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From the publisher

Good things come out of bad

Getting this issue of ASSET to you has been a challenge as we headed into the Covid-19 level four lockdown.

This month we have looked at the pandemic and what advisers can do to help clients.

The financial services sector has been given "essential business" status, however advisers, while deemed important, didn't quite meet the threshold as an essential service (interestingly news media did).

While not officially essential I would argue it is vital that advisers are working and looking after their clients.

Getting information out to them; answering questions and helping put clients at ease is a high priority.

Being a glass half full sort of guy I am expecting some good things will come out of this crisis; one of those is the value placed on good financial advice.

KiwiSaver is a major area of concern as thousands if not tens of thousands of members switch to conservative funds.

Hopefully, the Ministry of Business, Innovation and Employment are watching to see how default providers have operated in this tumultuous time and will take this into consideration when they issue default licences next year.

In my mind this event will trigger changes in how we operate in the future. One of the biggest will be the use of technology like video conferencing. Another will be remote working. My guess is that corporates will learn what is possible and start to embrace the

flexibility it provides, plus it's likely to help them reduce expenses.

SHAKING UP DEALER GROUPS

While all this has been going on there has also been significant happenings in the life insurance sector. Partners Life has, again, rattled the cage, and changed the way it is paying commissions.

Stopping override commissions to dealer groups is to be applauded. Likewise, moving that sum of money from dealer groups to advisers (via their financial advice provider), and paying it on customer outcomes is exactly what the regulator has asked for.

The genesis of the dealer group model is steeped in commission history. In the early days they were established to aggregate commissions. This aggregation led to bigger pay-outs from insurers.

With the advent of the new FAP model dealer groups were always going to have to revisit their business models. Some have been doing this; others appear to have had their head in the sand.

Some seem to think Partners' move is sudden, yet it has flagged its concerns many times in the past.

The challenge has been laid down to other life insurers. Will they take it up?



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Our \$100 billion debt of gratitude

Sir Michael Cullen: The man who helped New Zealanders make better financial decisions.

Every now and then someone comes along who, in their lifetime, puts in place changes which touch not only everyone in their generation, but generations to come. Sir Michael Cullen is one such person.

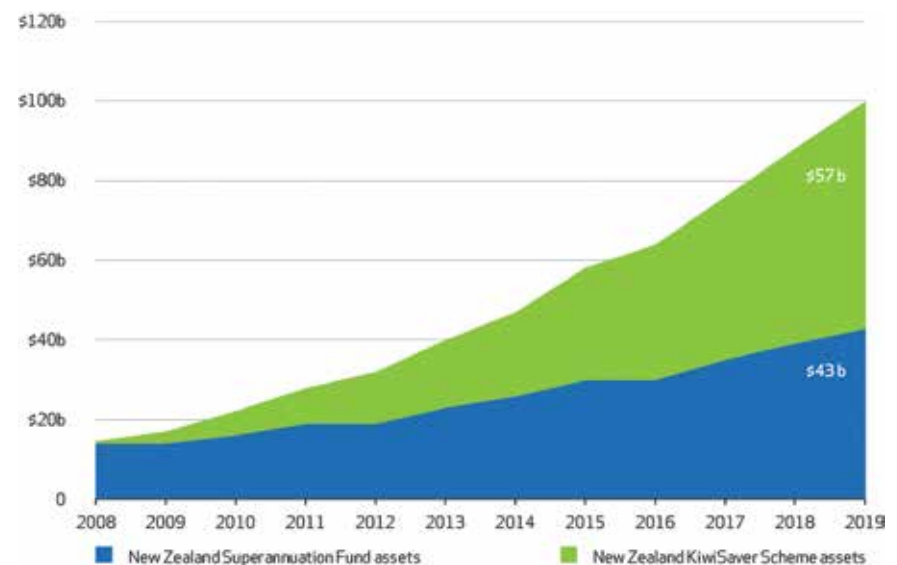
In 1898, the government of Richard Seddon introduced a means-tested "old age pension". This pension was available for people 65 and over and was worth around one-third of the average wage. This pension, like most of the later changes, was funded out of current taxation rather than through a separate investment fund. Subsequently, the age of eligibility declined to 60 and the pension as a percentage of the average wage increased.

However, those who were fortunate enough to be employed by a responsible employer – like my father whose employer was the Auckland Hospital Board – could contribute a portion of their salary to a superannuation fund which paid either a lump sum, or an annuity for the rest of their life based on a percentage of their final salary.

Life in New Zealand was good. But over the course of a generation things were to reverse. Many financial commentators cite the high inflation of the 1970s, the debt taken on to pay for "think big" projects and the decision to remove the tax deduction for private superannuation payments, as the cause of our nation's reversal in fortune. But it was only the first in a series of extraordinarily poor financial decisions that led to our current predicament.

Over the course of several decades, successive New Zealand governing parties decided that individuals who were able to directly manage investments in property or the shares of listed or unlisted companies should pay no capital gains tax. Meanwhile those individuals who relied on others to manage their money were forced to pay full corporate tax rates of around 33%, irrespective of which personal tax bracket they were in.

This contributed to the eighties property



and share market booms and subsequent busts, and the gradual decline of the superannuation industry. No one was interested in offering professionally managed retirement funds because of the 33% tax rate. Those with property or share management skills got wealthy, while regular savers got penalised. At the same time the age of eligibility for NZ Super rose to 65 and the payment fell to 33% below a "no frills" lifestyle.

In 1992 – a year after Australia introduced compulsory superannuation contributions for all its citizens – New Zealand formed the Todd Taskforce to question whether compulsory retirement savings should also be adopted by New Zealand. Headed by Auckland accountant Jeff Todd, they concluded that a compulsory superannuation option would be "an over-reaction to averting a future fiscal problem".¹ It is arguably one of the worst financial decisions New Zealand ever made. As a consequence, the average Australian citizen now has around \$145,000² in superannuation savings. New Zealand's average KiwiSaver balance has just hit \$19,500.³

In the 2000s, Michael Cullen (now Sir Michael) changed all of this with three farsighted decisions: the portfolio investment

entity (PIE) tax regime, which restored equality of capital gains tax between investing individuals and professionally managed portfolios; the creation of the New Zealand Superannuation Fund – now a world class sovereign fund manager; and KiwiSaver through which New Zealanders have already amassed \$57 billion.³ Despite poor historical decisions, one person managed to put New Zealanders back on track.

We all have a role to play in continuing to build on Cullen's legacy by ensuring that New Zealanders continue to make the best possible financial decisions. The upcoming selection of default KiwiSaver managers will be a significant step on the journey toward becoming a more financially prosperous nation. It is sad to hear that Sir Michael Cullen is unwell. Our thoughts go out to him and his family. **A**

Source: FMA 2019 Annual KiwiSaver Report, New Zealand Superannuation Fund 2019 Annual Report.

1. Todd Taskforce 1992. 2. Australian Bureau of Statistics, 2017-2018 balances. 3. FMA 2019 Annual KiwiSaver Report.

Disclaimer: Michael Lang is Chief Executive of NZ Funds and his comments are of a general nature.

By Claire Matthews

KiwiSaver funds fossil fuel ban: *political or ethical?*

New Zealanders should not have to worry about whether their retirement savings are causing the climate crisis.

New Zealand's announcement of a fossil fuel ban for default KiwiSaver funds from mid-2021 has left many questions unanswered – including whether it is appropriate for governments to make ethical investment choices on behalf of hundreds of thousands of people, who already have that option.

Climate change minister James Shaw described the decision as “putting people and the planet first”.

KiwiSaver is a voluntary retirement savings scheme for people in employment, to which the Government makes an annual contribution. People who join KiwiSaver without actively choosing a fund are allocated to default funds, and the ban on

fossil fuel investments applies to new default providers appointed next year.

But it will have broader impacts because about 600,000 current default members – about 23% of New Zealand's workforce – and their investments will be moved across to the new funds.

HOW TO DEFINE FOSSIL FUEL INVESTMENTS

Detailed rules have not been released yet, but the wording suggests a narrow definition of investments that will be excluded, limited specifically to fossil fuel production.

At this stage, similar schemes internationally, such as the US 401(k) plan or the UK's NEST scheme, do not have rules but offer ethical funds for their members

to choose.

As of January this year, there were three million people enrolled in KiwiSaver, New Zealand's national workplace-based retirement savings scheme. 1.3 million of those people joined the scheme through automatic enrolment and were initially placed in default funds – but despite the intended temporary nature of these funds, nearly 600,000 KiwiSaver members remained. This represents an increase of 2% over a year earlier, according to figures from the Inland Revenue Department.

At the end of December 2019, \$65.7 billion was invested in KiwiSaver. Assuming that the average balance is the same for KiwiSaver members in



Claire Matthews



default and non-default funds, this would put the funds managed in default funds at \$13 billion.

The first question is simply how fossil fuel production is defined. It obviously includes oil companies, but does it also cover the distribution and sale of fuel, which would capture transport companies and entities such as fuel distributor Z Energy? Does it include the financing of fossil fuel extraction and production, which could impact the big Australian banks?

The final definition will have a substantial impact on what investments are actually excluded under the ban.

ETHICAL INVESTMENT

A related question is why the ban should be limited to the production of fossil fuels. With fossil fuels described as a leading cause of the climate crisis, it would seem appropriate to also target users of fossil fuels, such as airlines and car manufacturers.

A complicating factor is that fossil fuel activities may be only a part of a company's operations. At what level does the extent of fossil fuel business require that the company be included in the ban?

Another question is why fossil fuels have been singled out. If the Government is going to get involved in making ethical judgments for KiwiSaver members, why restrict it to only some types of ethical concerns? What about the other "sin stocks", such as alcohol and tobacco?

“ A complicating factor is that fossil fuel activities may be only a part of a company's operations. ”

A true ethics-based approach would require default providers to sign up to the United Nations' principles for responsible investment or to seek certification under the Responsible Investment Association Australasia programme.

The Government announcement included other changes, such as a move from conservative to balanced funds, to improve long-term returns for default members. But there is uncertainty about the impact of the

fossil fuel ban on financial performance from the default funds.

ETHICAL CHOICES VERSUS POLITICAL MOVES

When announcing the fossil fuel ban this week, the Government argued that the ban could benefit

KiwiSaver members, pointing to the New Zealand Superannuation Fund's adoption of a climate change investment strategy in 2017 without negative impacts on financial performance.

But this is not an accurate comparison. The superannuation fund's strategy is a broader targeted divestment of high-risk companies.

It is difficult to assess the impact on the KiwiSaver funds' financial performance without the detail of the ban. A bigger question is why the Government should exercise any form of ethical judgment on behalf of default members? The default schemes were designed as a temporary holding fund until members make an active choice about their preferred fund.

