

# Broadbase International Ltd Newsletter – March 2010

If you're in the UK you'll probably know about the recent devastating earthquake in Chile, but did you know that this resulted in a Tsunami warning for the east coast of New Zealand in the early hours of Sunday 7<sup>th</sup> of March? Strange tidal patterns and surges were noted throughout the day but the "wave" hit at low tide, so there was no real damage. Discussions are under way on more decisive methods of discouraging people from heading down to the beach when they hear a tsunami warning!

In our newsletter this month we take a look at the current rather dismal Pound to New Zealand Dollar exchange rate, and discuss some currency exchange strategies. We've also provided a link to the latest quarterly Morningstar KiwiSaver performance survey, and noted some of the possible forthcoming changes to New Zealand tax and road rules. Also the latest economic indicators and a reminder about Mothering Sunday and British Summer Time/Daylight Saving.

## Currency Exchange Update

If you've got some Pounds that you are waiting to change into New Zealand Dollars, you'll have noticed that the exchange rate is really bad at the moment – and actually hit a new 25 year low in the first week of March. We asked the team at our currency exchange partners [HiFX](#) to explain why, and also predict what might happen over the coming months:

"The Pound has recently fallen to 25 year lows against the New Zealand. The UK has experienced a longer and deeper recession than other similar economies and this has saddled the UK with huge public debt. The prospect of a hung-parliament in the forthcoming General Election continues to weigh on the Pound. Political uncertainty and the lack of a credible plan to tackle the high public debt suggest a strong Sterling recovery could be some way off.

Against the NZD there is heavy resistance around the 2.30 with GBP/NZD having been repeatedly rejected at these levels for six months. Further downside still exists. Some analysts see the GBP/USD downtrend continuing to 1.40 levels which would equate to 2.02 against the NZD if NZD/USD holds around 0.69.

With the trading range over past six months being so wide it difficult to forecast what will happen over the next few months. A clear election result and a stronger UK recovery could signal a GBP turnaround to the upper 2.2 levels.

Interest rate rises in New Zealand in the second half of 2010 and continued sluggish growth in the UK could see the fresh 25 year lows."

HiFX has also supplied an excellent graph of Pound to NZ\$ movements over the past three months [which you can download in PDF form](#).

If you're contemplating a move to New Zealand then this news is obviously not what you were hoping for – traditionally the strong Pound has made it much easier for Brits to settle in New Zealand with a comfortable financial cushion. But there are a couple of ways to reduce the impact of poor exchange rates:

1. Remember that you don't have to change all of your money at once – a better strategy at the moment may be to change only as much as you need for your immediate needs. Please see the article on our UK website for more information on [how much it costs to emigrate to New Zealand](#).
2. Using a foreign exchange broker rather than a bank to change your money and will get a better rate for your Pounds, and you'll also get free expert advice – we've worked with HiFX for years, and highly recommend them. For more about their services, check our article on the [currency exchange process](#).
3. If you're leaving money in the UK, it may be best to hold it in a high-interest bank account. Make sure you [complete a P85 form](#) when you leave the UK (and [let your bank know](#)) so that any interest you receive can be paid to you without tax being deducted. If you qualify as a [Transitional Resident](#) you will not have to pay New Zealand tax on the interest you receive for 4 years.
4. You may need to think about [renting a house in New Zealand](#) rather than buying one while you wait for the exchange rate to improve. If you really want to buy a house, it may be better at the moment to get a larger [New Zealand mortgage](#) rather than converting your Pounds into New Zealand Dollars at a poor rate – a variable rate mortgage that you can afford comfortably would be our recommendation for most migrants.
5. Remember that our [preferred New Zealand QROPS](#) for UK pension transfers both allow you to [keep](#)

[your transferred pensions in Pounds](#) while you wait for an exchange rate that you are happy with, a facility that has been of great benefit to our clients.

The greatest ally that anyone can have when they are contemplating exchanging a large amount of money is **time** - if you don't need to change your Pounds into New Zealand Dollars by a certain date you will have more flexibility. An extra few weeks or months [can make all the difference](#).

