

Topictalk

On a General Note

Greetings to the Currey Financial Services four monthly newsletter.

This replaces the quarterly newsletter and upgrades the existing product with colourful print as well as topical, informative and hopefully interesting articles.

On a general note, the dollar remains high, the reserve bank governor repeatedly increases the OCR, and the present government changes the tax laws for investments and introduces a work based voluntary savings scheme 'Kiwisaver'. Although we have been in this business for the last 22 years, we are in a period of financial change and opportunity that at least mirrors that of the late 1980s.

On the 'home front' I am pleased to announce that our office upgrade

has been completed and we invite you to visit us. Through each day we are bombarded by electronic media and sometimes it is difficult to make out the trees from the woods, so if a sounding board or person to person chat is preferred please call in.

While we remain reticent about making financial predications other than taxes will continue unabated, I do feel inclined to go out on a limb even at this fairly early stage; get in quick to reserve a ticket for the Super 14 semi and final at Eden Park, and if

you make enough money from such a prophecy, make sure you take your black garments and face paint with you for the final of the rugby world cup!

Adam Currey



Kiwisaver

Many of you may have read articles in various periodicals, and some views may be confusing so I thought I would provide a list of the basic facts:

- It is a scheme that deducts a contribution of either 4% or 8% of a worker's gross salary from day one for all NEW EMPLOYEES.
- Subsequently the NEW EMPLOYEES can opt out of the scheme after 2 weeks and before 8 weeks, after which time they will have to contribute for 1 year. After 1 year a permanent contribution holiday can take place, at 5 yearly increments.
- Some companies may have their

own scheme that 'exempts' any NEW EMPLOYEES from having to make contributions.

- Existing employees can join a Kiwisaver scheme, either through their employer or directly with the Kiwisaver provider.
 - Apart from the default Kiwisaver providers, at this stage no Kiwisaver scheme has been approved by the government actuary. Schemes will no doubt be advertised in the months ahead.
- There are of course many more questions and we are more than happy to assist individuals or businesses. We have developed a PowerPoint

This voluntary work based savings scheme comes into affect on the 1st July.

presentation and are very happy to brief groups of up to 25 people. If you have any queries please call Adam.



The Cancer Drug Debate

Cancer seems to be the main talking point around lunchrooms, offices and certainly in the press.

The appropriateness and cost of Herceptin, a breast cancer fighting drug, has received much publicity recently. In fact herceptin has been available for end stage breast cancer patients since 2001, but only recently has Medsafe, the New Zealand Medicines and Medical Devices Safety Authority,

approved the drug for early stage breast cancer. Medsafe considers only the safety, quality and efficacy of a medicine, it does not consider product cost or cost-comparison with other medicines in its deliberations. Essentially all pharmaceutical companies must pass stringent procedures enforced by Medsafe before offering drugs to the general public. Each country has similar procedures and processes, to the point where a drug approved by the USFDA, the Food and Drug Administration in the USA, may not be approved in New Zealand, and may never be approved.

Another important consideration is that of the role PHARMAC, the Pharmaceutical Management Agency of New Zealand. PHARMAC examines cost-utility and cost effectiveness of a medicine compared to other medicines that produce the same or similar effect, to determine how treatment with a medicine might impact on the health of New Zealanders and the pharmaceutical and overall health

budget before coming to a decision about funding.

The affect that these two agencies have on your health insurance is that most insurance providers are limited to offering you PHARMAC approved drugs only. Even if they can provide all Medsafe drugs, these can be limited to specific treatment only i.e. for early stage breast cancer treatment only, or late stage prostate cancer only after chemotherapy etc. For drugs not approved by Medsafe, that may already be approved and affective in Europe or the USA, people would have to privately fund such treatment.

With respect to such a drug issue, we believe that the most efficient manner in which you retain the choice of treatment is to initiate a trauma recovery benefit (living assurance policy, depending on the provider). Irrespective of the health insurance cancer drug policies, a trauma policy will provide 100% certainty that you will have the means to receive the appropriate drug treatment that your doctor advisers, without hindrance from government agencies.

Superannuation and Tax Changes

There has been some concern expressed that clients may need to reconsider their superannuation portfolios following the announcement of impending tax changes this year.

However the changes overall are advantageous to those who save regularly into managed funds such as superannuation.

Firstly, members will be taxed at their individual tax rate, with a maximum of 33%. Those on a lower tax rate will receive equitable treatment, while those on a 39% marginal tax rate will continue to benefit.

Secondly, any share capital gains in the New Zealand and Australian share markets will be non-taxed. Investments in overseas shares will be taxed at 5% of the value at the start of the tax year (the so called Fair Dividend Rate). Dividends returns will be taxed in all cases.

The principle of diversification still applies. In our opinion the tax changes do not necessarily warrant portfolio changes as the combined Australian and New Zealand share market represents just over 2% of the world share market. Members will benefit from the changes under normal market conditions. We urge our clients to continue with their superannuation plans but also to review their progress regularly to see that retirement goals are achieved.



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