

Greetings from the team at CFS

The intent of this newsletter is to bring some perspective to the sensational news media stories.

While it remains the human condition to be 'spellbound by bad news', and we have no shortage of this on any evening news; we try to ensure you receive informative and balanced information. In addition we take pride in our ability to bring a smile to your faces and hopefully by achieving both, we ensure our close association with you.

We have had a reshuffle of our staff at the start of 2009; Matt Dodd is returning to his first love, accounting, and specialising in providing analysis to small and medium sized businesses, while Nicola Hambly, our Marketing specialist, is returning to the advice process and joining Adam and Bill in the adviser role.

Cow Business

A light-hearted look at dairy farming under different regimes around the world...

SOCIALISM: You have 2 cows. You give one to your neighbour.

COMMUNISM: You have 2 cows. The State takes both and gives you some milk.

FASCISM: You have 2 cows. The State takes both and sells you some milk.

BUREAUCRATISM: You have 2 cows. The State takes both, shoots one, milks the other, and then throws the milk away.

TRADITIONAL CAPITALISM: You have two cows. You sell one and buy a bull. Your herd multiplies, and the economy grows. You sell them and retire on the income.

LEHMAN BROTHERS VENTURE CAPITALISM: You have two cows.

You sell one and buy a bull. You sell three of them to your publicly listed company, using letters of credit opened by your brother-in-law at Bear-Sterns, then execute a debt/equity swap with an associated general offer so that you get all four cows back, with a tax exemption for five cows. The milk rights of the six cows are transferred via an intermediary to a Cayman Island Company secretly owned by the majority shareholder who sells the rights to all seven cows back to your listed company. The annual report says the company owns eight cows, with an option on one more. You sell one cow to buy a new president of the United States, leaving you with nine cows. The public then buys your bull.

Health Insurance - Southern Cross Offering

We are pleased to announce that we now have an agency with Southern Cross and can provide choices for clients with health policies.

Many employees take up health insurance through automatic and subsidised enrolment with their employer and continue this policy when they change jobs. This has generally been with Southern Cross which has 60% share of the health insurance market. Essentially over time competition amongst the health providers leads to better and more comprehensive cover, and more expensive premiums. A major factor in not switching to a better policy

however is that of losing cover for existing conditions i.e. the new provider not paying for treatment for pre-existing conditions. Through our association with Southern Cross we are able to offer an option for transferring to a better plan, more comprehensive or better value for dollar spent, without losing existing condition coverage. As part of our ongoing consultative process we will be discussing this. However if this is a burning issue now, please call Adam, Bill or Nicola and we can discuss options.



'Well, anyway, it sure is handy having my broker right here in my cell!'

Opinion: The Supply, Demand and Price of Oil

An NZ Herald article written by Gwynne Dyer

Worried about "peak oil"? The International Energy Agency's annual report, *The World Energy Outlook 2008*, admits for the first time that "although global oil production in total is not expected to peak before 2030, production of conventional oil ... is projected to level off towards the end of the projection period".

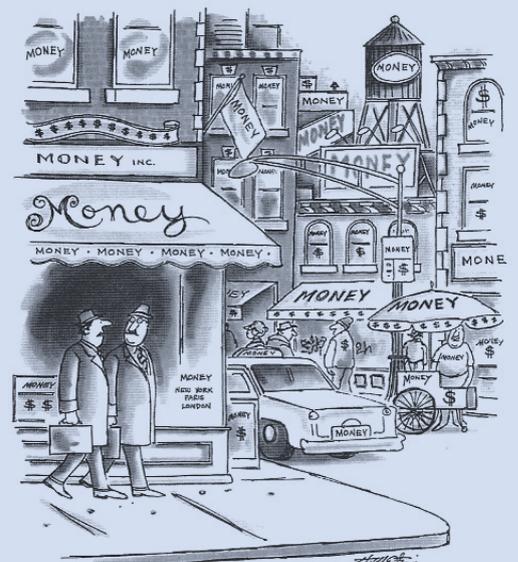
When the Guardian's environmental columnist, George Monbiot, pressed IEA director Fatih Birol on that opaque phrase, the actual date turned out to be 2020. The IEA's previous reports, which assured everyone that there was plenty of oil until 2030, were based on what Birol called "a global assumption about the world's oilfields": that the rate of decline in the output of existing oilfields was 3.7 per cent a year. It turns out that production in the older fields is really falling at 6.7 per cent a year. There are still some new oilfields coming into production, but this number means that the production of conventional oil - oil that you pump out of the ground or the seabed in the good old-fashioned way - will peak in 2020, 11 years from now. Birol assumes, or rather pretends, that new production of "unconventional oil" (oil extracted from tar sands or oil shales) will allow total production to match demand for another decade until

2030, but this is sheer fantasy. So what are we to make of this news? Monbiot uses Birol's admission to launch an impassioned appeal for the rapid development of non-oil alternative sources of energy. That is obviously urgent if we are close to "peak oil", but this may not be as great a crisis as it seems. It may not be a bonanza for the oil-producing countries, either. The IEA presumes that demand for oil will rise indefinitely, so the price of oil only gets higher after "peak oil", but in technology nothing is forever. Set into the front doorstep of my house (and most other 19th century houses in London) is an iron contrivance called a boot-scraper. It is a device for scraping the horseshit off your boots before coming into the house, and the iron blade is worn into a shallow curve by a half-century of use. Nineteenth-century cities depended on horses to move people and goods around. London in the 1890s had 11,000 horse-drawn taxis and several thousand buses, each of which required 12 horses a day. Add all the private carriages and the tens of thousands of horse-drawn carts, wagons and drays delivering goods, and there were at least 100,000 horses on the streets of London every day - each producing an average of 10kg of manure. Two thousand tonnes of manure a day. There were flies everywhere, and if you didn't shovel the

manure up quickly, it dried up and blew into your eyes, your hair, your nose, your clothes. As the cities grew, even more horses were needed and the problem grew steadily worse. One writer in the Times in 1894 estimated that in 50 years the streets of London would be buried under 3m of manure. In fact, within 35 years the streets of London were almost completely free of horses, and filled with automobiles instead. They created a different kind of pollution, but at least you didn't step in it. The same fate is likely to overtake oil-fuelled vehicles in the next 35 years. It is starting with ever-tightening standards for fuel efficiency. That will be followed by the first mass-market generation of electric vehicles, due in the next two or three years. And if demand falls faster than supply, the price will also collapse. Ladies and gentlemen, place your bets ...

CFS represents the following insurance companies:

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'Remember a few years ago when everything was sex, sex, sex?'

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