Members with particular ethical views have always had the option of moving to another fund that better aligns with their values and interests. Mindful Money reports there are currently six providers offering 19 KiwiSaver funds that have a fossil free policy. It also identifies funds that are weapons free, sin free or offer higher environment, social and governance standards.

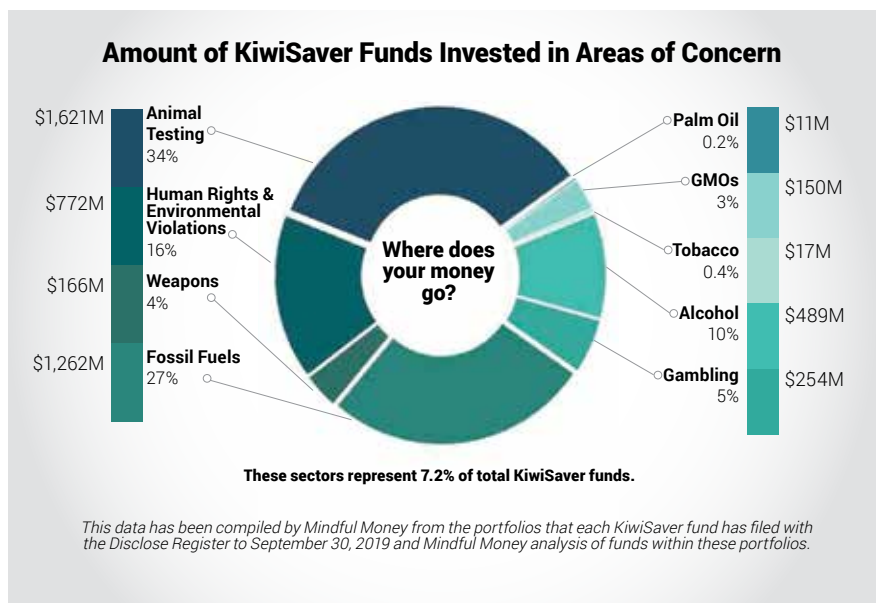
For those interested in exploring investment options that align with their ethical position, the Responsible Investment Association Australasia offers an interactive

“ The Government has not provided a convincing argument for why it should be making ethical investment decisions for KiwiSaver members. ”

tool that allows individuals to select investment options matching their values and interests. Sorted also offers information about ethical KiwiSaver funds.

The Government has not provided a convincing argument for why it should be making ethical investment decisions for KiwiSaver members. Like all KiwiSaver members, default members have the ability to move to a non-default fund that offers a responsible investing approach. The decision to restrict the ban to fossil fuels and the lack of detail suggests it is a political action, rather than a fully considered ethical policy. [A](#)

Claire Matthews received funding from the Ministry of Business, Innovation and Employment for a report on KiwiSaver withdrawal provisions in 2019. Claire Matthews is a fellow of Finsia, a certified member of the Institute of Finance Professionals NZ, a research associate of the Westpac Massey Fin-Ed Centre and a member of the Institute of Directors.



Covid-19 delays new regime

The Government is working on delaying the start of the new licensing regime for financial advisers. It will now not begin until at least March.

The new code of conduct will take effect at the same time.

All advisers had previously been aiming for a deadline of June 29 to apply for a transitional licence.

Financial Advice New Zealand chief executive Katrina Shanks said the "extraordinary circumstances" of the Covid-19 pandemic and the requirement for advisers to work through how they were going to operate after June would put "enormous pressure" on them when they needed to focus on their clients.

"It is vital financial advisers are able to focus on providing professional services to their clients and supporting them through the implications of volatile markets, insurance support and advocacy, and mortgage advice without the distractions the licensing process entails," she said.

Partners Life changes commission model

Partners Life is set to pay override commissions to advisers, not dealer groups.

These payments, and fixed dollar marketing support, will stop on July 1.

Instead the life company will pay overrides to FAPs and payment will be made based on customer outcomes including: initial advice and replacement advice process; cancellation advice; non-disclosure and misstatements; service activity; and customer advice complaints.

"We are redirecting all previous over-riders and fixed dollar support payments into FAP over-riders (FAPOs) which will be payable to FAPs."

These overrides will be based on the bonus commissions earned by the advisers within the FAP. "This financially aligns the interests of advisers and their FAPs with customer outcomes."

Partners Life managing director Naomi Ballantyne said the changes were about who received the money, rather than the quantum the company pays out.

"It is the same amount of money in the system," she said. "The difference is whose hand it goes to."

In the past money had gone to dealer groups but hadn't been used in the way it was intended, she said. Under this model the adviser would make the decision of how to spend the money to grow their business.

Ballantyne said the changes are being made in response to pressure from the regulator.

"The regulator thinks that upfront

commissions are too high and can incentivise poor adviser conduct.

"We want to demonstrate that commission can incentivise good adviser conduct."

Adviser Jon-Paul Hale said dealer groups would have to start charging their members a fee if they were to survive.

Another, Tony Walker, said: "The old world (and possibly new) where dealer groups tended to supply aggregation of product and possibly a few additional services did not take responsibility for the advice. They were supported by providers for productivity.

"The new world is very different and I believe that providers will support FAPs who demonstrate that they are acting as such, ensuring compliance by offering a decent raft of what is required of a FAP to their members ... Whilst some 'dealer groups' have indicated that they will become FAPs I am not convinced that all will have the ability to fulfil their obligations in a manner I believe will be required. In my opinion a FAP should be very careful on who is permitted to be a member within it. The old world of packing the numbers to increase volumes and margin is gone. For providers to have the confidence that their products are being advised on correctly they will need that level of comfort to be displayed by the FAP in question. Small FAPs can easily do that but I am not sure how cost efficient that will be. Large FAPs will struggle unless they have solid procedures and support in place. Dealer groups simply offering a few added benefits will not cut the mustard."

Financial services 'essential', advisers not

Financial services have been confirmed as among the "essential services" that will be allowed to continue to operate when New Zealand is at level four in its response to Covid-19.

The Financial Markets Authority said it expected that the "essential" financial services allowed to continue would include banks; NZX and broking services; payment and settlement system providers; funds management; insurance services; administrators; supervisors and

custodians; among others.

"We encourage industry to advise customers and investors how it intends



to operate over the coming weeks and also reassure them they can continue to access their funds. Firms are best placed to identify the services essential to maintain operations and financial stability," the FMA said in an update.

Financial advice is not among the "essential" services and advisers will not be able to open their offices.

"Our expectation is that most advisers should be able to work from home, with no need to staff offices. This means advisers can continue to provide support to clients without compromising the Government's social distancing objectives."



Newpark changes its mind

Newpark Financial Services has done a U-turn and decided to become a financial advice provider. Previously the group said it would not be a FAP and encouraged its 450 members to establish their own FAPs.

The decision followed Partners Life's announcement on override commissions.

Newpark's new chairman Bernie McCrea said it was a change in strategy. If the group relied on override commission "the lights will get turned off".

But many members have already applied for their own licence and McCrea said the

group would be in catch-up mode.

"We still want advisers to become their own FAPs, and we will continue to help them do so. There is now a need to review this strategy and be flexible and look to offer a FAP to advisers sometime in the future.

The flexibility of this is advisers can choose to still be in their own FAP but others will want to, over time, come together under a structure that meets the needs and objectives of advisers, regulators and our business partners."

Meanwhile, chief executive Melanie Purdey has resigned. Purdey, who joined the dealer group in April last year is the second chief executive to resign from the group within 18 months.

"I have been privileged to have learned so much from my tenure at Newpark, and most especially from the relationships we have started to build. The support and feedback from advisers has been humbling. I am pleased to know I have made a difference for so many," Purdey said.

"It has become clear to me that the vision the board and I share for Newpark as to the quantum of change required in the areas of conduct and culture moving into the regulated future is disparate to that of the shareholder/s and meaningful influencers at Newpark."



Bernie McCrea

Insurers put freeze on redundancy cover

Cigna, Partners Life and Fidelity Life have stopped selling redundancy cover.

All would honour policies for qualifying claims for customers who already had the policies in place.

Partners Life Managing director Naomi Ballantyne said, while it would honour claims on those policies that already had redundancy benefits in place, it did not want to encourage people to start buying the cover in large numbers because they were fearful.

Ballantyne said the impact of coronavirus was a non-quantifiable risk that could not be priced in so sales had been stopped for now.

Because it was quite an expensive option, there were not large numbers of customers with the cover, she said. **A**



Naomi Ballantyne

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Newpark appoints new leader

Newpark head of home loans **Andrew Scott** has taken over as acting general manager following the departure of former chief executive Melanie Purdey.

Scott said he was in the role for "the foreseeable future".

Founder and major shareholder Darren Gannon "is not in the office and has

no plans to step back into the business," he said.

Scott's main priority is to ensure that advisers in the group are getting prepared to get their transitional licence. "The licence for the home loans company was granted on March 13, but given the length of time it took for the FMA to process I have concerns that not all advisers will be set by the due date. The next step will be educational to keep them within the eight duties and obligations side lines as a newly minted FAP."



Andrew Scott

Nikko regains familiar face

Nikko Asset Management has appointed two research analysts in its New Zealand equities team.

Owen Batchelor and **Tim O'Loan** will join the Auckland-based company in early April.

Batchelor joins Nikko AM with over seven years' experience in equity research, most recently as vice-president, equity research at Jarden, a leading investment and advisory group. Prior to that he was equity research analyst at Woodward Partners, a boutique corporate adviser and research house.

O'Loan is returning to Nikko after a stint at BNZ as a senior investment analyst. Prior to that he held the position of fixed income analyst at Nikko AM for over six years and has also held positions at NZ Superannuation Fund and ING Wholesale and Institutional Investments.

"It will be great to return to Nikko AM and be part of a highly experienced and skilled team. I'm looking forward to the opportunities and developments it will bring," O'Loan said.



Owen Batchelor

Andrew Gunn takes new role

Financial Advice New Zealand's learning and development manager is moving to a new role at the Insurance and Financial Services Ombudsman Scheme.

Andrew Gunn has been involved with financial adviser associations for seven years, first with the IFA and then Financial

Advice New Zealand. He will become strategic partnership manager with IFSO.

Gunn said he had been approached by the IFSO scheme and knew Karen Stevens through his work with the associations. IFSO wanted to hire someone with knowledge and understanding of the new financial advice regime, he said.

It was a senior position with the scheme, which was attractive, he said.

"It's not that I'm unhappy with my role here so it was a difficult decision to leave but it's an opportunity to step up."



Andrew Gunn

Kepa fills standards role

Strategi facilitator **Sue Grant** has joined Kepa to assist with the development of its professional standards framework. The role is to set, educate and maintain standards of professional practice for financial advice.

