

Broadbase International Newsletter – November 2008

In this edition of our newsletter we take another look at UK Final Salary pensions, keep you up to date with exchange rates, and start getting ready for Christmas.

Final Salary Pensions

UK Final Salary pension schemes are seen by most members and advisers as the "untouchables" of the pensions industry as they are seen as providing guaranteed pension benefits. If clients tell us that guarantees in their pensions are important to them then we have generally recommended that they remain in the UK scheme rather than transfer to NZ.

However, we are now having to start putting a very strong proviso on this advice as more and more schemes of this type are finding themselves with too little money to be able to pay all benefits required. The Pensions Protection Fund in the UK recently published the results of their monthly survey of Final Salary pension schemes for June 2008, and revealed that only [29% of schemes had a surplus, while 71% have a deficit](#). There has been plenty of volatility in the markets since then, so we do not expect the situation to have improved.

There is no suggestion that government funded final salary schemes, such as the NHS pension, are affected by shortfalls - but if you are a member of a private UK Final Salary scheme, we suggest that you keep a close eye on your investment. Remember that the scheme benefits are only guaranteed if the employer can afford to pay them, although there is an element of guarantee provided by the [Pensions Protection Fund, which takes over failing schemes](#). If a scheme is under-funded there is a strict order in which benefits must be paid, with existing pensioners being paid first.

Another factor to consider is the large penalties being applied if a member wants to take early retirement from their Final Salary scheme. The industry average is around 4% per year you want to retire early, but we have had a client recently who was given figures showing a reduction of 6% in his benefits if he retired a year early at age 64, increasing to a loss in benefits of 54% if he wanted his benefits at age 50.

If you have a UK final salary pension scheme and you have settled in New Zealand, you may be entitled to transfer it. In doing so you lose the prospect of a guaranteed level of income in retirement, but you gain much more flexibility in both your investment choices and retirement date. We have an interesting article on the differences between [UK final salary pensions and New Zealand superannuation funds](#) on our website, and we are happy to discuss your options with you.

Crown Retail Deposit Guarantee Scheme

We are pleased to announce that Aegis, the investment custodian service we use, has confirmed that cash deposits held with them will be covered by the New Zealand government's forthcoming bank deposits guarantee scheme - officially known as the Crown Retail Deposit Guarantee Scheme. This covers cash accounts in all currencies, as well as the 30, 60 and 90 day ASB Deposits that you can hold in Aegis. The scheme covers deposits of up to NZ\$1 million per depositor per guaranteed institution, for two years from October 12. For more information on the scheme, take a look at the [Treasury website](#).

Interest Rates

Its been another turbulent month in the markets. The New Zealand Reserve Bank cut the Official Cash Rate (OCR) to 6.5% on October 23rd, a record 1% cut. Further cuts are expected if current economic conditions continue, with the next announcement due on December 4th. New Zealand mortgage interest rates have come back slightly, with the floating rate at around 9.5% and a two-year fixed rate at about 8%. The interest rate cut was pretty much as predicted, so did not have the usual dramatic impact on exchange rates.

Christmas Posting Dates

The final cut-off dates for posting Christmas cards and parcels back to the UK are fast approaching, with Economy on the 15th November and Air Mail on the 29th of November. Christmas cards sent Economy post are not held back for delivery near Christmas - we sent some cards to the UK at the \$1 economy rate a couple of years ago, and had them turn up at their destination two weeks later. This resulted in much ribbing from friends and relations who felt this was much too early!

Most of our UK-based family members have pretty much tired of woolly jumpers, rugby shirts and greenstone pendants now, so we send most of our parcels from UK-based websites such as [Marks and Spencer](#) and [Amazon](#), who are perfectly happy to take a New Zealand credit card and billing address. It certainly saves on postage, and means that they can return items which aren't quite right.

New Content

We've posted some new content on our websites in the past few weeks, including articles on [Common Problems with New Zealand Property](#), which covers condensation, heating and ventilation issues that British migrants often find in New Zealand houses and some advice on how to fix them; [Shipping your Car to New Zealand](#), which is an introduction to exporting your vehicle when you emigrate; and [Transferring UK SIPP's to New Zealand](#), our advice on moving Self-Invested Personal Pensions to NZ. We hope you find these and the rest of our content useful as you plan your emigration and settle into New Zealand, and we welcome your feedback on existing content and ideas on what else you may find useful.

National Character

We enjoyed a recent article in the Christchurch Press which reported the results of research into the "key traits" of several nations - New Zealand's six defining characteristics were: ingenious, fair, restrained, modest, earthy and informal. The UK's were: privacy, singularity, evolution not revolution, fair play, pragmatism, and social mobility. Food for thought!

Until next month then...

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

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