# Super news

## for the 10 months to 31 January 2014

## Scheme investments

### Strong results from shares boost returns

A generally positive economic outlook has seen share markets, led by the US and Japan, continue to post sound returns. News in May last year that the US Federal Reserve would start reducing (or tapering) its huge asset-purchasing programme rattled financial markets at that time. December's announcement, however, that tapering would start from January 2014, in contrast, was generally well received.

However, returns from shares dipped in January, apart from New Zealand which had a strong month. Hardest hit were emerging market shares as investors withdrew capital from those markets, reflecting concerns about slowing Chinese growth and countries struggling with high inflation and depreciating currencies.

In contrast, fixed interest investments had a good month, beating shares for the first time since August 2013, as investors headed back to the safety of government debt.

For more detailed information about the Scheme's investments, see the quarterly investment update which is available by signing in to www.dairysuper.superfacts.co.nz and going to the investments page.

**Returns for each investment option after tax, fees and expenses to 31 January 2014**

| | Cash | Cash/ Conservative | Conservative | Conservative/ Balanced | Balanced | Balanced/ Growth | Growth |
|---|---|---|---|---|---|---|---|
| Scheme year to 31 March 2013 | 2.0% | 4.3% | 6.7% | 8.6% | 10.4% | 11.3% | 12.2% |
| **Periods to 31 January 2014** | | | | | | | |
| Scheme year to date (10 months) | 1.5% | 2.3% | 3.2% | 4.9% | 6.7% | 7.8% | 8.9% |
| 12 months | 2.1% | 3.5% | 4.9% | 7.1% | 9.4% | 10.7% | 12.1% |
| 3 years (average pa) | 2.2% | 3.6% | 5.0% | 6.0% | 7.0% | 7.5% | 8.0% |
| 5 years (average pa) | 1.9% | 3.8% | 5.7% | 7.1% | 8.4% | 9.2% | 9.9% |
| 10 years (average pa) | 3.4% | 3.9% | 4.5% | 4.6% | 4.8% | 4.8% | 4.9% |

*[1]Fund returns are determined each month. The reported returns are effective returns, taking into account the effect of compound interest and rounded to one decimal place*

## Scheme news

### Important information for members leaving the Scheme who have Locked In Account balances

Generally, any balances in your locked in accounts can only be paid out on the later of your 65th birthday or the date you complete five years' membership of a complying superannuation fund (such as the Scheme) or a KiwiSaver scheme.

If you leave the Scheme before you qualify to withdraw your Locked In Account balances, they must be transferred to another complying superannuation fund or KiwiSaver scheme nominated by you.

Since your Locked In Account balances need to be transferred to your nominated KiwiSaver scheme or complying superannuation fund at the same time as your standard benefit is paid from the Scheme, **to avoid a delay in your benefit being paid make sure you complete option 4 on the leaving service withdrawal form (D3)**.

If you are not already a member of a KiwiSaver scheme, you will need to join one. For help choosing a KiwiSaver scheme go to the list of KiwiSaver schemes on the Government's Sorted website.

## Choosing a financial adviser

Legislation prevents the Trustee directors and Scheme personnel from providing individual financial advice to members. From time to time, especially if there is a change in your personal or financial circumstances, you may need assistance, for example, about how much to contribute or which investment option to choose. When this occurs, we recommend that you contact a financial adviser.

There are two types of financial adviser: a *registered financial adviser* who provides advice about simple financial products such as bank term deposits, bonus bonds and call credit union shares and an *authorised financial adviser* who provides advice about more complex financial products such as securities, futures contracts and superannuation schemes such as your Scheme.

By law, all financial advisers must be on the Financial Services Providers Register and belong to a disputes resolution scheme. Authorised financial advisers must also be licensed by the Financial Markets Authority and comply with the Code of Professional Conduct, which sets out minimum standards of client care and ethical behaviour.

**Finding an authorised financial adviser**

You can:

- Search for an authorised financial adviser and see what financial services they can provide in the official Financial Service Providers register on the Companies Office website
- Find out the names of authorised financial advisers in your area on the Financial Markets Authority website

**Before deciding on an authorised financial adviser ask:**

- Will you feel comfortable discussing your personal finances with the adviser?
- Will the adviser take the time to understand what your needs are?
- What qualifications does the adviser have?
- Does the organisation he or she works for have a good reputation?
- Does the adviser get commissions from the investments he or she recommends?

Your authorised financial adviser must give you two disclosure statements setting out information such as how the adviser gets paid, the services the adviser is authorised to provide, any bankruptcies and any disciplinary proceeding and criminal convictions in the last five years. If practicable these must be given to you before the service is provided, otherwise as soon as practicable afterwards.

## How much will you need to save to achieve the retirement lifestyle you would like?

The first step in estimating the income you're likely to need when you retire is to look at your current cost of living – in other words, do a budget. Then make some adjustments. There are some expenses you may not have in retirement, such as loan repayments, school fees, work related expenses etc. There may also be some additional expenses that need to be considered.

Research has indicated that retirees tend to have higher medical and leisure expenses than pre-retirees. Early in retirement there may be significant one-off expenses, such as replacing a car, paying off debt or an overseas trip for example.

A survey in August 2013 by the Financial Education and Research Centre showed that for a retirement lifestyle with some luxuries a couple would need between $37,220* and $40,908*, of which $28,593 would come from NZ superannuation.

You can use Sorted's Retirement planner to see how much you will need to save for retirement depending on the lifestyle you would like.

**Source: NZ FinEd Centre Retirement Expenditure Guidelines - August 2013.*

**Rent or rates would be on top of this*

## Cutting through the jargon

Some of the terms used in Scheme communications are specific to superannuation, estate planning or investments.

**Emerging markets**: countries with low to middle incomes per person with developing regulatory frameworks and economic policies. Countries in this category tend to have more recently opened their economies to foreign investment and are experiencing rapid growth. Emerging markets include larger nations such as China, India and Brazil and smaller nations such as Tunisia.

**Tapering**: the reduction of the US Federal Reserve's huge asset-purchasing programme introduced to stimulate the US economy by keeping interest rates low and encouraging financial institutions to lend money.

**US Federal Reserve**: the central bank of the United States and the most powerful financial institution in the world. The Federal Reserve Bank was founded by the US Congress in 1913 to provide the nation with a safe, flexible and stable monetary and financial system.

## Scheme fact sheets

If you have a question about the Scheme, do look at the fact sheets on the Documents & forms page on www.dairysuper.superfacts.co.nz. We plan to add to these over the coming months.