Grant brings a wealth of knowledge and expertise across financial services.

Grant will contract to Kepa to assist with the development and implementation of professional standards as a FAP licensee in the areas of lending, personal insurances, business insurances, investments and KiwiSaver. Together with Kepa's policy manuals, these will provide the basis of the FAP licensee expectations and control environment.

Kepa chief executive Brendon Neal said: "With Sue's expertise, we will receive assurance that the Kepa learning and development material achieves the standards required by the Code of Professional Conduct for Financial Advice Services and are thrilled that Sue has joined us at this critical point to give Kepa and our advisers even more expert support."

Asteron makes changes to support advisers

Asteron Life has announced two changes to their leadership team to help support advisers with the industry changes.

Kevin Turnock has been appointed to the newly created role of national manager advice and

professional standards.

He will lead Asteron's support for FAPs and financial advisers to help create strong, resilient adviser businesses that can seize the new opportunities emerging.

Crush Huston has been appointed as Asteron's new regional manager for Northern. Huston has been with Asteron Life for almost three years and was previously a relationship manager for ACC, holding various roles for over 15 years. Huston is looking forward to continuing to develop relationship partnerships with Asteron's advisers.



Crush Huston

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By Susan Edmunds

Building trust in Trustees Executors

Ryan Bessemer is ambitious in his plans for the future for the trust company – and wants to shake up the provision of advice.

Trustees Executors chief executive Ryan Bessemer is hoping better use of technology will lead to a more financially literate and educated future for New Zealanders.

Bessemer has been with the trust company for two years, having been head-hunted for the role from a position as chief operating officer at Equity Trustees in Australia.

He had completed a leadership development qualification at Harvard and had an eye out for the next challenge.

"It was a good opportunity and I was going to be looking for a CEO role."

Trustees Executors offers investment administration services, including custody and registry, corporate trustee services and a private wealth business. Private wealth is about a third of the business by revenue.

Bessemer said he was already familiar with the New Zealand trustee market before he arrived in the country, because Equity Trustees had attempted a hostile takeover of Trust Co, which owns Guardian Trust.

"I think New Zealand's financial services industry is just as mature as Australia's, just smaller," Bessemer said.

In Australia, there were more big players in the financial services market, while in New Zealand the big four banks were dominant. "Similar dynamics but a bit different," Bessemer said.

He said the industry was more open in New Zealand. "I find that the industry and the people in the industry are available to talk to. The regulators, the Reserve Bank, all the ministers are available to talk to ... it was different in Australia, you didn't have the access to people to talk about what's going to happen."

Many of the things happening in financial services in New Zealand had already happened in Australia, Bessemer said, so he had an idea of how things would play out.

"My major focus is always going to be what do the customers want?"

Trustees Executors looks after \$1.6 billion in private money and has about \$140 billion in supervisor and custodian rights. It is the registry for about 25% of all KiwiSaver money.

Bessemer said the business had spent the past two years investing heavily in automated processes and systems and its target operating model for the fund management business, working on its service delivery model.

"We're really looking at how the process works and breaking down how we can make it more effective, building in those operational

efficiencies so we can concentrate on client management and needs."

Between \$5 million and \$6 million had been invested into the business in the past couple of years, he said.

In 2018, Sterling Grace bought out the minority shareholders in Trustees Executors for \$4.9 million, valuing the company at \$94.4 million. Sterling Grace bought the business, which was at that point called Tower Trust, in 2003 for \$25 million.

Bessemer said John Grace, owner of Sterling Grace, was supportive of the investment happening in the business. His daughter, Victoria Grace, has been added to the company board as a digital technology specialist.

Bessemer said he had a good working relationship with Grace. "Not long after I started I gave him a five-year strategy and we are working to that. He cares deeply about what happens to the business."

Grace had substantial family ties to New Zealand, he said, and wanted to keep the investment and legacy in this country.

Trustees Executors is developing a new service that would provide better online capability for investors and advisers. Bessemer said it was something the company was working on with fintech and investors. Advisers and clients would be able to use it to buy and sell and also receive

information on risk, he said. The product would be released in about the third quarter of this year.

He said he could see a role for the company not only in helping fund managers with advice, custody and supervision but with the distribution of product. "And making sure that mum and dad investors are getting the appropriate information on the product they are buying. That's really important to me. The financial literacy piece is a must-have in my mind, explaining things in a way that's easily understandable."

Bessemer said he was concerned with the constraints on getting advice and information to New Zealanders.

He said there was a risk that with too much alignment between product and advice, consumers ended up not getting the right advice offering. They faced a choice between conflicted advice from product providers or a process that many people could not afford.

"We need to access cheaper ways of getting financial advice and literacy online ... look at the market going into a crisis, already people are talking about what they are currently invested in – it could be growth investors switching back to a conservative option. They're doing that without seeking the appropriate financial advice for their own needs. There should be better tools built around that sort of thing.

"When you're buying a product you have to go straight to the person creating the product and buy from them or through a financial adviser."

Many online platforms were "antiquated" he said and lacked information such as risk profiling. "They don't give the consumer the information they need to make a decision. At Trustees Executors, we don't produce a product. We don't want to be conflicted."

He said it was

not just a New Zealand issue but created an opportunity for roboadvice.

"One of the major issues for financial services is legacy technology. That's what scuppers a lot of consumers getting the right information. The systems of banks, fund managers and insurers are all tied into old technology that's not readily adaptable to the world of the cloud."

There also needed to be more transparency around fee structures, he said. Sometimes when customers bought into a fund that was a fund of funds they did not realise they were paying a brokerage cost, custody cost, registry cost and supervision cost to layers of funds two or three deep, he said, then advisory cost on top of that.

"I just don't think there's enough clarity in terms of disclosure of all the fees within the funds, I think we need to look at improving

“ We need to access cheaper ways of getting financial advice and literacy online ... There should be better tools built around that sort of thing. ”

the disclosure of those fees. Any fee is acceptable if you're properly disclosing it and earning it. If you've got good returns and you're doing a good job you should not be afraid of advertising fees. Lots of great fund management clients are offering really good outcomes in the funds they operate, they deserve the fee. But in some areas of the industry if you look at more passive funds managers who are following indexes, not adding a lot of value, they're charging almost the same fees."

Bessemer said his short-term focus, beyond navigating out of the Covid-19 disruption, was to build New Zealanders' awareness of the Trustees Executors' brand. The 139-year-old company is the country's oldest continually registered company. "I'm proud to be the custodian of the brand."

He said Trustees Executors should become a trusted household name. As it was, many people did not even know what a trust company did, he said. "It's about getting recognition that we are doing it properly, not just doing it." ⁴



Ryan Bessemer

Investing's difficult at the moment top manager says

Susan Edmunds speaks with Aleksey Mironenko partner and chief distribution officer at Hong Kong-based Premia Partners about what their Asia-focused ETF investment solutions have to offer.

GRTV: WELCOME TO GOOD RETURNS TV. I'M SUSAN EDMUNDS. I'M STANDING IN FOR PHILIP MACALISTER TODAY. I HAVE WITH ME ALEKSEY MIRONENKO, WHO'S CHIEF DISTRIBUTION OFFICER OF PREMIA PARTNERS. WELCOME.

Mironenko: Thank you, Susan.

GRTV: YOU HAVE A FOCUS ON ASIA, IS THAT RIGHT?

Mironenko: That's right, yeah.

GRTV: CAN YOU TELL ME A BIT MORE ABOUT WHY YOU LOOK AT THAT REGION?

Mironenko: Sure. So we're based in Hong Kong, and we set up Premia three years ago because we thought that the asset management industry wasn't doing enough to focus on the growth markets of the world. So there's plenty of choices for US, Europe, New Zealand, Australia investments, but when it comes to China, when it comes to Southeast Asia, India, the growth economies on the planet, there is much less choice, much more expensive choices for fund management.

But arguably, that's where you want to be putting your money over the long term. If you're trying to save for the next 20-30 years, you want to invest in places that are growing 5% a year, not 2% a year, but it's much harder to do that. So we left our previous firms, BlackRock, Vanguard, State Street, and we created Premia Partners in Hong Kong to try to make some products that are low cost and allow easy access to these markets.

GRTV: IS THAT SOMETHING THAT NEW ZEALANDERS DON'T HAVE A LOT OF ACCESS TO AT THE MOMENT, DO YOU THINK?



Mironenko: To be honest, we're in the early stages of exploring New Zealand, so I'm learning myself. But the sense I have is that the average New Zealander puts money into New Zealand equities and property, Australia equities, and maybe US. If they do anything else, it might be a small allocation to EM, broadly.

But EM is a very big and complex thing. There's Argentina, which is having default issues. There's Eastern Europe with constant threat of war with Russia. There is the Middle East. So you get the good and the bad, but you can be much more granular.

The US is a very well researched market, so investors know what they're getting, but there's a very, very big difference between a Taiwanese semiconductor company and a Brazilian oil conglomerate. It's two completely different things and

yet investors just go: "Well, it's EM it's one bucket. I don't need to worry about it."

We think you need to be much more granular and much more selective, not necessarily through an active fund but through exposures that are targeted to where the growth is in EM, because that's ultimately the goal. You don't want to buy slow-growing EM. That's twice the risk and the same return. If you're going to take the extra risk of going into EM, you should be rewarded for it with more growth.

GRTV: OKAY, SO AT THE MOMENT YOU SEE MORE OPPORTUNITY FOR GROWTH THERE THAN PERHAPS THE MORE MAXED-OUT MARKETS OF THE WORLD?

Mironenko: Yeah, I mean, it's a hard thing to say because over the last 10 years, nothing has beaten the US, really. But if you think about where we are today, the US is at a forward PE, priced equity, of 19. Asia is

at 13. It's much cheaper. You're paying less for more growth. We like that equation. That gap, 19 versus 13, that's the biggest in 10 years that we've had.

Now, the problem is, a lot of people have been saying this for awhile, "EM's going to outperform, EM's going to outperform", and it hasn't.

There's a structural problem. EM is full of bloated, state-owned, old economy type of companies. Most of us, when we think about EM, we think about low-cost export manufacturers. We think about oil companies. Well, these are the things that are doing worse and worse. As we transition to sustainable energy, oil companies – which are a lot of EM firms – are doing worse.

But if you look at the structural story in EM, EM consumers are embracing technology much faster than developed market consumers. China is greying much faster than any other country in history.

There are these interesting growth stories that are performing incredibly well, but most investors are under-invested in them because they own Facebook, Amazon, Alibaba, Tencent. They don't own Chinese pharmaceutical companies. They don't own the largest tech conglomerates in Korea. They might own Samsung, but they don't own the local companies that are serving local consumers.

