

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – SHAREBROKERS

Director: Brett Dymond – BBS, GradDipBusStud (Personal Financial Planning)

Bramwell Brown Limited – Newsletter – December 2022

Markets

2022 has been a year to forget for the majority of investors. High inflation has led to unprecedented increases in interest rates, as the Reserve Bank struggles to slow the economy. It's always easy in hindsight, however it's clear they overshot the mark when they lowered the Official Cash Rate to its lowest ever level (0.25%) following the Covid 19 outbreak. Will they overshoot the market in their attempt to quell inflation – probably....

The following table shows a variety of funds, indices and term deposits, with their respective movements throughout this year.

Market	January 1 st 2022	November 30 th 2022	Movement %
NZX50 Gross Index	13033	11552	-11.36%
ASX200 Index	7444	7284	-2.15%
Dow Jones Industrial Index	36338	34589	-4.81%
Simplicity Growth Fund	\$1.64	\$1.44	-11.67%
Milford Active Growth Fund	\$5.26	\$4.87	-7.36%
One Answer Growth Fund	\$3.05	\$2.66	-12.77%
ANZ 1 Year term deposit	2.20%	5.20%	+136.36%
ANZ 5 Year term deposit	3.00%	5.20%	+73.33%

One point I think worth noting is the current bank term deposit rates. You may occasionally hear economists talking about the interest rate curve, or the yield curve. This is a line that plots interest rates of equal credit quality, but differing maturity dates. The theory is that interest rates should increase in line with maturity, which gives rise to an upward sloping, or normal, yield curve. Currently that is not the case. Most banks are offering the same interest rates for one-year, through to five-year terms. This is an indication that banks think interest rates will decrease over the next few years. When your bank deposits are due for reinvestment, you may want to consider your options in light of these expectations. Don't hesitate to phone the office for a second opinion.

New Zealand Retirement Expenditure Guidelines

The Massey University Fin-Ed Centre aims to empower New Zealanders to make more financially savvy decisions – to give people the tools they need for the life-long process of managing their finances. Part of their work includes the New Zealand Retirement Expenditure Report to establish guidelines for "modest" and "comfortable" retirement. The 2022 Retirement Expenditure Guidelines are the eleventh in a series that began in 2012, to assist New Zealanders in making financial plans for their retirement.

Two levels of expenditure have been included in the guidelines. The No Frills guidelines reflect a basic standard of living that includes few, if any, luxuries. The Choices guidelines represent a more comfortable standard of living, which includes some luxuries, or treats. The report also distinguishes between one-person and two-person households, and city living versus living in the provinces. The table below shows some of the findings.

Weekly Income	One-Person Household		Two-Person Household	
NZ Super (After Tax)	\$462.94		\$712.22	
Weekly Expenditure				
	City	Provincial	City	Provincial
No-Frills Budget	\$781.07	\$650.34	\$931.17	\$800.38
Choices Budget	\$1,107.12	\$1,217.84	\$1,578.15	\$1,263.03

As you can see, all groups are spending more than they are receiving in NZ Super, which means all groups must supplement their income somehow. The next table summarises income (NZ Super) versus expenditure, and shows the shortfall for each category.

		Weekly Expenditure	NZ Super	Deficit
One-Person Households	No Frills - City	781.07	462.94	318.13
	No Frills - Provincial	650.34	462.94	187.40
	Choices - City	1,107.12	462.94	644.18
	Choices - Provincial	1,217.84	462.94	754.90
Two-Person Households	No Frills - City	931.17	712.22	218.95
	No Frills - Provincial	800.38	712.22	88.16
	Choices - City	1,578.15	712.22	865.93
	Choices - Provincial	1,263.03	712.22	550.81

We presented the 2021 guidelines in the December newsletter last year, and since then the gap between NZ Super and weekly expenditure has widened. This is largely as a result of the high inflation we are experiencing at present on some items. The increase in the price of transport, household utilities, and food have all contributed to income levels not keeping up with inflation. The difference between income and expenditure makes for fairly grim reading. A single person living in provincial New Zealand must find an extra \$754.90 per week if they want a retirement with choices. How do you fund that difference? The following table shows the estimated lump sums required to fund the difference between NZ Superannuation and expenditure.

		Weekly Deficit	Lump Sum Required	
One-Person Households	No Frills - City	318.13	\$277,000	Lump sum calculations assume retirement at 65, and life expectancy to 90. The full lump sum is expended in retirement.
	No Frills - Provincial	187.40	\$163,000	
	Choices - City	644.18	\$561,000	
	Choices - Provincial	754.90	\$658,000	
Two-Person Households	No Frills - City	218.95	\$191,000	
	No Frills - Provincial	88.16	\$77,000	
	Choices - City	865.93	\$755,000	
	Choices - Provincial	550.81	\$480,000	

Again, some of the figures here are fairly daunting. A single person living in the provinces needs to have saved \$658,000 in order to enjoy a comfortable retirement. Even though the figures may appear out of reach to some, it's better to know what's required than not. Unfortunately there is no easy fix to generating the large sums required to meet our retirement goals. All solutions involve compromise of some description. If we have to, where do we begin to compromise? For most of us the problem is that we simply don't have the amount of capital to achieve the dream retirement lifestyle. The areas we can influence include:

- Retirement date – pushing it out allows more time to build capital, and leaves less time to use it
- Spending – it might not be palatable but we do have the ability to curb our spending
- Leaving a legacy for children – not necessary in my opinion – spend it yourself
- Risk – instead of investing in bank deposits, we have the ability to take on risky investments such as shares in an attempt to boost returns
- Income – taking on part-time work to boost your income

Christmas Office Hours

BRAMWELL BROWN LIMITED

brett@bramwellbrown.co.nz

PHONE 3788299 OR 0274523980



THE OFFICE WILL BE CLOSED FROM 12.30PM ON FRIDAY DECEMBER 23rd
AND WILL REOPEN ON MONDAY JANUARY 9th

I will be in the office periodically through this period, so don't hesitate to ring and make an appointment if you need to see me. When I'm not in the office the phone will divert to my mobile – please ring or email at any time.

I would like to thank all clients of Bramwell Brown Limited for their ongoing support throughout the year. I hope you enjoy a relaxing holiday period, and I look forward to helping you with your investment decisions in 2023.

Portfolio Administration

Are you having trouble with the share registries sending your financial information via email rather than post? Are you spending hours searching for financial information for your accountant at the end of each financial year? If so Bramwell Brown can help. We offer a portfolio administration service where we handle all the mail associated with your portfolio and liaise with your accountant at the end of each year. Call the office if you would like to discuss this service.

DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE