



Estate and Taxation Planning Council New Zealand Inc

December 1996

Dear Member

Fourth Estate

I should like to join with the rest of your Executive Committee in extending to all members, and to their families, very best wishes for the festive season and for a happy and prosperous New Year.

Marguerite Brien, Editor

Christchurch Branch Thriving

George Scrimshaw, a member of the Executive of the Christchurch branch of the Council, was in touch with the Auckland officers last month, with a report on the recent activities enjoyed by our colleagues in Christchurch.

Earlier this year, Sir Roger Douglas addressed the group with a presentation based on his book *Unfinished Business*. A little later in the year, Girol Karacaoglu spoke to the members about the state of the financial markets in the lead up to the election and the further implications likely under the first MMP government.

Their next function is a breakfast meeting on March 4, at the George Hotel: if any Auckland members are planning to be in Christchurch on that day, they would be welcome to attend. The Christchurch group regularly holds its meetings at the Stewards & Members Stand at Addington Raceway and George reports consistently strong attendance of from 40 to 80 members/guests at meetings. With a membership list already standing at 105, the Christchurch branch is clearly filling a need among our colleagues in that city.

20th Anniversary Celebrations

Nearly 70 members and guests made it a point to be on hand at the Royal New Zealand Yacht Squadron at Westhaven on the afternoon of Tuesday, 10 September.

Their efforts were rewarded with a few surprises: the bright lights of the TV news crew flashed in our eyes as we were handed a welcoming champagne flute (pre-event drinks were a much appreciated touch to this special function).

The Minister of Finance, the Hon Bill Birch, had arrived at the venue well ahead of most of our guests, with his entourage which, coincidentally, included those responsible for the media coverage. Relaxed and smiling, the Minister stood with the Executive Committee to greet the arrivals.

To set the stage for the 20th anniversary celebration, the Past President, Hugh McGuinness gave the audience a thorough and detailed review of how the Council was established, naming the founding members and their reasons for setting up the Council. Hugh's address then canvassed the years, highlighting some of our more memorable seminars and events, and recognising the efforts of the many individuals who have devoted time, effort and energy to the Executive Committee and to the roles of the principal officers. Following Hugh's archival address, the Minister made the first cut into the celebratory cake which bore the Council's logo.

Back at the podium, the Minister launched into his speech. Not surprisingly, only a month before the first MMP election, his address tended to emphasise the policies and achievements of his Party, and to question the policies

and promises of the other major political parties.

The Minister spoke for over 30 minutes, without notes, and offered a comprehensive recap of the need for the government and the country to continue to move forward after the election. He then welcomed a number of questions from the audience and, following the formal part of the meeting, he mingled with guests for quite some time, continuing to answer questions.

All those who attended were pressed to take a commemorative slice of cake home with them and the evening finished at about 8:00.

November Address by Trust Law Expert

On Tuesday, November 19th, Professor Donovan Waters gave a stimulating and entertaining address to members on the new disclosure regime applying to investment products and advisers.

Professor Waters is a world renowned authority on the law of trusts. Originally trained at Oxford, Professor Waters taught for a number of years at various universities, including London, Oxford, Saskatchewan, McGill and latterly, University of Victoria in British Columbia.

Professor Waters had been invited to New Zealand to deliver a series of lectures in conjunction with the Auckland Law Faculty. He was asked to consider the newly appointed regime applying to the disclosure of information about investment products and financial advisers.

His remarks were couched in terms of a Canadian's perspective on the changes to our disclosure regime. In delivering his comments, Professor Waters shared with the audience a wealth of information about the manner in which the Canadian investment climate is regulated.

He drew a contrast between the taxation paradigm in this country ("T-T-E") and that in Canada ("E-E-T"), especially in regard to superannuation and investment products.

His explanation of how the taxation applicable to RRSP's (*Registered Retirement Savings Plans*) held by individuals can be used to deter an individual saver from taking the proceeds of his or her retirement savings in advance of his or factual old age.

By offering significant annual tax incentives (current maximum incentive is \$15,000 per annum per individual), and a favourable tax treatment during the period of saving, the Canadian government manages to convey its message of voluntary additional saving for retirement by individual taxpayers.

By the same token, if the individual "unwinds" an RRSP before retirement, for example, the tax rate at which the proceeds are then taxed in the individual's hands is at that individual's marginal rate. Current top marginal tax rate in Canada is 54% so an individual needs to have a pretty strong reason to unwind an RRSP ahead of retirement time.

Moving to the topic of our disclosure legislation, Professor Waters commended the move toward greater education of the individual saver. However, he asked some piercing questions about whether the *Investment Statement* and prospectus required under the new legislation will, in fact, mean anything at all to the average individual struggling to put a little aside for retirement.

He advocates more emphasis being put on consumer education beginning with the school curriculum. Until the general level of understanding about *investment* has improved, then no amount of enforced disclosure information would be effective to achieve its goal – the protection of the cautious but unsophisticated saver.

Hosted jointly by Simpson Grierson and the Council, the seminar was well attended and went well over time, with Professor Waters handling questions during the social hour which followed.