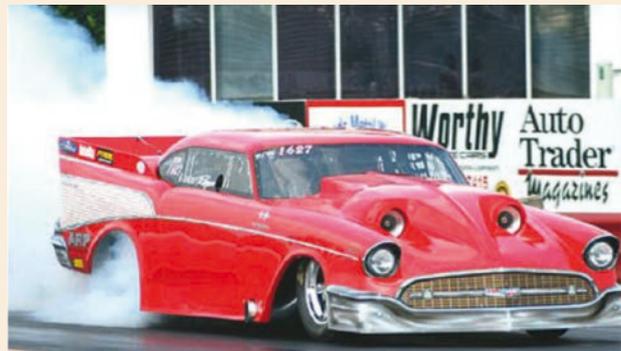
Their picture reflects a gloom that has held back the Australian share market and seen the Australian dollar falling 20% against the NZ dollar and 14% against the US dollar over the past year. Of course a cheaper currency is positive for exports and indeed there has been a recent improvement in Australian business confidence (and performance) as well as a surprising strength in employment.

Challenges of a booming economy: inflation, interest rates, politics

Global economy



NZ economy



NZ monetary policy



NZ political risk



So there's New Zealand. We're the hot-rod, pedal to the metal with the GDP Rev counter indicating 5-6% GDP growth. This acceleration is fuelled by our commodity prices at an all time high.

With positive net migration and a booming construction sector, it's no wonder the Reserve Bank is putting the monetary policy brakes on to keep consumers under control. The wildcard is the September election and any hint of fiscal complacency, which may see the wheels fall off an otherwise top performing economy.

Their share market is still lagging compared to world share markets but it may have reached a turning point. For these reasons, Trans Tasman fund managers see value in Australia and some are adding more Australian shares to their portfolios while they are cheap. Expect some V8 roar from the Australian economy.

An important part of managing our client portfolios is to reweight to sectors where prices are low – and the favourable exchange rate makes investing in Australian companies even more compelling.