GRTV: IS THAT JUST A LACK OF KNOWLEDGE ON OUR PART, THAT WE DON'T KNOW THAT MARKET SO WELL?

Mironenko: Not just New Zealand. Even in Asia, we have a lot of clients who don't invest in some of this, because if you look at the standard benchmarks, EM is 10% of the All Country World Index from MSCI. So for a lot of investors, it's more important to get their US allocation right, or their home buyers New Zealand allocation right, than to get really granular in EM.

GRTV: ARE YOU TAKING AN ACTIVE APPROACH?

Mironenko: So we kind of sit in the middle of the world. So sometimes people say smart beta or quantitative investing. Our premise is very simple. We can make an ETF, so still very low cost relative to active fund management, but instead of simply buying a market cap benchmark for MSCI Asia for example, we will say, "No, we want to own China's tomorrow". So we want to make an index that targets quality growth companies in China's new economy.

We can say we don't want banks. We don't want energy companies. We don't want manual labour manufacturers. We want tech, consumer, healthcare, education, environment industries. We want companies that are low debt, high profit, high growth.

“ We're trying to get not just the good and the bad, we're trying to target specific structural growth themes. ”

These are all things you can do now in an index. You get a much better result than, say, buying the standard default market cap benchmark for China, which, yes, it'll have a few famous stocks like Alibaba and Baidu and Tencent, but it will also have a lot of old economy state-owned banks. It will have the oil companies. It will have the coal companies. It will have Chinese tobacco companies.

GRTV: HOW WORRIED ARE YOU ABOUT CORONAVIRUS IN YOUR INVESTMENTS AT THE MOMENT?

Mironenko: I did not fly from Hong Kong yesterday, I flew from Japan. But look, we actually published a piece on this a couple of weeks ago. Every virus outbreak that we've had in the last 20 years, if you look at the six month return of whatever market it happened in, it's been positive.

So there is no question that there is a Q1 economic slow down, and not just in China. It's going to have effect globally. Foxconn, which is Apple's main supplier, restarted one week late after the Chinese holiday and they are currently at less than 30% capacity. So even Apple is going to have a problem.

But it's a short-term problem. Markets don't care about human suffering, unfortunately, they only care about forward projections, and the reality is that in situations like this, governments step in, they provide credit lines, they extend deadlines, and there will be pent up demand. So Foxconn will run right now at 30% capacity, and in three months they'll be running at 120% capacity to make up for it.

GRTV: I SEE.

Mironenko: So we expect, clearly, a Q1 dip in earnings of Chinese companies, if not global companies, and in GDP numbers, without question.

Q2 will be less bad. Q3 will probably be great, and maybe earlier, maybe later. We're not scientists, so that's for someone else to judge, but it's very clear that this virus, while having a very fast transmission, seems to have a much lower mortality rate than some of the past epidemics we've had.

China, rightly, wrongly, has sacrificed a province to save the country and the world,

and it seems to be working in terms of a slowdown and limited infections outside of that region.

GRTV: OKAY, THAT MAKES SENSE. SO HOW WOULD YOU SEE YOUR FUNDS FITTING IN WITH THE REST OF A NEW ZEALAND INVESTOR'S PORTFOLIO, SAY?

Mironenko: Excellent question. So if you think about what a portfolio should accomplish, one, it should generate good return, and two, it should be diversified so that those returns don't only happen at the same time. So you have some good with bad and vice versa, right?

So if you look at US versus New Zealand, which are two standard allocations for a New Zealand investor, the correlation is about 0.4, pretty good diversification. What's interesting about Asia ex Japan is that the correlation with US is 0.6-0.7. With New Zealand it's actually a bit lower 0.4-0.5.

But we don't invest in Asia because, again, we're trying to get not just the good and the bad, we're trying to target specific structural growth themes. So our China new economy has a 0.3 correlation with New Zealand and with the US, so it's very complementary to both those existing allocations.

Our Southeast Asia exposure, which is something that very few investors globally touch, everybody knows China, India, but they ignore Southeast Asia because each individual country is small, but together, 700 million people, 5% GDP growth. The correlations are even lower, 0.2 versus New Zealand.

Those all seem like things that make sense, even intuitively, without doing further analysis, and that's why we're excited about spending time in New Zealand, and talking to investors, and explaining what we do.

GRTV: GREAT. WELL, THANK YOU VERY MUCH FOR BEING HERE. IT'S BEEN REALLY INTERESTING.

Mironenko: Thanks for having me. 



To watch the full interview, download an audio podcast or to read the full transcript, visit

goodreturns.co.nz/grtv

By Susan Edmunds

Adviser groups head towards *finish line*

Independence, flexibility and professionalism key for adviser groups in new regime. Part two of our group special looks at what is happening in the group space.

Adviser groups are readying to run down the final stretch towards the start of the financial advice regime.

ASSET has been checking in with them to determine what they will offer their members in the new licensing environment.

Share's chief executive Tony Dench says advisers who wanted independence – but also to have a stake in the group in which they operate – might be a good fit for an organisation such as his.

"Sometimes advisers who understand only from a distance think there is a loss of ownership or independence [when advisers join SHARE]," he said. "Neither of those things

are true."

The adviser group was established in 2008. In the past year, it has had nine advisers join and 12 leave.

Dench said it offered a centralised service model, an opportunity to own an equal stake in the company through the co-operative structure and a chance to grow the business or plan for succession through flexible ownership. "All SHARE advisers run independent businesses with complete flexibility. We can and do buy books but there is no obligation for advisers joining Share to do so."

Share, formerly known as The Highland Group, is owned by adviser shareholders, managed by its chief executive and governed by its elected board.

Dench said SHARE's adviser members

were professional and experienced and tended to operate across more than one strand of insurance, investment or mortgage advice.

Under the new licensing regime, SHARE will hold one transitional licence for all members to operate within. "This structure coupled with the centralised services is designed to make it easy for advisers to focus their efforts on clients."

There would be economies in holding one rather than numerous licences, with efficiencies maximised and compliance costs minimised, he said. SHARE has a compliance and training manager, commercial finance manager and operations manager on its staff.

Dench said the group was in good shape when he joined two years ago but had

"lifted its game even further" since, focusing on getting systems and processes in place to deliver a better business into the licensing environment.

Advisers were set to operate under one full licence when the time came, too.

Dench said there were benefits to advisers in being part of a bigger organisation. They would need to find one that was a good fit for the culture of their businesses, too.

It would transfer more of the paperwork and administration to a support office function which would allow advisers to spend more time with their clients.

Dench said SHARE's advisers did not need to improve the standard of their advice to hit the new licensing criteria, but some needed to do more to document their procedures and processes. They needed to make sure the records they kept were not just a document in the background, he said, but a living part of the business.

Dench said while numbers had dropped, SHARE's financial position was growing strongly.

It focused on sensible and sustainable growth, recruiting advisers who would fit with the SHARE culture and brand. Due diligence and reference checks are performed on any advisers entering the group which gave it confidence about taking responsibility for them under a licence.

Dench said he welcomed the new regime for financial advice. "I have been enthusiastic about the changes since I came into the CEO role at SHARE. Those advisers that do a good job for clients will continue to do a good job under the new regime."

There was some short-term pain for some advisers, he said. "They have a heap of work in front of them. Looking after clients, getting ready for the new regime and working through the impending economic situation. But my experience of them is that they are committed and passionate people and will keep moving forward."

Dench said groups would have to make their offering to the market clearer. "SHARE has had to be clear from the outset what its value proposition is because it charges a fee. We have to demonstrate value to advisers again and again because we send an invoice every month. For some groups, their value proposition is changing a lot. I expect they will adapt and amend their business practice and carry on."

SHARE would continue to expand its service and offering to advisers and clients to grow the business.

Kepa and mySolutions chose not to answer questions about their plans.

Kepa members have two options for accessing

“ They have a heap of work in front of them. Looking after clients, getting ready for the new regime and working through the impending economic situation. ”

Tony Dench, SHARE

assistance under the new regime.

The first is to become an authorised body under Kepa's financial advice provider licence. That would give them access to a compliance framework, financial management, HR services, advice audits, training, compliance checks, CPD, technology and other support services.

The second was to obtain

their own licence but access Kepa's advice hub, offering things such as advice audits, compliance checks, training, CPD, templates and tools, sales and marketing help, technology options, HR services and conferences.

It was reported last year that mySolutions wanted its members to have their own FAP licences. They said that would give them more control over their CRM and compliance under the new regime.

Chief executive Kevin Smee said they would be able to "steer their own ship and be in control of their own destiny". It would hold training and webinars for advisers around the country.

"Falling under someone else's group FAP is going to cause extra stresses that I don't need at this time as all members under an aggregators' FAP can be unfortunately tarred by one rogue adviser in their group. It's a

shame that other mortgage aggregators appear to be bowing down to the banks," Keith Kerr said at the time. **A**



Tony Dench

Covid-19: How to get through

Financial services are getting a shake-up from the black swan event no one saw coming. Here's what you need to know.

Just over a month ago, people in the financial services sector were still talking about coronavirus as a minor ailment that was of little concern to people in New Zealand.

But by mid-March the country was shutting its borders, preparing for a level four lockdown and pumping billions back into the economy through quantitative easing, wage subsidies, increased benefits and support for business.



Advisers are at the forefront of the crisis, not only as small businesses navigating their way through an economy in hibernation but holding the hands of worried investors who have been spooked by a dramatic fall in markets as history's longest bull market quickly became a bear.

So what do you need to do to get through this unprecedented period of economic disruption?



FOR CLIENTS



Katrina Shanks

Research last year showed that having an adviser added about 5.2% in returns to a client's portfolio over time – and that effect is most crucial in times of market stress.

While investors left to their own devices will often pull out of growth assets at the wrong time, crystallising their losses, advised clients should have a good long-term strategy in place and a calm adviser on hand to help them stay the course and ride the eventual market up-turn.

Financial Advice New Zealand chief executive Katrina Shanks said the Covid-19 outbreak was a chance for advisers to “step up and show their value”, guiding people through the decisions they were making and helping them to take the fear out of the situation.

Advisers should apply professionalism and be pragmatic in their approach, she said, and build on their relationship with clients in what was likely to be a difficult time for them.

“It’s about reaching out to clients and saying what goes down will go up, stay true

to your long-term strategy, if you are worried about your finances and need protection, look at that now. Things have got a lot more real. Without taking advantage of the situation, it’s about showing professionalism and how you can make a difference in clients’ lives.”

Katrina Shanks

She said advisers needed to be more proactive about contacting their client bases and keeping in touch than they ever had been before. “It’s not stepping back but stepping up. Now is the time to show your worth as a financial adviser.”

