

Markets are expected to go through periods of volatility and negative returns from time to time. However, there are some things that you, as an investor, can do to help ensure that your investments are able to 'ride out the storm'.

Revisit your investment goals and timeframes

It's important that you remember the reasons why you invested in the first instance, as well as the goals you'll have set for your investments at that time. The timeframe you set for your investments will have helped ensure your portfolio is invested in line with these goals. Assuming that these haven't changed, it's important that you stick to these timeframes and don't alter your strategy simply because markets are going through a rough patch.

Consider your tolerance for risk

Your goals and timeframes will also have helped you to select an investment portfolio that is in line with your tolerances for volatility or risk. If your timeframes are for the long term, then it's possible that the recent falls in the value of your investments will be recouped, as share markets will inevitably regain their composure and, as history tells us, will typically trend higher over such periods. If you're invested for the short term, then it's likely your investments are concentrated in lower-risk assets and that you have a lower exposure to share markets.

Maintain a diversified portfolio

You should also ensure that your investment portfolio is diversified. Diversification helps to insulate your portfolio, by spreading your market exposure across a number of different asset classes and geographic regions. In particular, it insulates your portfolio against one particular market (such as shares or property) having an adverse negative impact on the value of your overall investments. It can also help to lower the short-term ups and downs in the value of your investments, as any strong performing areas can offset any weak performing areas within your portfolio.

Have patience

Most importantly, have patience. The one (and possibly only) good thing about a 'down' market is that history has shown us an 'up' market will usually follow. So, you should sit tight and wait for share markets to pass through the current volatile period. If your timeframes and risk tolerance for investing are consistent with your goals and you're sufficiently diversified, you should be able to ride out this storm quite comfortably.

However, if following the recent market events you feel your goals or timeframes have changed, or you're uncomfortable about the volatility for your portfolio, we recommend that you talk to us about revisiting these.

Managing a mortgage during tougher economic times



Higher mortgage interest rates, a slowing housing market, household budgets under stress... it doesn't sound great, does it. However, it's the reality of a changing economic cycle and you must take steps to ensure you're well-placed to weather the storm, which may persist for a while yet.

Aside from reviewing your household budget, there are other ways you can loosen the grip in terms of paying your mortgage.

Look at your assets / liabilities position to determine if there are opportunities to sell any surplus assets, but more particularly to get rid of high-cost, short-term debt (credit cards, H/Ps, personal loans) by topping up your mortgage. This is called 'debt-consolidation' and the cash flow relief from doing this can be substantial. For example, a \$10,000 personal loan taken over 5 years at 15% interest per annum would cost \$238 per month*. If that was put on the mortgage on an interest only basis at 9% interest per annum (but with the intention of paying it off quickly as your cashflow allows), the payments could reduce to \$75 per month, a cashflow saving of \$163!**

If this isn't relevant or doesn't solve the problem, you should look at what options your lender has to alter the existing interest rate structure, e.g. is some of the debt on a variable rate that could be fixed at a lower rate? There may also be an opportunity to restructure, take a mortgage payment holiday or to even obtain additional funds.

A number of restructuring options could be available to you:

- extend the term of the loan out to 25-30 years, if it's currently on a shorter repayment term;
- convert to an interest-only structure if it's currently on principal and interest;

- put a small revolving credit/redraw facility in place so that you have funding 'on tap' if you need it;
- obtain a top-up (additional loan funds), if you need money now rather than later.

As noted above, there may also be the option of taking a Mortgage Repayment Holiday (MRH). These are generally for a maximum of three months and while the waived payments are added to the loan, a MRH can provide significant cash flow savings for a period which may help you to 'right the ship' in the short term.

If you envisage cashflow problems, it's extremely important to contact your Mortgage Adviser for professional advice before you strike trouble, not after you have defaulted on your mortgage payments.

All too often we see clients that are already behind in their mortgage payments. Unfortunately, this may remove some of the bargaining power with your existing lender and could jeopardise your ability to restructure or to take a mortgage repayment holiday. This may mean that the only option is to refinance which, in the current market, is not easy if there are already mortgage arrears.

It is also extremely important that you don't allow your life insurances to lapse when finances are more stretched. You should definitely 'go without' in other areas, rather than let that happen. Having a life insurance policy in place can provide your family with financial security in the event of an unexpected tragedy.