Please [contact Jeremy](#) if you would like to discuss your currency exchange strategy.

## ***KiwiSaver***

The Morningstar KiwiSaver Performance Survey for the December 2009 quarter has been released, and is available from [the Morningstar website](#). Huijich Wealth Management's funds are still listed, but there are some suspected inconsistencies in their reporting so they are no longer in the rankings. A useful new column has been added to the Morningstar report to show the estimated total fees of each KiwiSaver fund.

With contributions from you, your employer and the Government, even a modest monthly KiwiSaver contribution to an appropriate fund can add up over the years to a significant pension pot. Click here for [more information about KiwiSaver](#) (and to check your eligibility if you're from the UK). If you would like to get started with KiwiSaver or check whether your current KiwiSaver scheme is the right one for you, [contact Jeremy](#) to get a copy of our KiwiSaver investor profile.

## ***New Zealand Tax Changes***

There has been plenty of discussion of tax in New Zealand over the past couple of weeks as the Government has revealed their plans for tax reforms over the next few years. Some of the major changes that have been signalled are:

- Increasing GST from 12.5% to 15%,
- Alignment of the top personal income tax rate (currently 38%) and the trust tax rate (currently 33%), with possible reductions to the company tax rate (currently 30%),
- Possibly changing the property tax regime for property investors.

The New Zealand budget will be delivered on May 20<sup>th</sup>.

## ***New Zealand Road Rules***

The Government has also recently unveiled some proposed changes to the road rules in New Zealand. Proposed changes include:

- Abolishing the current give way rules where left turning traffic needs to give way to right turning traffic at an intersection.
- Raising the minimum driving age from 15 to 16, and making it harder to get a restricted licence.
- Introducing a zero drink-drive limit for drivers under 20.
- Possible reduction of drink-driving limits and further restrictions of convicted drink drivers.

Check the [Driving in New Zealand](#) section on our UK website for more information on New Zealand road rules, buying a car and driving licences.

## ***Economic Indicators***

[Unemployment](#) in New Zealand jumped sharply to 7.3% in the December quarter, up from 6.5% the previous quarter. This is the highest it has been since 1999. The unemployment rate in the UK is currently 7.8%.

[House prices](#) in New Zealand increased 5.5% nationally in February over the same time last year, and are now only 3.9% below the market peak in late 2007. The market is described as "uncertain", and sales volumes have been very low.

[Mortgage Interest Rates](#) – floating rates start at around 5.65%, and a 2-year fixed rates are around 7.2%.

## ***Important Dates***

**Mothering Sunday** in the UK is on Sunday 14<sup>th</sup> March this year.

**British Summer Time** comes into effect on Sunday 28<sup>th</sup> March 2009 (when clocks go forward one hour) and runs until Sunday 31<sup>st</sup> October. We haven't heard the handy saying "Spring Forward, Fall Back" since arriving in New Zealand, but it applies here too – New Zealand's Daylight Saving ends on Sunday April 4<sup>th</sup> (when clocks go back one hour) and begins again on Sunday 26<sup>th</sup> September.

The New Zealand Government extended Daylight Saving by a couple of weeks in 2007 after years of complaints about it being too short – and years of opposition to Daylight Saving from dairy farmers who protested that it confused their cows! Ararua, a tiny dairy farming community in the Northland, even gained brief annual notoriety for a number of years by refusing to observe the time change. Their vote obviously counts – when the Department of Internal Affairs conducted a [public opinion survey](#) about Daylight Saving in New Zealand in 1998 they surveyed 1,006 members of the public and 494 dairy farmers.

Anyway, take care over the next couple of weeks to ensure that overseas relatives are not disturbed at inconvenient hours – our tip is to type the question "what is the time in the UK?" or "what is the time in NZ?" directly into your Google search box to get the correct time before you call.

## ***Until Next Month...***

Wishing you well until we are next in touch. Please feel free to contact us anytime if you have any questions about the financial side of life in New Zealand.

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