Murray Harris, head of distribution and KiwiSaver at Milford Asset Management, said advisers had been through downturns and cycles before.

“The key thing for them is to keep clients focused on the long term.”

He said the challenge for advisers would be that many of their clients were in their 60s and 70s and were facing increased concerns about what the future would hold because of that.

“They’ve worked hard, saved hard, they have their life savings invested. They are worried about how long it takes the market to get to the bottom, how long before the correction, how long before my balance is back to where it was a month ago at the peak of the market. No one knows the answer.”



Murray Harris

Richard Holden, at Milestone Financial Services, said it was important for advisers to help clients avoid fear-based decisions that would have a lasting negative impact on their retirement plans.

“In the absence of advice you get well-meaning friends and family and then you get a knock-on effect and they all have the negative outcomes of that.”

He said the surge in switching in KiwiSaver funds since markets started to fall was a significant concern.

Independent financial advisers needed to band together, he said, to provide useful information to the people who needed it – not to sell advice but to help people make rational decisions about things like where to have their KiwiSaver money, how to engage with the bank and how to manage their cash flow priorities.

Advisers could not take a “no news is good news” approach, he said, and had to take the lead in conversations with clients. “It’s important that advisers make those calls.”

He said it was “amazing” what a phone call or other contact could do to settle people’s anxieties and get ahead of the flood of information that clients were presented with. “We’re going through a global event where the proliferation of handheld devices is spilling stuff out every second.”

He said if advisers could keep people informed, even if they were people they never spoke to again, that would be a good service to New Zealanders. The obvious place to start was with people who had shown a propensity to panic in previous downturns, he said. “It’s not just sending a message but having a conversation. A big thing is hearing the voice of your adviser.”



The advice fraternity needed to be strong and stable “like a lighthouse in a storm”, he said.

In the global financial crisis, advisers who kept up their communication with clients and helped them wherever they could came out of the downturn in a much better position, Holden said. Adviser businesses would need to band together as a collective to get through. “Advisers need to talk to each other, they need to support each other as well as support clients. It’s stressful for everyone.”



FOR INVESTMENTS

Chris Douglas, principal at MyFiduciary, said advisers should ensure they had a well disciplined rebalancing framework in place.

“What we learnt from the global financial crisis was that KiwiSaver multisector funds performed better than non-KiwiSaver funds, and also when we had a recovery in 2009 and 2010 because they were continually investing into the market, rebalancing the portfolio back to their strategic allocation.”



Chris Douglas

“Right now the equity market is selling off in double digits but fixed interest is the same so all of a sudden the fixed interest portion becomes larger and equity less.”

He said advisers should look at the risk tolerances they had in place for their clients and their allocation to different assets, then make sure they were continually rebalancing in line with that, particularly if there were movements of 3% to 5% or more, he said. “It’s a great discipline to have. Taking the

profit from fixed interest and buying into undervalued equities. We don’t know what the market is doing so it’s not a tactical decision of going overweight in equities, it’s simply make sure that your asset allocation within client portfolios is in line with the plan you have in place and not out of kilter at all.”

Douglas said previous market selloffs had proven to be a good time to add value because clients could be well positioned for recovery when it happened.

He said adviser businesses who proactively communicated with clients about what was happening and talked them through it should come out the other side of the downturn with a stronger relationship with clients.

Investment advisers’ income would probably take a hit, he said, particularly if it was tied as a basis point of clients’ balances. “Clients’ balances are going to go down and that will affect revenue.”

Even investment advisers with a fixed-fee model would be affected because they would probably have fewer clients signing up, he said.

“The industry is in a much better place than most others. The building industry is going to stop for four weeks so if you’re an owner of a construction business you have no revenue for four weeks. Financial advisers are in a good position.

Yes, your revenue will fall but it won’t go away. You’ll still be getting regular income into the business. ”

Chris Douglas

Harris said clients needed to be reminded that even at 65 they could expect to have another 20 years to invest.

“They could still be well positioned in terms of allocation to growth. The market will recover. It will regain its losses.”

He said the downturn could leave people less willing to invest in growth assets in future, as had been seen in the aftermath of the global financial crisis. “It’s education and a reminder that markets can go through prolonged downturns.”

“The last drop was at the end of 2018, three months from September until Christmas Eve – people thought the world was ending but it bounced back and took off again. Things can turn around quickly. The uncertainty of this is that it’s a global pandemic. People are talking about a lockdown of three, six, 12 months – no one knows. What the market is looking for is a peak in cases in Europe and the United States. Until we see that the market will probably continue to bottom out. It will be volatile... it’s unnerving and unsettling for people.”



FOR INSURANCE

Naomi Ballantyne, managing director of Partners Life, said the Covid-19 outbreak would mean significant changes for the insurance sector.

“Clearly affordability and mental health and stress are all different now than they were yesterday.”

Some insurance companies have already put pandemic exclusions in place.



Naomi Ballantyne

She said, whatever happened, advisers needed to stay on top of what was available to their clients – and what wasn't.

People were not likely to be able to buy an income protection product if they were already out of work, for example. *"Being able to advise clients who could be seeing those benefits now because they need them."* She said.

"That's the way a lot of New Zealanders' psyche works."

Underwriting would change, she said, because it would be harder for insurers to do the tests they needed to determine risk. In some case sums insured might be restricted for new business or there might be more limits than would be applied if full underwriting was available.

Without testing, there would be limited cover for existing conditions.

Someone might not get cover for anything to do with a condition when they previously would have only had a small exclusion, she said. If someone was overweight, for example, they might previously have been sent for tests to rule out blood pressure and pre-diabetes – but for now they might be excluded for anything potentially related.

Richard Klipin, chief executive of the Financial Services Council, which represents most of the country's life insurers, said there was a clear message: *"We're all in this together."*

He said it was a situation that no one could be prepared for because no one had ever encountered anything like it. *"This is global and far-reaching... we're in the fight of our lives in that regard."* He said it would be vital for clients and for the resilience of New Zealand as a whole that the sector made it through. *"For the wealth and health of*

New Zealanders. Advisers are critical in their role."

Ballantyne said advisers who were used to finding clients in the places they congregated, such as malls, offices or seminars would need to find other ways of doing business. *"They're all gone. They are going to have to think about how they ensure people who want to buy insurance, how they get access to that because they're not going to find them by default."*

Advisers who were giving advice by phone or online would still need to record their process and document their advice properly, she said. *"It will force people to change the way they do business."*

A lot of advisers were still building books and needed new clients to keep their revenue ticking over, she said. *"Everyone can cope with four weeks or eight weeks but if it's months and months it's a different ball game."*

Gail Costa, chief executive of Cigna, said her company was applying more scrutiny to applications for cover if people were predisposed to complications from Covid-19.

Insurers are pulling back from selling redundancy cover.



FOR YOUR OFFICE

Shanks said advisers would need to rely on technology a lot more to get them through the lockdown period. Some were using Zoom meetings or Microsoft Teams to conduct meetings instead of catching up with clients face-to-face. Advisers would need to come up with ways of using those platforms that were just as effective as traditional meetings for the time being, she said. *"In future they will really have to use their skills in a different way. Financial advice is about relationships."*



FOR REGULATORS

Government is pushing back regulatory deadlines for advisers.

The deadline for submissions on the Conduct of Financial Institutions Bill has been extended.

Government is working on extending the start date for the transitional licensing regime.

Shanks said the *"extraordinary circumstances"* of the Covid-19 pandemic and the requirement for advisers to work through how they were going to operate after June would put *"enormous pressure"* on them when they needed to focus on their clients.

"It is vital financial advisers are able to focus on providing professional services to their clients and supporting them through the implications of volatile markets, insurance support and advocacy, and mortgage advice without the distractions the licensing process entails," she said.

"This new pandemic environment with its multi-faceted issues that need adviser support have multiplied the adviser workload exponentially."

"We believe the combination of unprecedented business disruption for financial advisers on top of managing a significant regulatory change will create a perfect storm which has the potential to overload the sector."

"We know the trusted and valued relationship between a client and a financial adviser increases a person's financial health, wealth and wellbeing, and our members wish to ensure these good customer outcomes continue through this time of uncertainty." 🗣️



By Fergus McDonald

Covid-19 and the fundamentals of living on timed borrow

As we prepared to enter this new decade, a Bloomberg article estimated that the preceding decade of low interest rates and asset purchases by global central banks had left the world with a record US\$250 trillion of government, corporate and household debt. Or to put it another way, approximately US\$32,500 of debt for every man, woman and child on earth.

Rock bottom interest rates have been instrumental in keeping this debt serviceable. However, they have also encouraged further borrowing, thus pushing the debt mountain peak ever higher. This peak is now set for even greater altitude as governments and central banks around the world pledge extraordinary levels of stimulus to protect their citizens from the worst outcomes of Covid-19.

Lower interest rates once again proved the first global policy response to calm market and economic nerves. This has been followed almost instantly by quantitative easing (QE), but the effectiveness of these twin measures in stimulating economies slowed by lower demand and disrupted supply chains is still the cause of much debate and scepticism. The slower and more politically difficult – but ultimately more effective – response will require a coordinated, global government effort to control and slow the spread of the coronavirus until a northern hemisphere summer naturally slows the transmission rates or a vaccine can be created and widely distributed.

We are now seeing unprecedented quarantining in many countries, including our own, and governments pledging to assist people and businesses impacted by the virus spread. This will help soften the financial blow for many. However, for financial markets, how deep the economic damage cuts and how long it lingers is unknown. Until this becomes

clearer, we should expect a wild ride.

The US Federal Reserve, as the most influential central bank in the world, and the RBNZ can mitigate the virus impact by providing liquidity and ensuring financial markets continue to function. However, they can't prevent the virus spreading. The Fed has increased QE by injecting vast quantities of short-term liquidity via loans to banks and buying assets. The RBNZ and RBA are following suit. Perhaps this will shore up confidence, but ultimately it won't address the economic hit from social distancing and the closure of schools, shopping centres and the cancellation of crowd-drawing events.

If governments seek to support their people and business by more spending, then they will need to increase their borrowing levels significantly. This increase in spending will coincide with a likely reduction in government tax take, as company profitability reduces in some sectors, unemployment rises and GST receipts fall along with lower activity especially in tourism and hospitality. The previously announced infrastructure spending commitment is ongoing and will be helpful for the economy. Unfortunately though, while the recent \$12.1 billion package along with likely subsequent measures will seek to bridge the gap, this spending won't come quick enough to avert the economic slump we are going to experience.