Therefore, in times like these, you should be very proactive in looking at your finances, so you avoid problems arising down the track.

*These figures are an indication only and sourced from the mortgage repayment calculator on www.sorted.org.nz.

**Calculation based on interest only payment with an interest rate of 9% per annum.

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Please note: a disclosure statement is available on request and free of charge.

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Silver Linings Newsletter



Welcome to the spring edition of our Silver Linings newsletter.

In this issue, we provide information on relevant and timely topics, including KiwiSaver, a long-term approach to riding out current market volatility and managing

a mortgage during these tougher economic times. We hope you find the articles informative and useful – there's something for everyone.

This newsletter also gives us an opportunity to update you on recent changes within the business. Chris Bocket retired in July, after 37 years in the industry and will be a huge loss to us. However, we're delighted to have recruited Anne Merrifield (ex Westpac - Private Banking) who is a Certified Financial Planner (CFP).

As Argent Financial Services Ltd and Lifetime Insurance Brokers Ltd continue to grow, my role has become a full-time position and I've had to reluctantly let go of my client register. For those clients affected, please be assured we have a dedicated team at Argent. I know you will continue to receive the high level of service and knowledge that Argent strives to provide.

In this current economic climate you may feel uncertainty around finance companies. That's why it's more important than ever to receive good advice. At Argent, our Advisers are members of either the Institute of Financial Advisers, the Insurance Brokers Association of New Zealand or the New Zealand Mortgage Brokers Association, and are bound by the standards and processes detailed in the bodies Standards of Professional Practice.

Argent sets high standards for our Advisers, and as such all our Advisers hold a current AMP Practising certificate. Argent also undergoes an external quality assurance review to ensure best practice guidelines are being followed and to help stay abreast of industry regulation and standards.

We look forward to keeping you informed on current issues that affect your business and family life.

Warren Stephens

Director, CEO – Argent Financial Services Limited

Even if you have to stop work, your farm doesn't!

Despite higher commodity prices and rising demand for New Zealand dairy products, this year many farmers are seeing the effects of the strong NZ Dollar, increased running costs and last summer's drought, with any surplus going back into running the farm.

Cash flow is key for businesses, and farmers, whose funds are typically tied up in land and buildings tend, to be less liquid, which can easily give rise to cash flow constraints.

Drought and other weather events are outside our control, but what if there was a way you could protect your business against things that you can control – like placing a manager on the farm should you or a key person suffer an accident or illness and be unable to work?

AMP Business Survival Cover can pay up to \$8,000 per month for up to two years following accident or injury. The money can be used however you wish – to employ a replacement person, help cover your running costs or cover debt servicing costs to free up income.

With that much-needed cash flow still coming in, there's time to work out a solution. And because AMP Business Survival Cover can allow up to 10 hours per week in unpaid work, the time could be used to make phone calls, oversee daily operations and employ replacement people.

Removing proof of income

Proof of income is required for many income protection policies – which can be an issue for businesses who have limited cash flow, are unable to show a full set of financials or whose financial accounts are more complex.

This year, with increased costs of electricity, fuel and fertilizer, and the flow-on effects of limited milk production, some farmers may be feeling the squeeze on their income. With AMP Business Survival Cover, business owners can receive a benefit of up to \$3,000 per month for up to two years, without having to provide financial reports – and there are no offsets for 'other income'.

As with many business owners, for farmers, there's no such thing as a five-day week. Yet, the impact of needing time off to recover from illness or injury is often not considered until it's too late. Whether you're an owner operator or you have a larger operation with people who are crucial to the running of your business, it makes sense to put protection in place, enabling operations to continue and keep cash flow coming in.

Life insurance for debt reduction and succession planning

With large amounts of money invested in land, buildings, machinery and livestock, farmers can carry a higher-than-average amount of debt – which can give rise to issues on how to realise and divide the asset.

Life insurance can be used to not only safeguard the financial future of loved ones, but also as a tool for succession planning upon death – to enable debt to be repaid and facilitate the future of farm assets. Having enough life insurance can ensure that dependants could reduce or pay off debt and continue operating the farm,

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KiwiSaver: The benefits of employer involvement



Over 700,000 New Zealanders are now members of KiwiSaver. The initial Government projection was 276,000 members after the first full year, but with the added benefits including member tax credits and compulsory employer contributions being introduced, New Zealanders have responded favourably.

