



## Firesuper Supernews

November 2019 No. 120

### Welcome to this edition of Supernews.

Included is an overview of the investment markets, Scheme returns, we welcome two new Directors, a look at the impact of long-term investment choice, tools to help you save, plus more. As always, if you've got any questions about the Scheme or if there is anything you would like to see included in future newsletters, please call the Helpline on 0800 MY SUPER (0800 69 78737).

## Welcome to our new directors

We are pleased to welcome Darryl Purdy and Murray Coppersmith as Trustee Directors.

Darryl Purdy has had over 15 years' experience as a chief financial officer, where he has developed an in-depth knowledge of financial and corporate functions. During his career, Darryl has worked extensively across the public and NGO sectors including at UCOL, Midcentral DHB, and his current role at Fire and Emergency New Zealand. Darryl serves on a number of Boards, is a Chartered Accountant, and holds a Bachelor of Business Studies from Massey University and a Diploma in Business from UCOL.



Murray Coppersmith worked at PwC for 34 years, including 24 years as a partner and has worked in New Zealand and overseas. During his career at PwC Murray's responsibilities included a period on the Board of PwC New Zealand, as well as being lead partner of the Corporate Finance team and, more recently, of the Finance and Economics team. Murray brings experience in governance, business valuation and financial evaluation.



We also wish to thank Brett Warwick and Geoff Taylor, whose terms ended on 30 June 2019, for their contributions to FireSuper, and commitment to the Trustee Board over many years.

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## Annual report and annual confirmation

Your annual confirmation and the Scheme's annual report for year ended 31 March 2019 have been distributed to all members either by email or post. If you would like to change the way you receive Scheme communications, please login to the website and update your communication preferences.

These documents are also available on [www.firesuper.superfacts.co.nz](http://www.firesuper.superfacts.co.nz).

[Visit our website](http://www.firesuper.superfacts.co.nz)



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## What could a negative interest rate environment look like?

Since the onset of the 2008 global financial crisis, investors around the world have been introduced to the concept of negative interest rates. Rather than **receiving** interest for lending money to a borrower, negative interest rates mean that investors effectively **pay** to lend money to the borrower – clearly a very unusual situation. Central bankers in Europe and Asia have introduced negative interest rates to stimulate economic growth through increasing the supply of credit in the system. As a result, the yield on some maturities of government bonds issued by Germany, Switzerland, France and several other countries are negative, meaning that if the bonds are held to maturity investors will receive less than their initial investment. While interest rates locally are still positive, some commentators have raised the possibility that negative rates may yet hit New Zealand, particularly if the economy weakened significantly. Were this to happen one would expect bank deposit rates (and New Zealand bond yields) to fall even lower than they are today which would have implications for income-oriented investors. Part of the rationale for central bankers adopting negative interest rates has been to encourage investors to take on more risk within their portfolios with the aim of generating higher returns. This may lead to investors reducing their exposure to cash deposits and fixed interest securities and increasing their allocations to higher risk investments like property and shares. Whether this would have the desired effect on economic growth is highly uncertain. Whatever happens with the global 'negative interest rate experiment', it seems likely that investors will have to lower their return expectations from cash and fixed interest investments in the future.

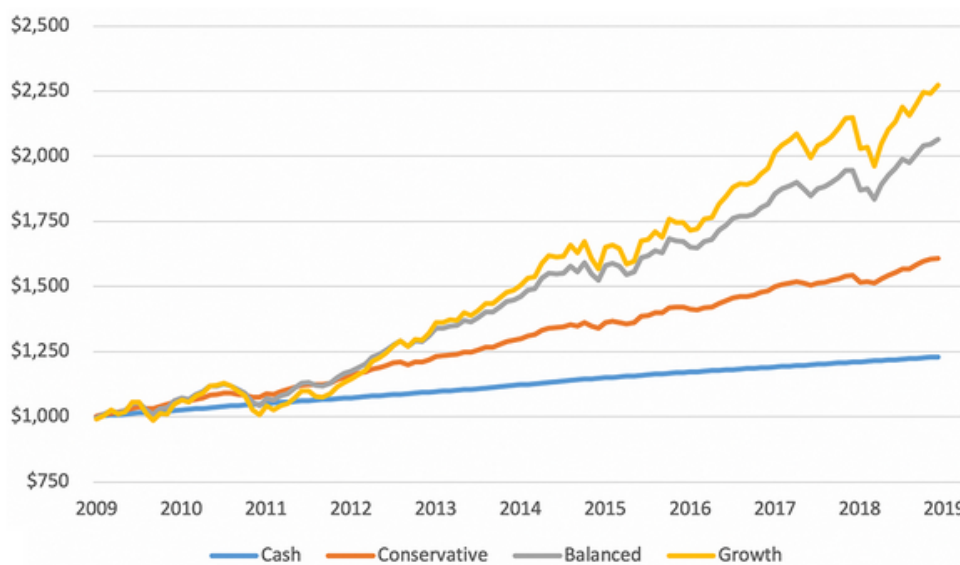
*Source: Russell Investments.*

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# How has investment choice impacted savings over the last 10 years?

Results over the long-term have been in line with expectations, with the higher-risk options (which have higher allocations to shares) generating stronger returns than the more conservatively-managed options. As is evident in the chart, the higher risk options have experienced more variability in returns, which is to be expected due to the inherent volatility in the share market. The returns below are presented net of fees and tax.