As debt levels increase, economies and the people and organisations operating within them simply won't be able to afford higher debt servicing costs associated with higher rates. Indeed, the increasing debt load is one reason why interest rates should follow the lead of Japan and the Eurozone and remain low over a number of years. Once an economy is used to operating with low rates, it is often hard to wean itself off the stimulatory effect – and any attempt to increase rates often has an outsized impact on financial markets and confidence in general.

Even if debt is cheap, it can often be tough to escape from once the load becomes too heavy. Solid economic growth and inflating asset prices are often the easiest ways out, but unfortunately these are not always forthcoming. The good news for us is that New Zealand may be one of the

lucky countries that can increase debt levels to support the economy and invest in our future to provide a growth dividend that will ultimately pay off our increased debt burden.

We have all witnessed the fluctuating fortunes of global equity markets since the outbreak of Covid-19. Often when equities fall in price, bonds perform well. But in this environment even bonds have not been a safe haven. The March month to date return of the US Treasury Index is up 0.8%; but the US High Yield Index has fallen 11.5% and the Global High Yield Index is down 13%. The NZ Government Bond Index has fallen by 1.4% and the Bloomberg NZ Credit Index is down 1.2%.

We have seen significant credit margin widening both globally and domestically, especially in lower grade and sub investment grade debt sparked by the prospect of weaker balance sheets, lower profitability and low levels of confidence. Falling equity markets, lower oil prices, pressured corporate cash flows, lower consumer demand, falling economic activity and dwindling levels of financial market liquidity have all encouraged many investors to remain on the sidelines. Liquidity and widening buy/sell spreads have not been helped by the increasing numbers of traders who are working from home or have implemented other forms of business continuity arrangements.

Good quality bond issues have had their yields pushed higher without much trading occurring. Even though the RBNZ has cut the OCR by 0.75% to 0.25% and pledged to keep rates there for a year, yields on corporate bonds have still risen. NZ Government Bond yields have also risen mainly due to the higher levels of bonds that will need to be sold to fund the recently announced \$12.1 billion stimulus package.

The adverse impact of credit margin widening will be seen in the mark to market valuations of bond funds over the next month or so. However, as long as the fund's assets are of good quality, today's loss will result in higher returns over future periods. This is of course only valid if we don't see an uptick in issuer defaults. The Government's Covid-19 stimulus response is a good start to prevent this from occurring. **A**



I am Fergus McDonald, Portfolio Manager for the New Zealand Fixed Income team. We have a passion for understanding what makes interest rates tick. We focus on building lower-risk investment portfolios for investors who value preserving their wealth and wish to grow it over time. We value consistency and seek investments that provide an income stream.

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By Daniel Dunkley

How insurance advisers are responding to Covid-19

As part of our coverage we went out (virtually) to find out how insurance advisers are coping with the Covid-19 lockdown.



Mike Beuvink,
Financial Services Auckland

HOW ARE YOU DEALING WITH COVID-19 AND HOW HAVE YOU CHANGED YOUR BUSINESS?

Obviously, we've all had to move home. It's a bit different for us as we still have a continuous renewal stream, but we are financial planners as well, and have had disruption in our investment income.

We've kept our staff going, but have dropped their hours by 20%. We are trying to keep them going as they are valued and

experienced staff. We have three staff, and two of them have had their partners made redundant. For us, it's important to keep them on a reasonable income as they are the main earners in their homes.

We've been quite proactive in terms of emails to clients and telling them what's happening. On the insurance side, we have sent out premium holiday claim forms to insurance companies, for clients who can no longer work.

HOW ARE INSURERS BEHAVING DURING THE CRISIS?

We have had a good response from Asteron, Fidelity and Partners Life. As far as AMP is concerned, we have heard nothing. Nib has basically said if you put your policy on hold and want a holiday there will be no cover for that period, and if you want to claim, you will have to pay premiums again.

Partners Life has added Covid-19 as a claimable event, and set up separate claim forms for the Covid-19 event alongside the normal premium holiday forms. They have been pretty proactive. We have submitted 20-30 applications to them for premium holidays and we have had them come back and say "that's fine". It's what you want from your insurance company.

AIA have just sent me an email saying they're open for business still, and that's it. It's pretty terrible. I have had to contact another adviser who places a lot of business

with them. I had a message from the BDM who said they would come back to me later this week [commencing March 30]. With AMP I've heard nothing. It's appalling, I think.



Katrina Church,
Insurance People

HOW ARE YOU DEALING WITH COVID-19 AND HOW HAVE YOU CHANGED YOUR BUSINESS?

I had transitioned to home two weeks before the lockdown. Since Christmas I have been only using online applications so

production for new business can still stay in place, however to be honest this will be on the lower side in the short term.

To date we have 108 premium waivers in process in the first four days of lockdown. Many clients are in or will be in financial stress as well as struggling with the lack of control and life changes that have been put on them so strong connections and communication is important.

HOW ARE INSURERS BEHAVING DURING THE CRISIS?

Most insurers have come out with their premium waivers which has made our job a little easier, however some still haven't which is disappointing.

I appreciate the candid nature of Partners Life's changes to underwriting on disability products and we are now not placing business with them for these new products in the short term, however we are pleased the majority of our book of business there has agreed value/mortgage repayment structures.

WHAT ADVICE WOULD YOU GIVE TO OTHER ADVISERS?

Make sure you keep structure in your day and also take time off.

My message is to "take care of yourself".

Also take care of your administration team. Some are struggling with the changes and they are dealing with grumpy people.



Mark Atherley,
My Futurity Limited

HOW ARE YOU DEALING WITH COVID-19 AND WHAT CHANGES HAVE YOU MADE TO YOUR BUSINESS?

After following the situation on the news, I emailed staff last week to say we would be working at home, before the level four announcement.

I have been in touch with Partners Life for reassurance about existing plans. They have been the most proactive in terms of communicating.

People are concerned and scared, so we

have been opening up a dialogue and having conversations. I see a huge opportunity to reconnect with people and provide reassurance.

Banks are not going to make it easy to get mortgage holidays, for example, people are going to have to jump through hoops. Their insurance adviser may not be communicating with them, so it's an opportunity to open up and hear their stories.

HOW HAVE INSURERS BEHAVED SO FAR?

In my opinion, Partners Life has been outstanding so far. Naomi Ballantyne has provided a video, and AIA has also done an outline of its processes. Asteron and Fidelity have given outlines.

Southern Cross has been shocking. They have a web page for Covid-19, and right at the bottom of the page they say you can take a three month premium holiday, but they won't cover you for those three months, not like everybody else.

It's about supporting your clients in the long term, and supporting them in their time of need. Communication has been good overall.

WHAT ADVICE WOULD YOU GIVE TO OTHER ADVISERS?

Work out what you can do to help, and communicate. That's where we can add value, making sure we communicate with clients regularly.

It doesn't cost anything to send a text to your client base, ask if they're okay. It means so much in the current climate.

It's about reassuring them. There's a big opportunity for advisers if we get this right. We can give them proof that we are there when the [proverbial] hits the fan.

We should also decipher information from all these sources and present that to clients in the clearest way we can.



Graeme Lindsay,
Strategy Financial Services

HOW ARE YOU DEALING WITH COVID-19 AND HOW HAVE YOU CHANGED YOUR BUSINESS?

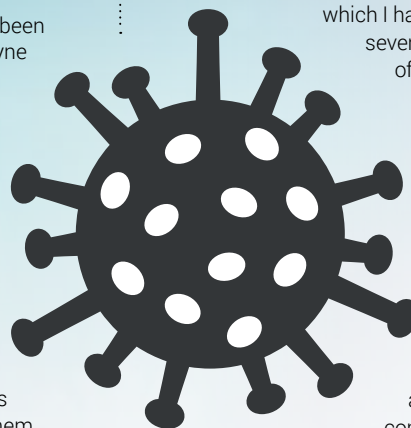
Nothing has changed really. I work from my home office on my own property and have a relatively small client base. Most of my communication is electronic, and even before the lockdown, I hardly left the office.

Most of my clients are self-employed and happy to communicate digitally, so there's very little change on that front.

I'm looking after existing clients, most of which I have had for

several years. Most of my clients are aged 50 plus, and I am 71

years old, I don't do any marketing, I don't need to. So often more come off in a month, and retire, than come in.



HOW ARE INSURERS BEHAVING DURING THE CRISIS?

Exceedingly well. Most have communicated about premium holidays. My clients tend not to be in trouble as they are generally self-employed business owners, or high up in companies. None are vulnerable to this sort of downturn, in the short term at least, so there are no problems at all.

Two or three people have asked me whether they are covered under Covid-19 and the insurers say there are no exclusions for a pandemic. The companies are all working from home so it may take longer to get things done, but they are still there.

The insurers are all offering premium holidays for the period. They are saying they are not going to issue redundancy cover in the short term, and that's fair enough. The insurers have put up with a lot from the FMA and Reserve Bank so why would they put a foot out of line.

WHAT ADVICE WOULD YOU GIVE TO OTHER ADVISERS?

Just keep in touch with your people. Make sure you have a good CRM system and stay in touch with your clients. Let them know you're there if they have a problem, that's our job.

We are here to add value and be here if they want to give us a call as the rest of the country battens down the hatches. 4

By Susan Edmunds

Fighting for independence

Susanna Stuart has been an adviser for more than 30 years and says she wishes the industry's standards were higher.

Auckland financial adviser Susanna Stuart has spent her career fighting to offer her clients independent advice, free of any ties to product providers.

She and Deborah Carlyon set up Stuart + Carlyon in 2004, but Stuart has been a personal adviser since 1986. "I saw a client in the holidays and we were trying to work out when she first came to me. She's on to her third husband now – they all lived to be 90."

Stuart started her financial services career as a money market dealer in the 1980s before deciding that institutional work was too impersonal and she wanted to focus on client relationships.

"I decided to look at financial planning, which at that stage was in its infancy."

Seeking a role without many of the market's conflict of interest questions, she worked a stint at Trustees Executors that helped expand her skills to include expertise in wills and enduring powers of attorney. But then Trustees Executors was taken over by Tower, which wanted its financial planning arm to distribute Tower products.

Unhappy about the tie, she then went to PwC, where she worked for 11 years before its financial planning division was sold to Macquarie. When it was bought, it was a team of six financial planners and a support staff member. But Stuart and then-colleague Carlyon could see that would mean the end of the independence they had crafted and opted to leave instead.

She said she had had to work hard throughout her career to find ways to remain

independent for her clients. "It's always a struggle. It would be easier for us to do what everyone else in the industry does."

That will mean getting a FAP licence for Stuart + Carlyon this year. Stuart said there had been offers to join other organisations but it would be hard to do so and retain independence. "We would have to be very convinced we would be able to offer what we do because clients want financial planning, not just investment advice. Some clients don't have any investments, they're doing financial planning for the future because they're working towards getting wealth."

