

Time to buy

We have now passed the midpoint of 2008 and financial markets are still struggling to cope with the combined effects of the credit crunch and the exponential increase in oil prices.

Economic growth has weakened across the globe, but there are still pockets of strength to be found. China, for example, grew at an annualised rate of 9.71%¹ over the first half of 2008.

But before you ask "Why isn't all my money invested there?", the Chinese sharemarket has been one of the worst performers, having fallen by over 40% since the start of the year.

Despite the many stories of how people have made their fortune by timing the market well, evidence suggests that for the average investor, this is near impossible; luck is the most likely reason for success.

Patience is, in fact, the reward for investors, as most long-term gains on sharemarkets are made or lost in just a few trading days each year. For example, taking away just the five 'best' days from the New Zealand sharemarket during 2007 means you would have missed out on 9.32%.²

While the negative 'noise' currently being made by the media is hard to ignore, the key to achieving your financial goals remains – stick to a long-term strategy. Although markets are down and most

investors have lost money, now is not the time to sell.

We have all heard the adage "buy in gloom, sell in boom", but the reality is many investors are so nervous and concerned about the current state of the markets that they fail to heed this time-tested advice. Rather, they simply sit and wait for prices to recover or, even worse, sell at the bottom of the market.

If you choose to sell in the current 'gloom', you are ensuring you are selling cheap. But have you considered doing just the opposite? Now could be a very good time to buy.

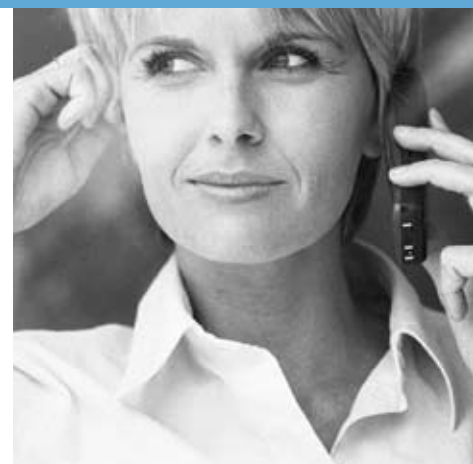
As no-one knows when the markets will hit rock bottom, you should not invest all your money at once. Drip-feeding contributions will help average out the cost of your investments, rather than you attempting to buy at the 'perfect' time and missing it.

In times such as these, you need to revisit your reasons for implementing your long-term investment strategy and evaluate if anything has fundamentally changed.

If so, what modifications need to be made and what is the best approach to accomplishing these? If not, stand fast in the knowledge that your portfolio is well-positioned to take advantage of the eventual market recovery and will allow you to achieve the standard of living you desire.

Contact us to discuss how best to take advantage of today's low prices.

1 National Bureau of Statistics – China
2 Yahoo Finance – sum of five largest daily NZX 50 Index gains



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life's tip #1

*"The best way to escape from a problem is to solve it."
– Alan Saporita*

Lyndell Jackson

Lyndell Jackson is the Practice Manager of the Takapuna office, supporting four of the Auckland based advisers and attending to the administrative aspects of portfolio management.

Lyndell joined DecisionMakers when Chris Ronayne came on board in late 2006, having worked with him over many years and following his move from Spicers. Her skills are by no means limited to pure administration. Formerly, with the management of Superannuation Funds, she progressively handled Money Market investments, Fixed Interest portfolios and finally ran the Property Division. She has vast experience in all matters relating to running a financial planning practice and ensures the office runs smoothly.



DecisionMakers

The best financial decision you'll ever make

What are the three words that profile the affluent?

Frugal. Frugal. Frugal

Webster's Dictionary defines 'frugal' as "behaviour characterised by or reflecting economy in the use of resources".

Being frugal is the cornerstone of wealth-building. Often, self-made people become millionaires simply by budgeting and controlling expenses and they maintain their affluent status the same way. They are disciplined, they plan, they budget and this translates into wealth. Living frugally is not to be confused with living with poverty consciousness. Frugality is about sensibility, it is about value for money, it is about appropriate exchange. Frugality is about expansion and integration, whereas poverty consciousness is about contraction and fear. However, as much or as little as we have, we do have a choice in every decision we make.

We can choose to be frugal, knowing that in doing so we can still get a whole lot out of life, while also contributing in return. Or we can choose to feel sorry for ourselves, operate from poverty consciousness, slam on the brakes, stop giving, and back ourselves into a dark and lonely corner.

How do you plan to budget and control your spending in the future so that it translates into wealth?

Contact us – we can help.

The media shapes our impressions

When asked about the country's economy, schools, healthcare or community spirit, people tell pollsters the situation is dreadful. But when asked about their own jobs, schools, doctors and communities, people tell pollsters the situation is good. Our impressions of ourselves and our neighbours come from personal experience. Our impressions of the nation as a whole come from the media and from political blather, which both exaggerate the negative, and has never been thicker.

