

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – SHAREBROKERS

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### **Bramwell Brown Limited – Newsletter – April 2025**

#### **Markets**

Financial markets continue to react negatively to national and global events. Despite a gradual reduction in interest rates, share-markets have fallen largely as a result of geo-political tensions around the world. Donald Trump's tariffs, together with the various ongoing conflicts around the world have reduced confidence in financial markets, and have created significant volatility. Since mid-February the NZ50 Gross Index has fallen 7%, the ASX200 has fallen 8% and the Dow Jones Industrial Average (USA) has fallen by 7%.

Nobody likes to see their assets reduce in value, particularly those new to investing. Long-term, experienced investors have been through a number of these cycles, and have seen the share values go through peaks and troughs. The Global Financial Crisis in 2008 had a big impact on share values, however eventually saw a very impressive recovery. The Covid 19 outbreak saw a dramatic drop in values, but was short-lived. It can seem overwhelming when you see your shares losing value, however market commentators in the last few weeks have all agreed the best course of action is to remain invested.

Some fundamental principles investors should consider include:

- Understand the risks you take with investments, and stay within the risk you can tolerate
- Hold a wide variety of asset classes (shares/property/bonds/bank deposits/cash)
- Buy good companies and hold them for long periods
- Remember one of the main reasons we own shares is to provide a source of income
- Hold overseas investments as insurance against a shock to the New Zealand economy
- Limit your exposure to individual companies
- Be aware that a market correction will occur at some point
- Don't attempt to time the market – invest in stages
- Don't be tempted to sell if the market does fall

## New Zealand Retirement Expenditure Guidelines

The Massey University Fin-Ed Centre aims to empower New Zealanders to make more financially savvy decisions, and 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 a "modest" and "comfortable" retirement. The 2024 Retirement Expenditure Guidelines are the thirteenth 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 most recent findings.

<b>Weekly Income</b>	One-Person Household		Two-Person Household	
NZ Super (After Tax)	519.47		799.18	
<b>Weekly Expenditure</b>				
	City	Provincial	City	Provincial
No-Frills Budget	687.84	564.25	909.90	1,031.85
Choices Budget	768.76	752.41	1,739.85	1,210.18

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.

		<b>Weekly Expenditure</b>	<b>NZ Super</b>	<b>Deficit</b>
<b>One-Person Households</b>	No Frills - City	687.84	519.47	168.37
	No Frills - Provincial	564.25	519.47	44.78
	Choices - City	768.76	519.47	249.29
	Choices - Provincial	752.41	519.47	232.94
<b>Two-Person Households</b>	No Frills - City	909.90	799.18	110.72
	No Frills - Provincial	1,031.85	799.18	232.67
	Choices - City	1,739.85	799.18	940.67
	Choices - Provincial	1,210.18	799.18	411.00

The difference between NZ Superannuation and weekly expenditure has reduced for most households compared to last year's results, however this is mainly due to a change in the data source used by the researchers. Increased costs were associated with housing and household utilities, transport, and insurance. The difference between income and expenditure varies between the groups surveyed. A single person living in provincial New Zealand must find an extra \$232.94 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	Lump sum calculations assume retirement at 65, and life expectancy to 90.
One-Person Households	No Frills - City	168.37	183,000	Investment is in a Balanced Fund.
	No Frills - Provincial	44.78	48,000	
	Choices - City	249.29	271,000	
	Choices - Provincial	232.94	252,000	
Two-Person Households	No Frills - City	110.72	120,000	The full lump sum is expended in retirement.
	No Frills - Provincial	232.67	252,000	
	Choices - City	940.67	1,142,000	
	Choices - Provincial	411.00	446,000	

Some of the figures here are fairly daunting. A couple living in the city need to have saved \$1,142,000 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 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 investors 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, with 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

The hardest part of planning for retirement is the uncertainty around how long we will live. Will we outlast our savings? It's impossible to predict individual longevity with any accuracy, however we all have family history to guide us, and we know life-expectancy is gradually increasing. I saw a statistic recently suggesting my grandchildren can expect to live to one hundred. In general, this means our retirement savings will need to last longer. I think one mistake many retirees make is de-risking their portfolio as soon as they reach sixty-five. By all means take a more conservative stance as you age, however if you are potentially going to live for another thirty years, I would recommend you need to keep growth assets in your portfolio.

The full New Zealand Retirement Expenditure Guidelines can be read here:

<https://www.massey.ac.nz/documents/2145/new-zealand-retirement-expenditure-guidelines-2024.pdf>

### **Easter/ANZAC**

I will be making the most of the short working week at the end of April to visit family in Nelson and Christchurch. The office will be closed on the week of Monday April 21<sup>st</sup> to Friday April 25<sup>th</sup>. However the phone will be diverted, and I will monitor emails, so don't hesitate to get in touch with any queries.

### **Bank Term Deposit Rates**

Here is a list of the current bank term deposit rates that are available.

	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>
ANZ	4.10%	4.10%	4.15%	4.30%	4.30%
ASB	4.20%	4.05%	4.25%	4.30%	4.30%
BNZ	4.30%	4.15%	4.25%	4.30%	4.30%
Heartland	4.30%	4.30%	4.40%	4.50%	4.50%
Kiwibank	4.25%	4.10%	4.10%	4.30%	4.30%
Rabobank	4.20%	4.15%	4.25%	4.40%	4.40%
Westpac	4.10%	4.20%	4.20%	4.30%	4.30%

### **Portfolio Administration**

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**