Financial Freedom

QUARTER 3 2011 NEWSLETTER

OUR SERVICES

- **Full financial Planning**
- **Retirement Planning**
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INSIDE THIS ISSUE:

The Three Factors Of Fear

It's a natural cycle for markets to go up and down at varying frequencies and lengths of time. Why is it then that whenever markets take a downturn an increase in concern is sparked among investors? The answer has something to do with human psychology.

A company called FinaMetrica has been surveying consumers with a scientifically-designed risk profile questionnaire for the past 12 years, helping financial advisers evaluate whether their clients are natural risk-takers or the kind of people who feel more comfortable if their money is safely kept under their mattress. A closer look at the responses, including 2,586 individuals who took the test before and after the recent bear market, shows something surprising: people were no more risk-averse after they had been clawed by the worst bear market in decades than they had been before.

Chances are, you're less excited about taking market risk now than you were in, say, the early months of 2007, so these results seem impossible. But the FinaMetrica people offer a plausible explanation for their results. They say that there are three components to your willingness to expose yourself to the ups and downs of the market. Two of them changed after the market downturn, and one of those two has recently changed again.

The first component is what might be broadly called your **bravery**; your willingness to take chances. This is the part that FinaMetrica measures directly, and its results show that if you were willing to skydive or take ski jumping lessons before Autumn of 2008, you're just as excited by the idea of putting your life at risk now. The markets don't change who you are fundamentally.

The second is your **risk capacity**; that is, how much financial risk you can afford to take. The 2008/2009 bear market might have caused a lot of us to rethink how early we might be able to retire, but a reprise of it might make us wonder if we can retire at all. So we become a bit more conservative in our investment approach.

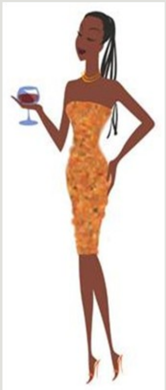
Component number three is our **risk perception**. If we're watching the markets go up and up and up, then we see little risk and lots of benefit. This is why, during the late 1990s tech boom, even the most timid individuals were throwing money into the market like drunken sailors. When the markets deliver the opposite experience, we look at stocks and see nothing but risk.

The last piece of the risk tolerance puzzle is, today, sending out alarm bells that may be echoing deep in your own psyche. The markets have delivered unfavourable market performance for August and September.

Just recently the months of August and September gave back the gains that the market had created in the first seven months of the year. Chances are the logical part of your mind knows that a reprise of GFC-related events is unlikely and, if you've been reading the papers, you know that corporate profits have been escalating in the US economy. But the emotional part of your mind looks at the market and conjures up negative statistics, and fearfully sees far more potential risk than reward.

It is impossible to know whether the month of October will bring the markets back into positive territory or not, despite a lot of long-term analysis. But if you invest based on what the markets did recently, where does that lead you? September was negative, so get out in October. October is positive, so get back in during November. November is down so you get back out - and over time, whether you follow this formula for months or years, or through bear and bull markets, you end up in the market when you would have preferred to be out, and out when it was better to be in. If you must panic be the first to panic.

Here at G3 Financial Freedom we don't let greed or fear dictate our portfolio composition. That's why we focus on risk management to ensure your investments increase over time according to how much risk is appropriate for you. The everyday ups and downs of the market aren't a concern. In the long run, that gives you an edge on others who are responding without understanding what, exactly, is driving them to the sidelines whenever stocks go on sale.



There are three kinds of people in the world, the wills, the won'ts, and the can'ts. The first accomplish everything; the second oppose everything; the third fail in everything.

Electic Magazine

Finance and Fashion

Written and attended by Cathy Fletcher (G3 Office Manager)

Oh, what a night! With a full house of ladies eager to see and hear what this was all about.

It was the evening of 17th of August that we held our Finance and Fashion event at Wendys Boutique. If you weren't there you missed a great evening of laughs and gorgeous clothes.

The night began with sipping a glass of red or white accompanied by some delightful morsels from Juz Catering. My personal favourites were the spiced pear with blue cheese on toasted bruschetta. Don't tell anyone but I ate way more than my share. We wandered amongst the racks of bright spring colours waiting for proceedings to begin. While the chatter was happening there were lots of us holding up an eye catching piece, wondering shall I or shan't I?

To start the formalities we heard special guest Sue Brewster, CEO of the Louise Perkins Foundation's Sweet Louise charity, give us an insight into what the charity does and how it helps women with secondary breast cancer live positive lives. Sue shared stories with us of how young some of these cancer sufferers are and that it is the simple things that we take for granted that can be such a longed for wish for them. It was also a great reminder that we never know what is around the corner. Love the ones you are with and appreciate them every day. Sweet Louise was the charity of choice to benefit from the proceeds of the evening's door charge.

Tracey and Charlene, our very own advisers, took the stage next with some ideas on how to secure our financial future. There were lots of laughs with some of the possibilities raised. We all had our hopes dashed that a lotto win was just round the corner learning that statistically our turn could take up to 728,000 years to come around. They offered us lots of reasons why we should all be saving and beginning the only real financial plan we can count on, ourselves, and a real savings plan. The sooner we start the better..I have. Have you?

Wendy Simister, the owner of Wendys Boutique, followed with her story of how Wendys began. Wendys enthusiasm and passion for fashion, her clients and staff was very evident with every word. She really reminded us that it is determination and hard work that achieves dreams. Wendy then called her dedicated team of ladies to, one by one, show us some of the styles and colour combinations that could be worn by any one of us with a little advice and help. What a stunning range of designer clothes and accessories! We were encouraged to touch and feel fabrics and ask questions. Wendy and her team certainly know how to put looks together. She can help with showing off your best bits – and camouflaging the not so attractive areas.

The evening was brought to a close. We were all encouraged to stay on and chat and try on anything that took our fancy and there was plenty that took our fancy that's for sure. All in all it was a fabulous fun night with a donation of $1200 going to Sweet Louise.

Does Wealth = Money?

For many generations we have been taught that the only way to succeed in life financially is to become savers. The financial timeline to wealth building has been to go to school to get qualifications, get a job, buy a home, save money, be debt free and, with what is left, invest and save in the sharemarket, a bank or buy real estate. It is not our parents fault if we have not yet succeeded as they too were taught this by their parents.

How do people become wealthy? Some people inherit money, some people build their own business, a small number get lucky and win lotto. For most of us building wealth is a slow process of investing both time and money to get it right.

Wealth is actually more than money. There are three important components to wealth with each component being the basics that are required to achieve success. Wealth, Health and Wisdom are the three categories required to start down the road to building wealth.

Wisdom is knowledge. There is plenty of information available that will help you choose in what direction to invest. But is there too much information available and does that detract from the overall goal of investing money?

Health is the main ingredient for living . A healthy mind can allow us to invest wisely. We are not saying that if you go on a diet to lose weight you will become wealthy. You need to be healthy to allow the mind to make rational decisions on investing. More importantly it is better to be healthy to live longer and enjoy the wealth that you have accumulated.

Before you can begin to build wealth you must understand the purpose or reasons as to why you want to be wealthy. For some building wealth can be short term to buy a better home or car, for others it is long term to set themselves up for retirement.

If you are building wealth for the short term begin with a starting date but more importantly have an end date. Long term builders may not have an end date as they are planning for their retirement. For this person the end date never comes. In retirement you are always trying to build and protect the wealth you created over the past years.

At the end of the day it is up to us to achieve our own wealth. It does not matter where we are from, it does not matter about the past, but it does matter about the future. As individuals we are the only person on the planet who can turn our wealth building dreams into reality.

We can help you take your first steps to building your wealth.

strategi

KEY FINANCIAL DATA FOR 2011

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All data and information is current as at 1 July 2011 and subject to change and verification

Working For Families

Tax credits available	Eligibility	Weekly payments	
Family Tax Credit (previously Family Support)	If main family income is from: • Salaries, wages, or self-employed earnings • Student allowance • NZ Super or ACC Ineligible if you receive: • A foster care allowance, orphan's benefit or unsupported child's benefit for 1+ child, or a parent's allowance. • Abatement threshold is $36,827. On 1 April 2012 this will be lowered to $36,350.	First child if <16yrs	$88
		First child if 16+ yrs	$101
		Subsequent child rate if <13yrs	$61
		Subsequent child rate if 13-15yrs	$69
		Subsequent child rate if 16+ yrs	$91
In-Work Tax Credit (previously In-Work Payment)	• Have dependent children <18yrs • Couples must work >30hrs/wk between them • Sole parents must work >20hrs/wk • Eligibility criteria apply	If you have 1-3 children	Up to $60/wk
		If you have more than 3 children	$15/wk for each additional child
Minimum Family Tax Credit (previously Family Tax Credit)	• Have dependent children <18yrs • Total annual family income must be $22,204 or less after tax. • At least one parent must be working for salary/wages. • Couples must work >30hrs/wk between them. • Sole parents must work >20hrs/wk. • Ineligible for the weeks your family income includes an income-tested benefit, parent's allowance or veteran's pension.	Ensures a minimum income of $427 per week after tax	
Parental Tax Credit	• If you are a family with a newborn or adopted baby within the first 56 days after birth. • Cannot get if the total family income for the full eight weeks includes, paid parental leave, NZ Super, a veteran's pension, a student allowance, an income tested benefit or accident compensation from ACC.	Up to $150/wk for the first 56 days after birth	
Paid Parental Leave	• Working parents and adoptive parents who take parental leave from their job(s) to care for their newborn or adopted child (< 6yrs old) with eligibility determined by Employment Relations Service (Dept of Labour)	Your normal pay (before tax) up to a maximum of $441.62/wk before tax for a maximum of 14 weeks	

Living allowances for child support paying parents (IR150) from 1 April 2011 - 31 March 2012

Eligibility	Annual rate (gross)
Single person with no dependents	$14,281
Married or with a civil union or de facto partner and with no dependent children	$19,490
Single, married or with a civil union or de facto partner, with one child living with the paying parent	$27,628
Single, married or with a civil union or de facto partner, with two children living with the paying parent	$30,558
Single, married or with a civil union or de facto partner, with three children living with the paying parent	$33,487
Single, married or with a civil union or de facto partner, with four or more children living with the paying parent	$36,417