Source: Gregg Easterbrook "Life Is Good, So Why Do We Feel So Bad?"

Help with those tricky financial questions

Have you ever struggled to answer financial questions from friends or family along the lines of "Should I have a student loan and how quickly should I pay it off?" or "Why should I save for something when I can buy it today on hire purchase?"

The answer to these questions and many more can be found on the Retirement Commission's general financial advice website www.sorted.org.nz. We encourage you to visit this site and become a 'fountain of knowledge'. Not only will you benefit yourself, but you can also amaze your family and friends with your financial wisdom.

The Government is concerned about the poor financial literacy of New Zealanders and has recently announced a national strategy to raise New Zealanders' understanding of finance.

Initiatives include the introduction of financial education into the school curriculum, removing financial jargon from investment documentation, encouraging financial education in the workplace, plus providing information and tools to help people make better informed decisions about their money.

We have a fantastic book called 'Financial Passages' that we can provide to you at no charge. This is an ideal gift for those inquisitive about how to better understand and manage their finances.



Contact us for your free copy.

KiwiSaver proving popular

The most recent FundSource quarterly funds under management analysis shows that fund manager, ING, is leading the pack with KiwiSaver enrolments. KiwiSaver 'Funds Under Management' (FUM) for the leading providers is shown alongside.

To date more than 750,000 KiwiSaver enrolments have been received by the IRD. This is well above Government expectations and shows that New Zealanders are recognising the tremendous benefits and incentives available via KiwiSaver.

If you haven't yet joined KiwiSaver or want to discuss your options, please give us a call now.

TOTAL INVESTED SO FAR

FUM by KiwiSaver provider to June 2008

Rank	Company	FUM (\$m)	
		Jun-08	Mar-08
1.	ING (incl. ANZ & NBNZ)	207.3	137.1
2.	ASB (incl. Jacques Martin)	184.1	115.4
3.	AMP	136.3	86.7
4.	BT (incl. Westpac)	91.2	61.8
5.	Tower Group	83.8	57.1
6.	AXA (incl. BNZ)	79.0	52.7
7.	Mercer	78.5	52.6
8.	Fisher Funds Management	30.6	22.0
9.	Fidelity Funds Management	14.4	8.9
10.	Asteron & GT	5.5	3.4
11.	Smartshares Limited	3.4	2.3
	Total	\$ 914.0	\$ 600.0

FundSource

- Get your free copy of *Financial Passages* so you can better understand finances
- Finding value and saving money is not the same as being miserly – it's simply good sense

A bigger choice is on its way

Until recently, the number of offshore fund managers who registered funds for distribution in New Zealand was limited due to the high cost of developing and registering a New Zealand prospectus and investment statement. However, this has now changed with the recent signing of the Trans-Tasman Mutual Recognition of Securities Offerings regime.

This regime will allow product issuers, such as fund managers, to offer their products in both New Zealand and Australia with minimal added costs.

We are currently working with Morningstar, an international researcher of managed funds,

What does wealth mean to you?

When you hear the word wealthy, what do you think of? Do you think of having your own private aeroplane, living in a mansion and driving fancy cars? Or do you define wealth as not having to go to a nine-to-five job every day, taking several holidays a year and being free to determine your own schedule? Is it possible that you have defined wealth as an absolute sum – say, two million dollars in your bank account?

Everyone defines wealth in a different way. For some people, simply not having to worry about money means being wealthy. Your definition of wealth can also change over the course of your life. A 52-year old's definition of wealth is probably quite different from a 22-year old's.

We think a good foundation for being wealthy is freedom, i.e. freedom from the enslavement of debt. When you owe no money to anyone, this can be a form of wealth. As the Book of Proverbs says, "Borrow money and you are the lender's slave". The opposite of slavery is freedom.

For many people, being wealthy is a pure fantasy. But it shouldn't be so. Everyone can have some form of wealth. First, you must define it for yourself. Make it something you want enough to strive for. Write it down on a piece of paper and visualise yourself achieving it. Most importantly, ensure the future of your dreams by taking some action right now!

to identify Australian investment products that may shortly be available for New Zealand investors.

As these products are identified and researched, we will assess them to see if any are appropriate for your portfolios. We will contact you as and when suitable quality products are deemed appropriate for you.

life's tip #2

"A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain."
– Mark Twain

Here's an inspiring story that might give you a new definition of 'wealth':

One day a father from a rich family took his son on a trip to the country with the specific purpose of showing him how poor some people can be. They spent a day and a night on the farm of a very poor family. When they got back from their trip, the father asked his son, "How was the trip?"

"Very good, Dad!"

"Did you see how poor people can be?" the father asked. "And what did you learn?"

