Currey Financial Services Ltd

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INVESTMENT • INSURANCE • SUPERANNUATION • EXECUTIVE BENEFITS • BUSINESS INSURANCE • MEDICAL INSURANCE

On a General Note

Greetings from the Currey Financial Services team in our second newsletter of the year.

On a general note the 'sub prime' lending rate in the US of A seems to have unsettled investors everywhere with particular volatility experienced in most share markets. Our fundamental landscape hasn't changed much though, with borrowing interest rates now upwards of 9% and the dollar trading at just below US70c. Though the Governor of the Reserve Bank talks about the inflationary effects of the housing market and the potential spending of our farmers following the success of our country's largest exporter, Fonterra; we believe that government sector spending has as much of an effect as he is 'allowed to suggest'. With this in mind and the Labour party lagging in the polls, we do not see any lessening of spending from now to the next election. In fact if the last election was any indication, the promises likely to win the next election will possibly be more inflationary than ever.

On the investment front KiwiSaver has been available for one month now though there remains general confusion about the opportunity that the scheme now offers. (We answer some questions in our article below).

Managed funds can become Portfolio Investment Entities (PIE) as of 1 October, if they wish to take advantage of tax changes passed through Parliament in December 2006.

Essentially the playing field is to be levelled for investors, whether they invest in share markets directly or through managed funds.

On the 'home ' front after 15 years operating from Walls Road, we have relocated around the corner and down the street to 1 Olive Road. Our new premises are a little bigger than the old office, which allows for planned expansion, and includes off street parking. We have had an increase in client visits to us and we wish to make this option as convenient as possible, time being paramount to everyone these days.

Finally in answer to all the wags out there that pointed out the error of my previous Blues rugby prediction, I would like to say that while wrong about the Blues, I retain my optimism about the All Blacks in October.

"If debt is a measure of consumer confidence, we have become very confident indeed."

The Missing Business Insurance

All business owners are aware of the importance of insuring their plant, machinery and vehicles. Without such cover a major disaster would stop the business dead.

However many do not protect the human capital which is equally likely to stop business growth. Two such considerations are Key Person and Co-Shareholder Protection.

Key Person

Key people are important to the successful operation of the business. They may have unique managerial skills, knowledge or customer contacts. Their sudden death or time away from work due to illness would impact severely on the ongoing profitability of the business.

story continued overleaf »

Co-shareholder Protection

Where there are two or more shareholders in the business, a common arrangement for a co-shareholder exiting the business is for the remaining shareholders to purchase his/her shares. The problem arises where a shareholder becomes ill or dies suddenly.

The affected shareholder's family will want to sell the shares promptly. The surviving shareholders will need to find the cash to purchase these shares immediately. The alternative is for the surviving shareholders to deal with an unrelated third party with no background to the existing business, ie the deceased's wife's second husband's lawyer!

Solutions to these problems are easy to arrange and relatively inexpensive.

KiwiSaver Updated

'To KiwiSave or not to KiwiSave: That is the question', to paraphrase the 'Bard'. In the last newsletter we spoke of this as a new government initiative only, and really of little value.

Since that newsletter, and specifically after the Budget announcement in May, we now actively encourage clients to include the Kiwisaver option as part of their investment strategy.

The inducements offered are simply too great to be ignored:

- $1,000 kick-start from government.
- $1,040p.a. from the government (if your contributions are at least the same amount)
- Fee subsidy of $40p.a.
- Employer contribution from 1 April 2008 of at least 1% of salary, rising to 4% in 2011.

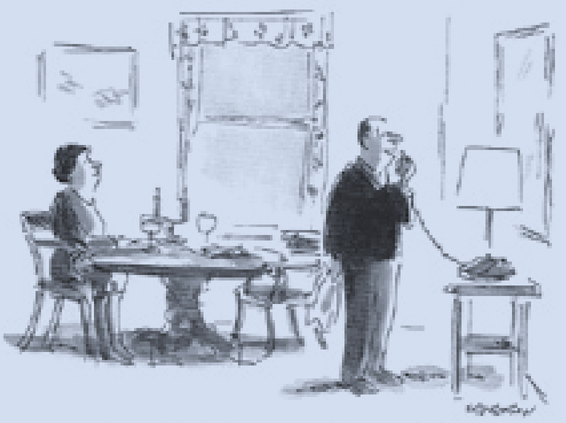
Using an example such as a $50,000 salary at 1 April 2008, after 4 years saving of 4%pa:

Member's contribution	$ 8,000
Total contribution	$18,160*

*Without including returns from the KiwiSaver fund

We make the suggestion that you at least include it in your strategy because the funds in total will only be available at NZ superannuation age, currently 65. Many of you may in fact be planning on partial retirement before this age and therefore will require access to your existing investments before 65 years of age.

The purpose of this article is merely to point out the major inducements. There are other media highlighted points that may be of particular interest to you and we are very happy to discuss these and any other questions you may have. We are fortunate to be able to offer investment statements from 4 of the 6 default providers, AXA, ASB, ING and Tower. If you have all the information you need and just want to get started with an investment statement please call and we will post it, otherwise please call or visit us in our new office at 1 Olive Rd, Penrose.



"And to think if I hadn't been home having dinner I might have missed this wonderful investment opportunity."

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