Stuart said there would be some work to be done to ensure the business could comply with the new rules while sticking to its philosophy.

Stuart + Carlyon has a recommended list of product providers on whom the business has done due diligence and research. But advisers can deviate from that when the client's circumstances require it. Stuart said many of their clients' portfolios "can't be put into a straitjacket" because they were carefully tailored to the individual needs. "People want to deal with someone they can trust who understands their situation, not just puts them into a product."

Many clients were in the stage of life where they wanted to start drawing down from their portfolios so investments had to be conscious of risk. "They can't always just make it up again. We're very careful about



“It’s always a struggle. It would be easier for us to do what everyone else in the industry does.”

preserving capital.”

Both she and Carlyon are certified financial planners. Stuart said they were already doing many of the things that the new legislation would require them to do. The new rules were good for the industry, she said, because it introduced methodology, processes and systems.

Stuart is also now a member of the Lawyers and Conveyancers Disciplinary Tribunal, which she said gave her insight into how business practices could help avoid problems. Many of the issues arose because of miscommunication, a lack of recording, or administration and clerical problems, she said.

Many advisers were already well-versed in those things, she said. “We do file notes for every phone call with anything significant in it. Every meeting we record with a file note.”

Stuart said when they first started the business, she and Carlyon intended to spend some time carving out a marketing plan and strategy to boost the brand but had not had the time. They are now so busy that they do not take new clients unless it’s by referral and usually charge for an initial meeting. “From day one when we set up we were off and running. People wanted to have independent, impartial, unbiased advice.”

But Stuart said she had hoped the industry would have become more professional than it is by now, with higher standards.

“If you look at Australia, we’ve really gone backwards in terms of acting in the best

interests of clients.”

She said it would have been better if the industry had introduced the CFP standard as a requirement for advisers.

“I feel sad that we’re not at that professional level where advisers cannot be selling products.”

Stuart and Carlyon have been joined by Mark Patton, who was previously chief executive of Jacques Martin, part of the ASB group. Stuart said she was starting to think about succession planning. “I’m not getting any younger.” That would mean bringing in people who would understand how the business sought to operate.

While some things would be templated, giving advice within the business meant knowing about legal issues, tax issues and accounting issues. Most clients wanted the advisers to handle their entire financial arrangements, she said. She and Carlyon would work alongside accountants and lawyers, sometimes acting as the middle person to help clients understand what was happening.

Stuart said having Patton come into the business had been a bonus because he picked up some of the management. Stuart + Carlyon now has a staff of nine.

Stuart said she had not encountered many problems asking clients to pay for the service.

The structure is disclosed to clients upfront and she said, when it was seen in the context of a network of accountant, lawyer, financial adviser, it made sense that they would be paid in a similar manner. “We’ve had some younger clients saying ‘can I take away a sample financial plan’ but we don’t like to do that. If they’ve been referred by an accountant or lawyer they’re used to paying a fee. But that can be the hard part, getting clients to pay for that which banks give free or for next to nothing. Although their financial plan is different to ours.”

Stuart said she felt that being a woman in a male-dominated industry had been to her advantage over the years.

Clients told her they felt women were more empathetic as advisers. “You can be technically competent and know your investment stuff, tax, legal stuff but how you communicate with the client ... often when I meet a client I spend half the time talking about their family and what they’re doing ... I’ve been doing it for a long time, it’s about trying to connect with clients, seeing whether they’re not feeling comfortable about money, something like that, that part is very important.”

Outside work, Stuart is a trustee on the Northern Lifeguard Services Trust and was on the board of Surf Lifesaving Northern Region for a decade previously. She said that came about because she used to write a column for *NEXT* magazine, in which she explained in lay language various aspects of money and investments. She wrote one column about philanthropy after her brother drowned at Piha and lifeguards were involved in trying to rescue him.

She is also spending more time travelling than she had in the past. Her partner has been diagnosed with Parkinson’s and she said she was aware that they should travel together before he had any mobility issues that would prevent them. “I tell my clients to do it and now I’m forcing myself to take the time.”

She said it had been rewarding to see people working on her financial plans over decades. She has clients who came to her in their 60s in the 1980s and who are still on the books. “I have one who still has the original financial plan that I typed on one of the first computers and printed on a dot matrix printer.”

Stuart said the client had told her she would still pull it out from time to time to see how she was tracking against it and had been able to keep her money intact and live off it. **A**





By David van Schaardenburg

Turning the heatmap on KiwiSaver funds

David van Schaardenburg on APRA's new "traffic light" ranking system for MySuper and how NZ KiwiSaver funds and managers might fare under a similar spotlight.

In December 2019, the Australian Prudential Regulatory Authority (APRA), which regulates the A\$2.9 trillion superannuation industry, released its live version of a "traffic light" system ranking MySuper products (A\$762 billion in assets).

APRA intends to use the powerful tool of public exposure to name and shame, effectively burning MySuper funds that are deemed to be underperforming according to APRA's intense analysis.

While the heat is intended for scheme trustees to improve their client outcomes, there is no doubt that many of the investing public will use this tool to allocate their retirement funds to, or away from, their Superannuation fund provider.

In New Zealand, the Sorted website plays a valuable role in disseminating fund data gathered by the FMA from fund managers including KiwiSaver schemes. However, to date, neither Sorted nor the FMA has taken the more affirmative steps that APRA is now doing to highlight areas of relative fund underperformance combined with higher fees.

In addition to APRA's recent moves, a recent *NZ Herald* article highlighted the consistently below average performance of AMP over the last decade as one of the largest KiwiSaver providers across their whole KiwiSaver fund range. So, let's take a closer look at the KiwiSaver fund industry.

AN APRA LOOK IN NZ

The KiwiSaver growth category is the largest fund sector in the New Zealand fund industry by funds invested, and is likely to become more so as KiwiSaver grows further. It is the most important fund sector to New Zealand investors.

If we apply APRA's approach, to be in this category a KiwiSaver fund needed to have between 63% and 90% of fund assets invested in growth investments like shares.

“ In an environment of above average returns on growth assets, its no surprise there's a general trend of higher risk funds achieving superior returns. ”

This fund category has 39 multi sector funds or strategies on the Sorted database (albeit several appear to be duplications) that have a five-year performance history as at March 31, 2019. This covers the savings of 1.23 million New Zealanders investing \$22.3 billion through these funds as at that time.

Unfortunately, by using a five-year history like APRA, it does mean some more recent substantial KiwiSaver providers like Simplicity are not in this analysis. In fact, there are only two KiwiSaver managers in this analysis that substantially use an index/passive approach to investing, while the other 12 KiwiSaver providers with funds in this analysis are all in the active camp.

COMPARING RETURNS AND FEES

Applying the route that APRA had taken and using Sorted data to track back five-year fund performance plus fund fees, we've created a quadrant analysis. The following graph identifies the funds in this important fund category that have below average performance yet above average fees.

The five-year period covered by this analysis has been an above average period of performance for growth investments and therefore growth funds in absolute terms have performed above what you'd expect over longer-term timeframes. The average

annualised market index performance for funds in this product sector in the five years ending March 31, 2019 (pre-fees, pre-tax) was 10%, while fund performances (post fees and tax at 28%) averaged 8%.

As with all performance analyses, past returns may not be a great indicator of future performance. The current volatile market might give some managers a better chance to perform in the bad times versus the good times. However, a five-year period for one group of similar funds is not unreasonable to identify the wheat from the chaff.

The range of growth allocations across the 39 multi sector funds as at September 30, 2020 is between 63% to 90% with a sector fund average of 77%. So, in an environment of above average returns on growth assets, its no surprise there's a general trend of higher risk funds achieving superior returns. But this is not exclusively the case.

Milford, Generate and Aon Russell all had top quartile performers for the five-year period yet at September 30, 2019 had below average (for this fund sector) growth allocations. At the other end of the scale NZ Funds and AMP had above average growth allocations yet were bottom quartile performers for the five-year return period in this study.

Actual average annualised five-year fund returns in this study have varied between 10.4% down to 4.7%. For the Aon Russell, Generate and Milford offerings at the top end and a cluster of offerings from NZ Funds and AMP at the bottom end, there is a surprisingly wide range meaning cumulative wealth creation over the five-year period after all fees and taxes, which varied from only 25% up to 64% (average of 47%).

For those with a substantial sum in their KiwiSaver account, these performance variances can mean tens of thousands of dollars difference in their account balance over this five-year time frame. No laughing matter if you have been at the wrong end of the scale.

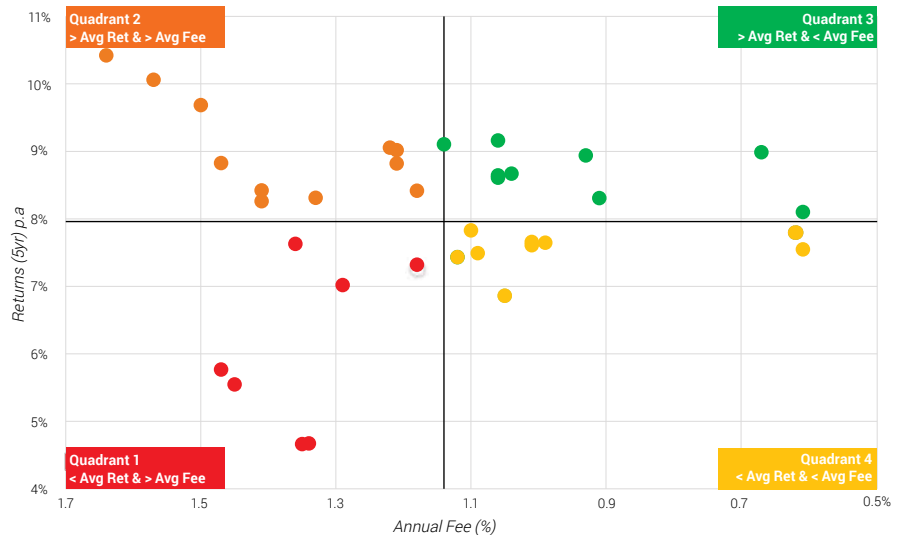
Interestingly, in this survey of 39 funds, no correlation was found between the relative level of fees charged in the year to March 2019 and the relative performance of the surveyed

Quadrant 1 < Avg Ret > Avg Fee	
Provider	Fund
Booster	Balanced Growth
AMP	ANZ Balanced Growth
QuayStreet	Growth
NZ Funds	Growth
NZ Funds	LifeCycle 0-54
NZ Funds	LifeCycle 65
NZ Funds	Inflation
Funds in Quadrant	7
% of Total	17.95%

Quadrant 2 > Avg Ret > Avg Fee	
Provider	Fund
Generate	Focused Growth
Generate	Stepping Stones 0-35
Generate	Growth
Generate	Stepping Stones 36-45
Aon	RLP Growth
Aon	RLP Tgt Date 2045
Fisher Funds	Two Equity
Fisher Funds	Growth
Kiwi Wealth	Growth
Booster	SRI Growth
Booster	High Growth
Funds in Quadrant	11
% of Total	28.21%

Quadrant 3 > Avg Ret < Avg Fee	
Provider	Fund
Milford	Active Growth
Aon	Milford
ASB	Growth
Mercer	High Growth
OneAnswer	Growth
ANZ	Default Growth
ANZ	Growth
Westpac	Growth
SuperLife	Growth
Funds in Quadrant	9
% of Total	23.08%

KiwiSaver growth fund return and fees comparison



Quadrant 4 < Avg Ret < Avg Fee	
Provider	Fund
BNZ	Growth
SuperLife	Age Steps - 30
SuperLife	Age Steps - 40
ANZ	Default Bal Growth
OneAnswer	Bal Growth
ANZ	Bal Growth
SuperLife	Age Steps - 50
Fisher Funds	Two Growth
AMP	Aggressive
AMP	Aggressive Lifesteps
AMP	Growth
AMP	Growth Lifesteps
Funds in Quadrant	12
% of Total	30.77%

funds over the five years to that date.