"Sure!" the son answered, "I saw that we have a dog at home and they have four. We have a pool that reaches the middle of the garden, they have a creek that has no end. We have imported lamps in the garden, they have the stars. Our patio reaches the front yard, they have a whole horizon."

When the boy finished, his father was speechless. His son added, "Thanks Dad, for showing me how poor we are!"

Isn't it true that it all depends on the way you look at things? If you have love, friends, family, health, good humour and a positive attitude towards life – you've got everything! You may have all the material possessions you can imagine, provisions for the future, etc. but if you are poor of spirit, you have nothing!

Source: Doris S Dobkins, money saving expert, author and speaker

Fuel saving tips

Do you cringe every time you fill up the car and wish the world would return to the good old days when petrol and diesel cost less than a dollar per litre? The bad news is we are unlikely to see those days again. The good news is you can do something about reducing your household fuel consumption. Consider the following:

- When eventually replacing your car, buy a smaller more fuel-efficient one. Check out car fuel efficiency at www.fuelsaver.govt.nz and www.rightcar.govt.nz.
- Plan your journey to do multiple tasks in one trip, avoiding roadworks and getting lost.
- Regularly rotate tyres and check tyre pressures. Under-inflated tyres wear out quickly and can increase fuel consumption by up to 3%.
- Changing gears at lower engine speeds helps to improve fuel consumption by as much as 15%.
- Stick to the speed limit, especially on the open road. Travelling at 110km/h uses 20% more fuel than at 100km/h.
- Have your car tuned regularly as the improvement in efficiency can be as high as 30%.
- Turn off the engine any time you are idling for extended periods.
- Turn off the air-conditioning to save 5-15% on your fuel bill, especially if driving around town. However, at speeds over 80km/hr, tests show that using the air-conditioning is more fuel efficient than opening a window.
- Try to walk, cycle or take a bus instead of driving short distances. Cold engines use almost twice as much fuel.
- Take any junk out of the boot (golf clubs) as it adds weight and increases fuel consumption.
- Remove roof racks and roof containers when not required as this will help reduce aerodynamic drag.
- Become more social and carpool if convenient.
- Accelerate and brake smoothly and attempt to maintain a constant speed.

Source: Automobile Association



summing
up

- New laws will open up the Australian market to Kiwi investors
- Fuel saving is easy and will increase your disposable income



What is a recession and what will it mean for you?

What is a recession?

The technical definition for recession is “negative GDP growth over two consecutive financial quarters”. Using this definition, Treasury can tell us we are now in a ‘technical recession’. The truth is that New Zealand has been in recession for most of 2008. What has changed is that now economic commentators are able to quantify it rather than rely on anecdotal evidence.

life's tip #3

“Freedom is not worth having if it does not include the freedom to make mistakes.”
– Mahatma Gandhi

What does this mean for you and what impact will it have on your investments?

GDP, or Gross Domestic Product, measures the total productivity of a country – the total market value of all final goods and services produced by an economy within a given period of time. We would naturally expect this to grow over the long term as a nation grows, but it is quite normal to have short periods of ‘contraction’.

While things can feel a little bleak during a recession, we often look back and think that it actually wasn't too bad. How well do you remember the recessions of 1991-1992, 1998, and 2001?

Yes, most New Zealanders will need to tighten household budgets, some smaller businesses will really struggle, and some will even fail during a recession. Many economists would suggest that a number of those would have failed anyway, as around 30% of small

businesses fail within three years, even in the best of times.

How long will it last?

BNZ Chief Economist, Tony Alexander, advises us that the latest BNZ monthly business confidence survey shows a significant change in outlook. Only 12 percent of respondents still think the economy will get worse – a far more positive mood compared to July when 44 percent expected the economy to get worse.

Treasury has forecast growth to pick up in the December 2008 quarter due to the combined effects of tax cuts coming in October, the recovery from the drought (we have the opposite problem now, Ed.), high export prices, a weakening dollar and more reductions in the Official Cash Rate (OCR). If this is the case, we may have a happier new year in 2009.

A panel of six bank economists have suggested the OCR could be reduced to as low as 6% over the next 9-18 months. This will take pressure off borrowers who are currently struggling with 11%+ floating rate mortgages.

For investors, the prospect of a lower OCR means you should now be looking to protect your portfolio's cashflow with investment grade bonds.

Can portfolios perform well during a recession?

Yes. We have seen time and again that not only can portfolios come through a recession in positive territory, they often have accelerated returns in the few months after a recession. History shows us that throughout 7 out of the last 10 recessions, markets (as indicated by the S&P500) have been positive. During 4 of the last 5 recessions, sharemarket returns have been better than 10% within 12 months of the recession ‘trough’.

Because of this, we advocate retaining your long term investment plan rather than pulling out of the market and waiting for things to get better.

Contact us if you would like further information.

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