On 1 April 2008, it became compulsory for most employers to match their employees' contributions to KiwiSaver, starting at 1 percent of their employee's gross salary. This will increase by 1% per year, to a maximum of 4% of their employee's gross salary from 1 April 2011.

KiwiSaver does however have benefits for employers. The payment of employer contributions is, in most cases, offset by an employer tax credit of up to \$20 per week. All contributing employers are entitled to claim a tax credit per eligible member and this can also cover contributions over and above the minimum compulsory level. KiwiSaver provides an ideal way for employers to increase an employee's remuneration without having a huge impact on their bottom line.

Making KiwiSaver more affordable for employees – transitional rules

For many employees a 4% deduction from their earnings will make a big impact on their household budgeting. An easier entry point is for a 2% employee and 2% employer contribution rate. This allows an employee to make a more affordable choice while still receiving most of the benefits of KiwiSaver (i.e. the kick-start, member tax credits and a contribution from their employer). For the employer the cost may be nil if the employee earns less than \$52,000 pa as the 2% contribution will be fully subsidised by the employer tax credit.

There is a requirement to move towards a 4% member and 4% employer contribution as the level of compulsory employer contribution increases. However, this provides employees a more affordable entry point with gradual increases from 2010.

Tax effective savings through salary sacrifice

For many employers the thought of moving to a 4% employer contribution immediately can be daunting. However, employees can take advantage of higher employer contributions to KiwiSaver by negotiating to sacrifice some of their salary in return for an increase to the employer contribution. Employees receive the benefit of paying no contribution tax on the first 4% of employer contributions, while employers benefit from receiving the employer tax credit.

Support for you and your employees

While employers need to administer KiwiSaver as well as making an employer contribution, they can make life easier by choosing a preferred KiwiSaver scheme

The lost art of saving – it's back!

It's the fiscal equivalent of retro chic. Judging by recent media both from here and the USA, the concept of saving – you know, that old idea of putting something aside for a rainy day – is making a real comeback. Even Time magazine featured a piggy bank on a recent cover titled: "Surviving the New Economy." If the last 20 years were the golden age of gadgets, botox and conspicuous brands, we're now entering the decade of smarter spending.

Saving hasn't been fashionable for a long time. The image problem goes back to the late 1970s; around the same time credit cards were introduced. From that point nobody in the money industry promoted saving because nobody makes much money out of it. The focus is changing as price rises in utilities and petrol are making a significant dent in household budgets.

But almost three decades of easy credit haven't been kind to most people in countries such as ours. Credit card debt increases year-by-year, faster than population growth and inflation combined. From 2005 to April 2006 the credit card debt in this country grew by almost 8% to reach \$4.5 billion. Just two years later our credit card debt exceeds \$5 billion.

NZ's Credit Card Debt.

All cards: business and personal, as at month end.

Month ended	Total advances outstanding		Simple average standard card interest rate
	(\$m)	(Y/Y%)	(%)
Apr 2006	4,509	7.8	18.5
Apr 2007	4,786	6.1	18.6
Apr 2008	5,146	7.5	20.0

* Data from the Reserve Bank of New Zealand – May 2008

Credit cards aren't the only debt culprit, even though 68% of adults have them, according to a recent Buzz Channel survey. In fact they are easily overshadowed by mortgages – held by 44% of adults, which make up around 80% of our total consumer debt due to their sheer average size. With the recent rise in interest rates many people have started reassessing their debt exposure – especially those 11% with revolving credit mortgages. Put the holiday on the house? Stop. Let's think about this.

provider for their business. New employees will be automatically enrolled with that scheme provider unless they opt-out or choose their own scheme provider. Choosing a preferred KiwiSaver scheme provider makes it easier for an employer to provide consistent information to all employees across their workplace and there's faster access to help and advice.

As many employees are not familiar with management funds, investment choice, market movement and the like, a preferred KiwiSaver scheme provider can manage these queries and provide a consistent level of advice to all employees in the workplace. This can really benefit employers as they'll be seen as providing additional support and giving their employees access to financial help and advice.

For more information on KiwiSaver, please contact us.

Quote of the month

"A wise man should have money in his head, but not in his heart."

Jonathan Swift (1667 – 1745)

There are plenty of other ways New Zealanders have managed to get themselves in debt from; student loans, hire purchase arrangements and personal loans – to name a few.

