Currey Financial Services Ltd

# Topictalk

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INVESTMENT • INSURANCE • SUPERANNUATION • MORTGAGE BROKING • HEALTH INSURANCE • KIWISAVER

# All Black Win Typifies 2009

## Xmas greetings from the team at Currey Financial Services.

It seems that if further proof were needed we can now provide it. After a slow, pessimistic start to the business year, much like the early losses to the Boks and France, business confidence has risen, along with commodity milk powder prices, mirroring the progress of the AB's finishing on an entertaining and powerful note against France. Ally this success with the All Whites and just about any cyclist representing NZ, I think we have over 20 world champions over the ages and events, we have certainly had a strong finish to a rather turbulent year. We have a new addition to the CFS team, Daniel Glynn, who joins us after many years in the banking sector. Daniel will be introducing himself over the months and years, eager to answer all your banking and insurance questions.

Back to the macro world, there has been a reasonable recovery in the markets over the past few months and debate now seems centred around the durability of the recovery, or more specifically durability of positive media reports. The Dubai credit crisis has thrown a 'spanner in the works', but with a little 'oil money' from Abu Dhabi and increasing 'media confidence' elsewhere, we believe the glass is definitely 'half full'.

## 2010 Predictions

Bank interest rates will remain steady

World Trade talks will continue to stagnate

Tiger Woods will win 2 majors and his popularity will remain unaffected by bloodthirsty news reporters

The NZ dollar will fall, and rise, and fall, and rise

NZ will retain the Bledisloe Cup & also win the Tri Nations competition

All Whites to record first win at a World Cup.

*'I think I preferred it before he became an equal opportunity employer'*

# Who Should Have Long Term Investments?

*Reproduction and abbreviation of article from 'Better Investor'*

Having once advised a widowed 69 year old lady to buy term deposits with the money her husband had left the family, a very experienced investment specialist now spends much of his time explaining why  this was such bad advice.

'Well, we all thought it was good advice at the time – cash was safe and generated a small income, and the lady was at an age when many investors were winding back their exposure to growth assts (shares and property). The problem was that the cash investment didn't generate enough income to support the lady in her 22 years of widowhood. So she had to tap into her capital as well. By the time she died at age 92, there wasn't much left. She had wanted to leave her money to her children, so even at her age, the advice provided failed to take into account her long term goal. Despite being a senior citizen at 69, she was still a long term investor.

The investment specialist tells this particular story because it was his mother and he was the adviser.

His mother had become a widow in 1974, a year of sharp falls in share markets and a year after the OPEC oil crisis. Investors were 'spooked' and so were advisers. What they failed to take into account was the long history of share market behaviour, which suggested then, as it continues today, that share prices do recover after a fall.

'To really understand the power of the sharemarket in contrast to cash, you need to look at how the sharemarket has performed over its very long history – not just the booms and busts that attract media attention. Yes there have been falls; the big falls 1929/30, 1973/4, 1987, 2002 and 2008 are all significant.

But over the course of the 100 years of history of the Australian sharemarket, we've experienced about 80 years of positive annual returns and only about 20 years of negative annual returns. Even recent history, since 1980 the market has generated positive annual returns for 20 of the 29 years.'

An example he uses is that of an investment of AUD$100,000 invested in term deposit in 1980 compared to the same investment in an Index Fund. If the dividends and interest earned had been reinvested in each fund, today the term deposit would be worth AUD$1 million and the Index Fund $2.5 million. This period includes the 1987 crash, the tech boom bust, the recession in 1990 and the very recent Global Financial Crisis. An important point is that the Index Fund is not representative of the best shares, merely a diversified portfolio made up of good and bad shares alike.

Cash investments will always have their place in a balanced diversified investment strategy.  The real point is that investors of all ages need to step back from their emotional responses to short-term share market movements and concentrate on an understanding that share markets tend to be reasonably predictable when we really do look at the big picture.

"Just ask yourself what you really want from your investments?  If it's creating wealth over the long-term, then cash isn't the solution.  Warren Buffet said it perfectly when he said that cash might make you feel comfortable but it's a terrible long term asset, paying virtually nothing and certain to depreciate in real value – after inflation."




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