Growth of \$1,000 invested in the four investment options



Source: Russell Investments. Growth of \$1,000 invested in the respective investment options from 1 October 2009 through 30 September 2019. Past performance is not indicative of future results.

## Tools to help you save

### Investment choice

Determining what type of investor you are and finding the best investment choice for your situation has become even easier. There are a range of online tools that can help you find out what investment option may suit your risk tolerance, and can help show you if you are on track to having the retirement lifestyle you want, or need to make any adjustments.

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### Financial advice

There are many free budget advisory services across the country that can provide advice on debt consolidation, budgeting, and finance options. A financial mentor can help you effectively plan and save for the future. More information is available at [www.moneytalks.co.nz](http://www.moneytalks.co.nz)

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# Investment market performance

Share markets around the world have continued to perform well even as investors fret about the slowing global economy and the ongoing trade war between the US and China. Key central banks, such as the US Federal Reserve, have responded to slowing growth by reducing interest rates in the hope that these actions will help kick-start their economies. In New Zealand, the Reserve Bank surprised the market by reducing the Official Cash Rate (OCR) to 1% as it attempts to meet its employment and inflation objectives. Lower interest rates generally encourage companies and individuals to borrow more money; if this generates increased consumption or investment it can lead to higher company earnings, increases in wages and employment and stronger growth.

The New Zealand share market continues to break through all-time high levels with investors increasingly favouring shares that provide high dividends. In the US, the shares of large technology companies like Apple, Microsoft and the ever-expanding Amazon have continued to drive the market higher.

Fixed interest securities have performed well as interest rates have declined, but at current levels returns from this asset class may be muted in coming years. Likewise, shares have delivered very strong returns since the global financial crisis more than a decade ago; although there are questions surrounding the sustainability of these returns. The current economic expansion in the US is the longest on record. However, with share markets at record levels, slowing global growth and ongoing geopolitical concerns, investors should be prepared for share market volatility. While caution is warranted, the potential for upside surprise remains as economic fundamentals in much of the world are solid, monetary policy is generally accommodative and near-term resolution in the trade negotiations between the US and China remains a possibility.

Source: *Russell Investments.*

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## Changes to KiwiSaver

Earlier this year the Taxation (Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters) Act 2019 became law and made a number of changes to the KiwiSaver Act in recent months. Changes include amending the contributions holiday period (now called "savings suspension"), contribution rates, and 'lock-in' periods. If you are a KiwiSaver member in addition to FireSuper you may like to read more about these changes on the Scheme website.

[Read more](#)

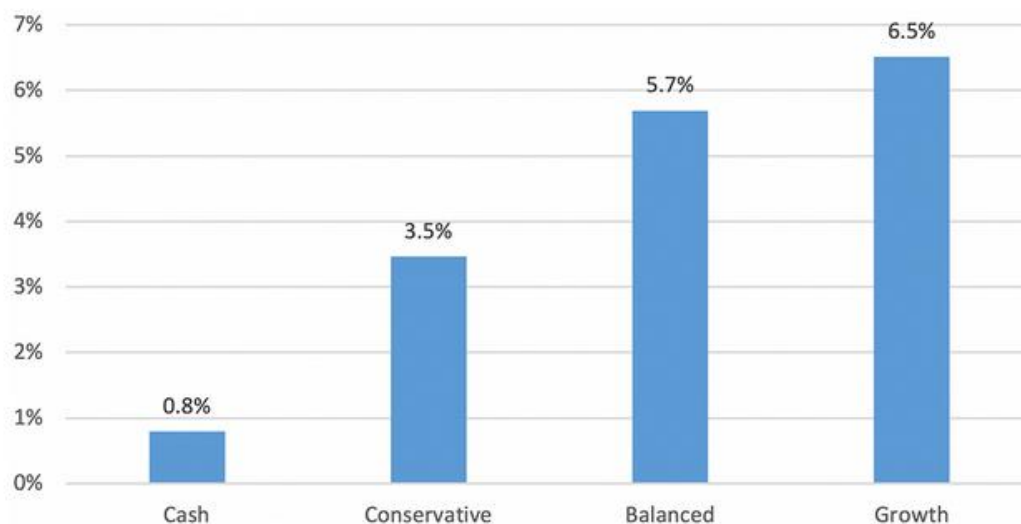
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## Scheme earnings rates

(Cumulative year-to-date interim returns)

The chart below shows the earning rate for each investment option for the Scheme year-to-date (1 April 2019 - 30 September 2019). The options have performed strongly given the favourable market conditions in recent months. The returns displayed below are after-tax and after all administration and investment expenses.



Source: Russell Investments

## Saving for the future – now or later mindset?

Planning for a longer retirement is becoming increasingly important as life expectancy increases around the world. Making decisions today to save through regular contributions is a good way to help ensure you have a more comfortable retirement. However, according to research developing a long-term money-saving mindset is no easy task.

[Read more](#)

To find out more about anything mentioned in this newsletter please either call us on **0800 MY SUPER** (0800 69 78737), email [nzfire.super@mercero.com](mailto:nzfire.super@mercero.com), or visit the Scheme website by [clicking here](#).



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