The new art of saving

If the art of saving seemed, by the high consumption 1990s, to belong with other lost arts such as home gardening and scrapbooking – well suddenly all these values have come back. Life has got too much and now our society is prizing more highly the idea of freshly grown 'real' food and we're valuing slower more engaging activities such as reading, and the preservation of family memories. Fast food is out. Slow food is in. And in this context saving fits right at home.

Here are the best ways to save

- Get your debt down first. As a guideline your debt repayments should be within 35% of your income.
- Cut the frills. Our lives are full of easy ways to fritter away money. Take-out food and coffee. Convenience items. Trim these habits. Do a budget. Prioritise spending.
- Go green. Shorter showers. Turn off lights. Go for a walk instead of a Sunday drive. Many households can easily save another \$60 a month in water and energy bills.
- Limit the use of credit card and hire purchase.
- Save before you spend. We tend to spend what's there. You're better to put aside savings before you're tempted. Set up a savings account (or a second 'don't touch'

Age	Capital	Interest*	Total*
25	\$ 2,600	\$ 170	\$ 2,770
30	\$ 5,200	\$ 700	\$ 5,900
35	\$ 7,800	\$ 1,640	\$ 9,440
40	\$ 10,400	\$ 3,050	\$ 13,450
45	\$ 13,000	\$ 4,980	\$ 17,980
50	\$ 15,600	\$ 7,510	\$ 23,110
55	\$ 18,200	\$ 10,710	\$ 28,910
60	\$ 20,800	\$ 14,680	\$ 35,480

account) and feed in those tax cuts that start in October.

A long-term approach to riding out current market volatility

The first half of the year has been very challenging for investors, as worries about the health of the global economy and surging oil prices have put downward pressure on the world's share markets. The rise in the oil price, to new record highs of over US\$145 a barrel, is now the major risk to the global economic outlook and comes at a time when household budgets and company profit margins have already been weakened by last year's 'credit crunch'. As at the end of June, some global share markets were as much as 20% lower from where they began the year. Against this backdrop of uncertainty, volatility increased significantly, with markets rising one day and falling back down the next.

With financial market turmoil being front-page news on almost a daily basis, you may justifiably have questions about your investment portfolio. Investment markets have always gone up and down, and while the recent pick-up in volatility is an indication of investors' uncertainty surrounding the economic issues we face today, the storm clouds had been gathering on the horizon since the second half of last year. It was during this time that many investors turned their attention to the US economy.



- Earn passive income through compound interest. See your money grow.

* Rounded to the nearest \$10. Based on an interest rate of 6.5%
From Sorted website www.sorted.org.nz

- Take advantage of KiwiSaver. Enrol now and you'll receive a \$1,000 tax-free kick-start and an annual fee subsidy of \$40 per year. Plus the Government will match your savings up to \$1,040 per annum, and in most cases your employer has to contribute too.
- Teach your children. Bring out the piggy bank. Open a savings account for each child. Teach your kids to set goals and encourage them to save for these. Offer them a cash top-up if they reach their goal.

The benefits are big

The benefits of regular saving are significant. The first priority should be to save enough to cover at least two months of your living expenses. Treat this as an emergency fund, and don't touch it. Put it into a high interest account. This money gives you real peace of mind because you can now handle most of life's risks: sickness, down-time – even being

What has caused the volatile conditions?

During the second half of last year, the US housing market began to show signs of a marked slowdown. This resulted in a global 'credit crunch', as a number of US mortgage companies felt the pressure when borrowers began to default on their loans. As news spread that a number of financial companies were exposed to the problems resulting from this, global share market sentiment took a turn for the worse. Shares in financial companies, such as banks, were sold down sharply, as they fell out-of-favour, dragging other areas of the share market down with them. More recently, US economic growth has slowed dramatically, prompting fears that its economy is heading for (if not already in) recession.

Understanding and dealing with volatility

It's important, especially during times such as these, that investors understand and know how to deal with market volatility. Often, when share markets are falling sharply, there is no end in sight to the frantic selling and investors are likely to focus on the losses they are accumulating. It seems that at this point the relief of not having to endure any further pain appears to be more important to investors than the pain of selling their holdings at a loss. This may result in investors selling when prices are low – the exact opposite of what they would want. It is therefore important that investors make rational decisions regarding their investments during these times.