Student Loans

Total annual interest rate For 2011 & 2012 tax years	Interest free unless borrowers are away for 6 months (184 days) or more. If you are overseas the interest rate is 6.6%
Application deadline for amnesty on late payment penalties	31 March 2008
Repayment threshold 2011 & 2012	$19,084
Repayment obligation	10 cents for every dollar earned over the threshold
Eligibility for interest free loans	Borrowers living in NZ for 183+ consecutive days
Interest write-offs	Applies to interest charged from 2001-2006 tax years. From 1 April 2007 interest write offs are based on whether a borrower is NZ or overseas based.

Provisional Tax Due Dates

Balance date (BD)	Not GST registered	GST registered			
		Standard / estimation method		Ratio method	
		1- or 2-mthly	6-mthly	1- or 2-mthly	6-mthly
31 March	28-Aug, 15-Jan, 7-May	28-Aug, 15-Jan, 7-May	28-Oct, 7 May	28-Jun, 28-Aug, 28-Oct, 15-Jan, 28-Feb, 7-May	Not available
Not 31 March	28th day of the 5th, 9th, 13th month after BD	28th day of the 5th, 9th, 13th month after BD	28th day of the 7th, 13th month after BD	28th day of the 3rd, 5th, 7th, 9th, 11th, 13th month after BD	Not available

1. Companies: Standard option of calculating provisional tax for the 2012 year is, 2011 RIT (no adjustments) or 2010 RIT + 5%. For 2013 provisional tax, 2012 RIT + 5%, or 2011 RIT + 5%.
2. Estimation method: it is the fair and reasonable estimate of the 2012 residual income tax.
3. GST ratio method: Applies to GST registered taxpayers whose previous year's residual income tax is between $2,500 and $150,000. This option calculates provisional tax by reference to GST taxable supplies in the relevant provisional tax instalment period.
4. Refer to http://www.ird.govt.nz/changes/income-tax/businesses/prov-tax/ for further information.

Gift Duty – Abolished as of 01/10/2011

Above you will find a table of financial data providing the current, as at 1 July 2011, Working for Families, Living Allowances Student Loans, Provisional Tax dates and Gift Duty. We hope you will find this useful. We will include some others in our next newsletter in December

Key Financial Data for 2011 reproduced with the permission of OnePath NZ Ltd.

Knowledge is like money , you can never have enough

Anon.

Some Common Financial Terminology

We thought we might try and demystify some of the technical terms so common in the financial world.

Bear Market: A prolonged period of falling share prices.

Bull Market: A prolonged period of rising share prices

Blue Chip: Investments of the highest investment calibre. In the sharemarket a blue chip stock is regarded as secure because of its size, history, profit and dividend record. Named after the highest value chip in a poker game.

Bond: A legal document showing a loan at a fixed rate of interest for a fixed time. The term usually applies to the Government, State Owned Enterprises (SOE's) or major companies.

Dividend: Part of a company's profits paid to shareholders as a reward for their investment in the company. A dividend may be final (declared at the time the full year profit result is announced); interim (declared during the financial year, usually at the half-way mark); or special, an irregular payout for some reason other than as a normal dividend distribution, such as a repayment of capital or to distribute extraordinary income received by a company.

Dividend Yield: The dividend paid per share shown as a percentage of the last sale price of the share.

Dollar Cost Averaging: A long–term buying technique where the same dollar amounts are invested at regular intervals, regardless of price. This technique aims to achieve more of a security being purchased at a low price and less at a high price.

Earnings Per Share: The earnings per share (EPS) is a company's net profit divided by the number of shares in the company.

Emerging Company: A relatively small or second-line company with excellent growth potential.

Fixed Interest: An investment for which the interest return is fixed for the life of the investment.

IPO: Initial Public Offering - Share float - a company has a share float (IPO) when it first offers shares to the public

Institutional Investors: Large investment organisations such as insurance companies, banks and pension funds

Junk Bond: Unsecured borrowings undertaken by a company. These bonds are graded BB+ or lower and normally offer a higher interest rate as a means of attracting risk capital.

Market Capitilisation: The value placed on a company by the sharemarket. It can be calculated by multiplying the number of shares on issue by the last sale price.

Watch out for our Quarter 4 Newsletter and a case study from Tracey's desk..

G3 FINANCIAL FREEDOM
Goals + Guidance = Growth

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G3 Financial Freedom Ltd - We Make Every Day Count

We are the financial advice company that can help you create the financial future you desire with peace of mind, security and confidence. We operate under the rules of the Financial Markets Authority and abide by the Financial Advisers Act 2008. We are voluntary members of the New Zealand Institute of Financial Advisers.
We are a group of Certified Financial Planners, Chartered Life Underwriters, Accredited Investment Fiduciaries and we are all Authorised Financial Advisers.
Talk to us about your financial future now.
It is never to late to begin.

Left to right - Tracey Coxhead, Jane Benton and Charlene Overell