

## Broadbase International Newsletter – October 2008

In this edition of our newsletter we have decided to address three areas that we are being asked about increasingly, especially in the last couple of days - foreign exchange, UK pension transfers and bank stability.

### Foreign Exchange

Certainly in the last few days there has been a huge move in the GBP vs. the NZ\$, and we believe that it is important to have a strategy in place if you have pounds to change into dollars. No one knows what the future holds although there is a lot of opinion and advice being given! Exchange rates are fluctuating all the time, and there are many factors which influence them. When people ask us "What should we do?" it does depend upon each individual's situation. In order to establish that, we ask the following questions:

#### **1. Do you have a rate or rates in mind at which you will be happy and/or comfortable to exchange your GBPs into NZ\$?**

If yes, what is that rate and how far is it from the current rate in the market?

If no, then you need to think about the rate that you feel comfortable and/or happy with and you need to take into account the current rate.

#### **2. Have you considered splitting the amount that you wish to exchange so that you can take advantage of rising rates?**

You don't have to exchange all of your money at one time - you can choose to exchange a proportion of it at one rate, and then see what happens next before exchanging the rest.

#### **3. Have you considered using a Foreign Exchange specialist?**

We recommend HiFX and [Steve Pilgrim](#) at HiFX in Auckland in particular. Using a foreign exchange specialist can help you to get more dollars for your pounds - you can read more about them on the website:

<http://www.broadbaseinternational.com/foreign-exchange/changing-your-pounds-into-dollars.html>

For real-time Interbank exchange rates have a look at: <http://www.hifx.co.nz/marketwatch.aspx>

#### **4. Do you have GBPs in Perpetual Trust's pension scheme the Pegasus Investment Fund?**

If you have been waiting for a good rate before changing your pension fund from pounds to dollars, your wait may soon be over and your patience could really pay off! Please contact [Jeremy](#) or [Steve](#) to discuss what your next step should be.

### UK Pension Transfers

In current market conditions, should you still consider transferring your UK pension funds to NZ? Given the current turmoil in world financial markets, we can certainly understand why you may be thinking twice about transferring your UK pension funds to New Zealand.

Most UK pension company Managed Funds, With Profits Funds and all Equity Funds will have equity (stocks and shares) exposure, with UK pension providers tending to favour UK equities. Our main concern is that the UK economy and markets have been hit harder than most and we still think that there may be a fair way to go before they start to recover.

Unfortunately nobody knows, so your immediate decisions should be:

- a) am I happy to ride out the markets where I am?
- b) if so, how long am I going to have to wait to recover my losses?
- c) what are my alternatives to regain investment control?

Most clients who decide to transfer do so for specific reasons as NZ pension schemes better meet their own personal goals due to their underlying flexibility. These reasons will not have changed.

In our opinion, having control over what happens now is vital. If losses have been made, whether the monies are held in the UK or in NZ the most important consideration is how quickly you can recover these losses and how much control you can retain.

With this in mind please note that our preferred NZ pension scheme has the ability to hold monies in cash and high quality fixed interest. With interest rates in NZ historically and presently being higher than in the UK, you would be able to start recovering the losses you have made in the UK without the need to take the levels or risk involved in the equity markets. At the same time you keep control over if and when you then wish to get back into the markets when signs of recovery start to appear. As we have access to funds from around the world we are able to access high quality fund managers, some of whom have continued to make profits

even during the last twelve months. This means that you are not then relying on UK insurance companies (who are generally not great fund managers) to start to re-build your portfolio when market conditions improve.

The situation may be improved further by potential gains from currency exchange control as we also have the ability to keep transferred pension monies in Sterling until you are happy with the exchange rate. Please note that like in the UK, NZ pension schemes hold your pension monies in trust for your benefit only.

Our concern with the "riding out the storm in the UK" approach is that it could take many years before you regain losses, by which time the pension transfer laws may not be as flexible as they currently are.

All the signs so far are that Australasian economies are being far less affected by the current financial crisis than the traditionally huge world economies. At present there are 28 banks in the world which have a AA credit rating from Standard & Poor's, of which eight are in Australasia. This is a reflection of a less risky approach to lending that appears to have taken place in this part of the world so we would expect more stability "down under".

At the end of the day whether you wish to transfer does come down to what you are comfortable with. What we are trying to highlight is that whatever decision you make, we believe that we can offer better control of your future risk and returns in NZ than that available in most UK Personal Pension schemes.

## **Bank Stability**

We know that there has been a lot of rumours flying about on bank stability in the UK, but just how stable are the New Zealand and Australian banks? In our opinion, they are very stable. A survey by the World Economic Forum was released showing the Australian Banking system being the 4<sup>th</sup> soundest and NZ being 8<sup>th</sup> out of 134 countries. The UK was once ranked in the top 5 has fallen 44<sup>th</sup> behind El Salvador and Peru.

The Reserve Bank of New Zealand has just announced a deposit guarantee scheme which is excellent news, read more about it on the RBNZ website: <http://www.rbnz.govt.nz/>

Kevin Rudd, Australian Prime Minister has announced a similar guarantee on Sunday: <http://www.canberratimes.com.au/news/local/news/general/rudd-guarantees-deposits/1331566.aspx>

There will be more on the Reserve Bank of Australia website in due course: <http://www.rba.gov.au/>

## **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.

Information in this newsletter is of a general nature and is not intended as a substitute for professional advice based on your individual circumstances. Disclosure Statements under the Securities Markets Act 1988 relating to the financial advisers associated with this newsletter are available on request and free of charge.

If you wish to unsubscribe to our newsletter, please reply to this email with "unsubscribe" in the subject line. If you have been forwarded this newsletter by a friend and wish to subscribe, please reply to this email with "subscribe" in the subject line. We will not pass your contact details on to any other organisations without your express permission.

© 2008 Broadbase International Ltd., Phone +64 3 961 1720, Level 2, 217 Gloucester Street, Christchurch, New Zealand. [www.broadbaseinternational.com](http://www.broadbaseinternational.com), [www.broadbaseimmigration.co.uk](http://www.broadbaseimmigration.co.uk)