



Estate and Taxation Planning Council New Zealand Inc

March 1996

Fourth Estate

At the end of the first quarter, it is appropriate to pause for a moment and to look ahead – to what promises to be a year full of change.

In the last few months, changes occurred weekly in the public arena: our Cabinet, the Australian regime, the Governor-General, the political affiliation of MP's and new alignments between political parties.

If policy changes result in legislative change, this may affect our clients' lives (and our own practices) sooner than we think. Details of this year's budget may spark this reaction.

Emergence of new political parties, or re-emergence of familiar faces in unexpected political positions, might also cause ripples for us all.

More certain are the many activities planned for our members this year. These include a special celebration of our 20th anniversary this year.

The AGM (see coming events box) will be a "do not miss it" event. We hope to see a good turnout of members and their guests at this event, as the Committee has a number of points on which comment and suggestions will be invited.

Binding Ruling - IRD

Many members will recall the lively debate which took place in 1995 between Rob Bell-Booth and Denholm Martin on the topic of *licenses to occupy* as a tool of estate planning.

It is noteworthy that the IRD has, at last, given us some certainty on that topic.

Dispositions where the transferor reserves a benefit or advantage in real property – gift duty implications (Public Ruling BR Pub 96/1) is printed in Vol 7, # 8 of the IRD's *Tax Information Bulletin*.

This public ruling has been made under section 91D of the Tax Administration Act 1994 and applies in respect of sections 2(2), 61, 62, 63, 66, 67 & 70 of the Estate and Gift Duties Act 1968. The ruling applies to situations in which the tax payer disposes of real property and keeps or reserves a benefit or advantage in the property.

It applies to dispositions of property made between 1 April 1996 and 31 March 1999. The ruling itself is only one and a half pages, but is followed by nearly seven pages of analysis and examples.

Notably, this ruling is followed by Public Ruling BR Pub 96/2, which deals with the tax implications of *Dispositions where the transferor reserves a benefit or advantage in real property*.

Taken together, the Rulings offer a comprehensive look at how the Department analyses dispositions of property with reservations of interest to the transferring party.

These Binding Rulings, long-awaited are a “must-read” for anyone in estate planning.

Panel Explores Financial Planning

At the premises of Simpson Grierson on Thursday, December 7th, a panel of well established and experienced members of the financial advisory community provided our members with a very enlightening and in-depth resume of the philosophies and approaches to client needs in the financial planning services world.

Speakers for the occasion were:

Stuart Pederson, Spicers Financial Services Ltd
Murray Weatherston, Financial Focus
Raymond Webb, ANZ McCaughan Sharebrokers

Each speaker presented a 15 minute address and the final quarter of the hour-long forum was very lively, with many questions and comments from the members.

So such subject matter was covered by the panel, that we can revisit only some of the more memorable (and often controversial) items of information in the limited space of this newsletter.

Murray Weatherston

- Holistic and emotional: Financial Planning is an arrangement, coaching clients into better financial decisions.
- Every financial plan should include death cover of at least \$1,000,000 for the maintenance of family quality of life.
- How long to invest is of much more importance than the risk profile analysis format widely used.
- Time is the only answer to most investment problems. Focused investment is better than spread investment.
- Know what is going to happen – don't dream it!
- Fees or commission? Let the client choose.
- “Without me you will have to be lucky to succeed – with me you will succeed if you stay the distance”.
- The problem of most asset managers is that they over-promise what they can deliver.

Stuart Pederson

- Stuart predicted a good year for the investment market – with a market yield of 15%.
- Wealth preservation is becoming a much higher priority than wealth creation, particularly for the older age groups.
- Financial Planners do not enjoy a high referral rate from Accountants – only one third of Accountants referred clients to a Financial Planner.

Raymond Webb

- Raymond's recommended top investments: BHP and National Australia Bank. N.A.B's average yield in the past five years is 18.8% and BHP, at 25.9%, is blitzing all published returns.
- Advantage of Managed Funds: Diversification, Risk Reduction.
- Disadvantages of Managed Funds: Fees structure – Too Variable, redundant investments – too many dangers, negative effects of taxation.

The Future

- More diversification and unbundling of services.
- Greater development of client services.
- More understanding and use of the internet.
- Serious need for upskilling of financial services industry.
- More attention must be paid to the image of the industry and of financial consultants.
- A consultant of the future must be able to provide financial superior service and very comprehensive advice.
- The consultant should be a member of a professional team. Sole operators will not be able to provide the breadth of service and the range of advice required to retain clientele.

Noteworthy Comments

- Currently \$2.00 is invested in overseas markets for every \$1.00 in New Zealand – this is not good enough.
- Fault lies mainly with some New Zealand Asset Managers.
- Insufficient confidence in New Zealand investments.
- Great scope for improvement.

All great stuff, thought provoking, well presented and an ideal end of year event.

Splendid hospitality followed and few of the large numbers attending left early.

Our sincere thanks go to Tower Trust Services for its sponsorship of the evening and to Simpson Grierson for providing the venue.

Coming Events

Enter these dates in your diary now:

Thursday, March 21st, 5:15 – Annual General Meeting at the offices of Simpson Grierson Butler White, Albert Street, Auckland. Guest speaker is Colin Blair, Retirement Commissioner. Financial members and their guests are invited to attend and to hear Mr Blair speak about retirement income policies.

Coming later in the year: In the planning stage are functions in May, July, September and November, including a special celebration of the 20th anniversary of the Estate and Taxation Planning Council.

Reminders

Annual General Meeting – 5.15 pm, 21 March.