Want to know more? **For more information on the scheme and investment performance** **0508 intandem (0508 468 263)** **westpacintandem.co.nz**

In-Tandem Insight

March 2017

Welcome from the Chairman

Welcome to this edition of *In-Tandem Insight*.

In this newsletter we have included a Scheme snapshot, an update on the investment performance and general news about superannuation and saving, as well information for new joiners who we welcomed into the Scheme over the last few months.

If you have topics you would like covered in future editions of this newsletter, please contact me at **bruce_kerr@westpac.co.nz** or contact any of the trustee directors directly.

Enjoy this edition. We look forward to another great year helping you save towards your future!

Bruce Kerr,

Chairman of the Trustee

Scheme Snapshot

As at 31 December 2016:

$290.4 million in retirement savings accumulated

3,654 active memebers

We have also welcomed **213 new members** into the Scheme since 30 June 2016.

Change announced to New Zealand Superannuation

On 6 March, Bill English, Prime Minister of New Zealand announced a proposal to raise the age of eligibility for NZ Super from 65 to 67.

You would have seen plenty of coverage on this topic in the media and we will ensure we continue to monitor further announcements and will keep you updated as more details become available.

What is changing?

The law will be changed in 2018 after the election if the National Party is successful in its re-election campaign.

Changes will start taking place from 1 July 2037 and will be fully implemented by 1 July 2040.

Anyone born before June 1972 will not be impacted by this change. Those born after 1 January 1974 will be eligible for NZ Super from age 67.

Current Settings	Future Settings
Age of entitlement to NZ Super is 65 years	From 1 July 2037, entitlement age is increasing 6 months each year until it reaches 67 on 1 July 2040
Residency - eligible after 10 years as a resident (including five years after age 50)	Eligible after 20 years as a resident (including five years after age 50)
Eligible for SuperGold Card - 65 years	Increasing in line with age of entitlement to NZ Super
In 2017, life expectancy at birth is 82.5 years	In 2037 life expectancy is expected to be 86.2 years

What isn't changing?

There are number of things that are not changing (for now):

- Universal Entitlement (no asset or income testing)
- NZ Super payments indexed to 66% of the average wage
- Age to access KiwiSaver is 65 years plus 5 years of membership
- NZ Super Fund contributions resume when net government debt falls below 20% of GDP
- Current citizens and residents will not be impacted by these changes and current residents will continue to be able to maximise KiwiSaver benefits.

How has your fund performed?

Investment Performance as at 31 December 2016	3 Months	1 Year	3 Years pa
Cash Fund	0.5%	2.1%	2.4%
Defensive Fund	-0.1%	3.1%	3.6%
Moderate Balanced Fund	0.1%	4.5%	5.3%
Growth Fund	0.4%	5.4%	6.4%
High Growth Fund	1.0%	6.9%	8.0%

Source: BT Funds Management, returns are after fees and taxes

Changes are afoot

Even without a crystal ball, 2017 promises to be an interesting one for countries, markets, businesses and you as an investor. The US has a new and very different President, while the UK will continue to grapple with Brexit and its impact. Continuing on the European theme, where elections will be taking place throughout the year, with the Netherlands just having their election, France (April/May) and Germany (October). The focus of these elections will be how well anti-European Union parties perform.

It is expected that growth will pick up modestly in 2017 led by emerging markets such as Brazil, China, India, Russia and South Africa. Market commentators are expecting the US Federal Reserve to raise interest rates at least twice in 2017, while the European Central Bank may start to consider reducing its quantitative easing programme as the year develops.

Locally the Prime Minister recently announced that this year's election will be held on 23 September 2017. The economy continues to grow thanks to record net migration, solid levels of consumer confidence, low unemployment, and record-low interest rates.

Only time will tell how 2017 pans out but what does seem certain is that the current market volatility is unlikely to disappear any time soon.

How is it that my investment in Bonds can lose me money?

Generally, people invest in bonds because they tend to be defensive assets that support portfolio returns and cash flow requirements when risky assets lose value. With bonds, simply put, being loans to governments and corporations for which investors receive interest repayments, a misconception is that bonds don't lose money. While bonds are generally considered to be less risky than most other asset classes, they do have risks associated with them that can cause them to deliver negative returns. The value of bonds can rise or fall depending on interest rates, the credit rating of the bond issuer and the economy.

The primary risk that bonds are exposed to is an increase in interest rates. When interest rates go up, existing bonds lose value (ie bond prices are inversely correlated to interest rates). This is because the existing bond has 'locked in' a lower interest rate (yield) than what is available in the market for any newly issued bonds.

The Federal Reserve in the US increased interest rates in the last quarter of 2016 which resulted in global bond prices dropping - this was reflected in negative returns investors experienced in their bond portfolios. On the other hand, bonds have had a good run in the last decade since the Global Financial Crisis when economies around the world cut interest rates to boost spending, which resulted in bond values rising.

Investment returns predicted to be lower for longer

After a number of years of healthy investment returns, you should be aware that we are likely to be facing a period of lower returns on investments, which we expect to continue for some time. If you have had money invested in the bank either in a savings account or a term deposit, you would know that interest rates are currently very low. This has arisen since the Global Financial Crisis in 2008/09 when many countries took action to artificially reduce interest rates in the hope of stimulating business and economic activity to avoid recession. While this has helped global financial markets avoid a recession, interest rates have remained at low levels for a prolonged period of time and there is little confidence that they will revert back to pre-GFC levels soon. As a result, we expect inflation and economic growth will be subdued going forward.

General consensus in the investment industry is that it could take a prolonged period (such as 10 years) for cash and bond rates to return to more "normal" levels (even though they are expected to improve earlier in some locations, like the US). These low returns are expected to flow on to other asset classes. Therefore, returns that were experienced from most asset classes after the GFC will be hard to replicate going forward. The Trustee Directors, in conjunction with the Scheme's investment adviser, will therefore review the Scheme's investment objectives to ensure they remain appropriate in the current climate and given this medium-term outlook.

No Substitute for Good Advice

We all want to get the best out of our savings, and to ensure we make informed decisions sometimes we have to ask for advice. Good advice can help you achieve your financial goals.

Westpac has Financial Advisers who can help you plan for your future today and help make appropriate decisions such as choose the right investment option for you.

As an employee of Westpac and a member of the Scheme you can get general information about the Scheme at no cost. If you need more detailed advice, an authorised financial adviser can provide you with more detailed advice and recommendations tailored to your individual situation.

To find an adviser near you please call 0800 942 822 or email **wealth_direct@westpac.co.nz**, or go through Westpac's website **westpac.co.nz** site. Go to Investments > Contact a Westpac Financial Advice.

Here are some tips to help new and existing In-Tandem members get the most out of membership:

1. Sign in to your account online at **www.westpacintandem.co.nz**
2. Ensure you invest in the appropriate investment option for your circumstances
3. Plan for your future with MySuper Planner, a tool which can project savings all the way through to late retirement, while factoring in different conditions that could impact the retirement savings - like starting a family or buying your first home
4. Speak to a Westpac Financial Adviser to ensure you are on the right track.

Useful Links And Contacts

Westpac In-Tandem Helpline:
0508 468 263

Westpac Investment Advisers:
0800 601 901

Scheme's website:
westpacintandem.co.nz

First Home Withdrawals
First Home withdrawal form

Frequently Asked Questions

Housing New Zealand

Feedback about the newsletter:
Email Bruce Kerr at **bruce_kerr@westpac.co.nz**