The bottom quartile of surveyed funds either charge fees akin to the average, or in NZ Funds' case 25-30% above the average. The top three performing funds have the highest fund fees of those surveyed with only one in the top quartile (ASB Growth) having fees materially below the average. Clearly some fund managers are more than earning their fees while some are delivering below average returns while charging relatively high prices.

WHAT SHOULD ADVISERS BE TELLING THEIR CLIENTS?

Five of the 14 KiwiSaver providers with

funds in this survey primarily obtain their clients via financial advisers whereas the residual providers have various types of direct to consumer promotional strategies. The question is, are advisers adding value to their clients by picking the better performing managers?

The fund managers used by financial advisers is influenced by a variety of factors beyond delivering above average performance (risk adjusted) to their clients. It might be higher commissions, better sales tools, better administration platforms and fee billing systems, and client tools like education-based conferences and client seminars. But the reality is many financial advisers are effectively locked in to use the funds of a limited number of fund managers due to the contractual arrangements the business has in place.

It's disheartening to see only one of the five KiwiSaver providers, Generate, who get their clients primarily through financial advisers, populate the top performance quartile of the surveyed funds. NZ Funds and AMP are at the bottom end while Booster and OneAnswer populate quartiles two and three.

Following the approach being taken by APRA, the KiwiSaver funds and their managers who fall into the "expensive duds" group should be where advisers, as advocates for their clients, "apply the heat". While it's not realistic for advisers to tell fund managers how to manage their portfolios, it is within their responsibilities to consider recommending that new clients use an alternative KiwiSaver provider, and existing clients transfer to another KiwiSaver provider. ⁴

David van Schaardenburg is a Senior Partner – Wealth Management at Findex. An Adviser Disclosure Statement is available on request and free of charge.



Covid-19 and the insurance industry

Russell Hutchinson on the ever-changing environment we are living in; what can be done to adapt our way of working; and reaching out in a meaningful way to support and advise clients.



Only a few weeks ago Covid-19 was a thing happening over there, which we believed would be over quickly.

I don't blame Nigel Latta, and others, for saying it was likely to be just a bad flu. I think that's what most people hoped. We don't live in that world anymore, we live in this one, where we have made a choice to try and save lives even though the economic effects will be devastating for some.

As with the Canterbury earthquakes, what Covid-19 is reminding us about is risk. The world is, actually, a dangerous place. A long expansion and a huge boom in technological innovation had fed a feeling that the benign environment was here to stay. We tend to get used to conditions and expect them to carry on indefinitely. When conditions are improving, that's an especially tempting belief. I think of it as an illusion of control brought about by progress.

“As with the Canterbury earthquakes, what Covid-19 is reminding us about is risk.”

The world, however, is a colder, darker, and more chaotic place. Which means it is a good idea to make provision for when bad things happen. Even if it isn't actually Covid-19 that you are worried about, it is a reminder about the general nature of risk. Last year we had no idea this was coming. What's coming next?

The curious nature of this particular pandemic is that, unlike the earthquakes, the impact on insurers from a claim perspective may be relatively modest. I have been called by several journalists who are checking to see if insurers will still pay claims and if so, will they be able to meet these claims.

This is mainly a life insurance question, as the period of illness is relatively short. It is possible that in a small number of cases where a person has been hospitalised, they may be unable to return to work for some weeks. This situation may be complicated in income protection where a combination of mental health issues and economic impacts could worsen a claims situation in an area where there are already problems. These cannot be properly known until we understand how long the situation will persist. Diagnosis of Covid-19 is not a factor for most private medical insurers, as most cases will be dealt with either at home, or in public hospitals. It is not covered by most critical illness / trauma policies.

The main question is therefore life insurance claims. All the insurers whose policy documents I have reviewed in recent years will be paying claims if an insured person dies of Covid-19. The relationship between the death rate and age is such that the virus appears to be much more lethal for older people. The older people get, the much less likely they are to own life insurance, and when they do still have cover, the sums insured are low. Our modelling considers various rates of infection. Annual flu infects between 10% and 20% of the population with a mortality rate of about 0.1%. Death rates from Covid-19 range between 0.5% in the countries with the best response (South Korea, at the time of writing) to about 5% in others. Given current control measures, our relative isolation in the world, and good general population health, we have some cause to be optimistic. Insurers have been asked to report to the RBNZ on their expectations with regard to Covid-19 and I expect they can all respond with confidence in meeting their financial obligations to existing customers.

For new customers, again unlike the earthquakes, it focuses the mind. Although Covid-19 is now a known issue, it will affect the views of insurers around issuing business to very substandard risks and may affect shorter-term views much more than longer-term views. All that still means that now is the time to engage in the grown-up conversations about financial risk transfer with the uninsured.

Some people won't want to talk about it. Some parts of the economy will be so badly hit there will be people out there worrying about how to make their home loan payments. Restaurateurs, motel owners, airline staff, and supporting businesses. Several economists have composed a list of five especially vulnerable sectors: mining/oil and gas; transportation; employment services; travel arrangements; and leisure and hospitality. They will have other priorities – leave them be.

But then again, some sectors will be economic winners. You don't have to make surgical masks, toilet paper, or hand sanitiser to see demand rise. When made, journeys will be more likely made by private car. The energy sector will see a fall in demand for petrol, but at-home workers will use more electricity. Home deliveries will become more common. Since you are at home, you will probably use a heck of a lot more data than you once did. All those Skype, Webex or Zoom meetings will probably make you want to get a better headset. You might be sitting there thinking that you should redecorate. Innovation will see whole new categories of services emerge. Less time in traffic may mean more time to focus on the seemingly endless life-admin list that often sits on the end of the kitchen bench. Government employees, teachers, healthcare workers and many more will have plenty of work, and little time in which to spend their overtime pay. Maybe, after all, it is time to take a look at your insurance.

“With people who do not yet have insurance, now is the time to start that conversation in a meaningful way.”

The renewed motivation is all around us in the news. There is a general realisation of the fragile nature of human life – and a recognition of the limitations of our power to affect that. One of the reasons that panic buying happens is that shopping, after all, is one of the few things you can actually do to prepare. Endlessly scrolling through Facebook and Twitter simply feeds panic. Tragedy though it is, there are only so many articles about the humanitarian crisis in Northern Italy that I can read. Counting the number of boxes of Panadol I have may soothe worry for just a few minutes. But I could make some other preparations: looking up insurance coverage.

Although technology has been an increasingly vital part of my businesses for the last eight years, I have invested more time than ever before sorting out different online collaboration tools. We have used online file sharing services, and workflow management tools for ages. But it has been wonderful to see the team respond with more: crowding on tools like Slack, MS Teams, remote desktop tools, VPNs, and every online meeting system you can name. We're buying cameras and microphones and working on ways that more of our content can be delivered online rather than in person. Developing more shareable content, again, a priority for some time, has been given a renewed sense of purpose. I don't share this to brag – these are the tools you will need to master as well if you are to successfully navigate the changed environment and reach out to your clients.

Do people want you to call them? I can only say this. It is very rare for financial services to be a subject of social media posts between ordinary humans who do not work in the sector. Yet I have seen plenty in recent days. People who have even posted how relieved they were when their adviser called to share what has been going on, to provide a calming voice in the storm. There are consumers that believe insurers may go bust during the pandemic. That is vanishingly unlikely. But you can reassure them. With people who do not yet have insurance, now is the time to start that conversation in a meaningful way. 📞

Russell Hutchinson is director of Chatswood Consulting and Quality Product Research, which operates Quotemonster.



Good Returns.

NZ's Financial Adviser News Centre



Top 10

As usual it has been a busy month on *Good Returns*. Here is a list of the top 10 most read stories over recent weeks.

1 Inland Revenue outlines GST plan

Inland Revenue wants to introduce special rules for determining the GST treatment of fund manager and investment manager services.

2 Partners Life changes to shake the market

Partners Life has made big changes to premiums, wait times and how it treats self-employed customers to make sure policies are sustainable. [Clarified past premium increases.]

3 The investment sidecar – why every KiwiSaver member needs one

The benefits of an investment sidecar, running alongside KiwiSaver, for a more secure and flexible financial outlook.

4 Transitional licensing start date pushed back

Commerce Minister Kris Faafoi is pushing back the start of the adviser licensing regime.

5 Newpark loses second CEO

[With comments from Burton Shipley] Newpark Financial Services chief executive Melanie Purdey has resigned from her role with the company.

6 [The Wrap] Regulators need to be wary of AMP Life deal

One of the biggest deals in New Zealand's financial

services industry is going on largely unnoticed at the moment; arguably because there is so much other change going on at present. It's time the spotlight was put on the deal.

7 Negative news abounds; but things will get better

Castlepoint Funds Management director Richard Stubbs puts some investment perspective around Covid-19.


8 New look Fidelity Life

New Zealand-owned Fidelity Life has taken on a new look and added a health care option to its offering.

9 [The Wrap] The end of dealer groups as we know it

Well you have to hand it to Partners Life. While all the news this week has been about Covid-19, it has delivered a fatal blow to insurance dealer groups.

10 The cost of running a one-person FAP revealed

It's been estimated it might cost \$10,000 to become licensed as a small adviser business, and then \$10,000 a year to operate – but there's a warning that's the wrong way to look at it. 



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GOODRETURNS.CO.NZ

COVID-19

Support for advisers in these unprecedented times.

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