

## SuperEasy KiwiSaver – When I’m 64!

***“When I get older, losing my hair, NOT so many years from now!”***

**No matter how old we are now**, retirement will creep up on us a lot faster than we realise. What will I do with my KiwiSaver nest egg when it becomes available, which for the majority of us will be age 65? For my part I want this well thought out and under control long before “when I’m 64”.

That is why I have chosen Civic Assurance’s SuperEasy KiwiSaver Automatic Fund for my KiwiSaver savings. Not only will this work for me throughout my working life but equally it will also work for me during my retirement, in fact for the rest of my life. Now that’s a pretty bold statement to make so let me explain why I say this.

**What’s the problem?** I have presented and spoken with thousands of local authority staff and the thinking is all the same. Superannuation savings are long-term savings and to maximise your savings’ growth potential you have to be in the growth markets ‘at the time of growth’ and not ‘after the markets have moved.’ Thus what typically happens in the life of a superannuation scheme is that you will invest in a higher-return, higher-risk managed fund in your earlier years.

So we start off and carry on investing our savings in a growth fund, but at some stage in the future when we are near or are in retirement, we will transfer all or part of our savings to a lower-return, lower-risk type fund so as to preserve our accumulated wealth. When we do this will depend on our individual circumstance, but I haven’t spoken to anyone who has said they will not do this. The point being: if you have saved \$100,000 say and you are age 65 and this is your retirement savings, you should not have the lot invested in the stock market.

**It’s all in the timing!** To have higher-return, higher-risk assets when you are young and then lower-return, lower-risk type assets when you are older presents us with a very tricky situation which I and everyone I have spoken to does not know the answer to. That is, when in the future will be the right time to move our savings from a growth-type fund to a lower-risk fund when we don’t know what the markets will be doing on that future day or at any future time over the next 5, 10, 15 or 20 years? The short answer is we don’t know and I have yet to speak with anyone who does! If we move it ‘in chunks’ and we have somehow managed to correctly time the markets (given that we don’t know when future market highs and lows will be) then great, but if this happens when the markets have dropped then we have a problem.

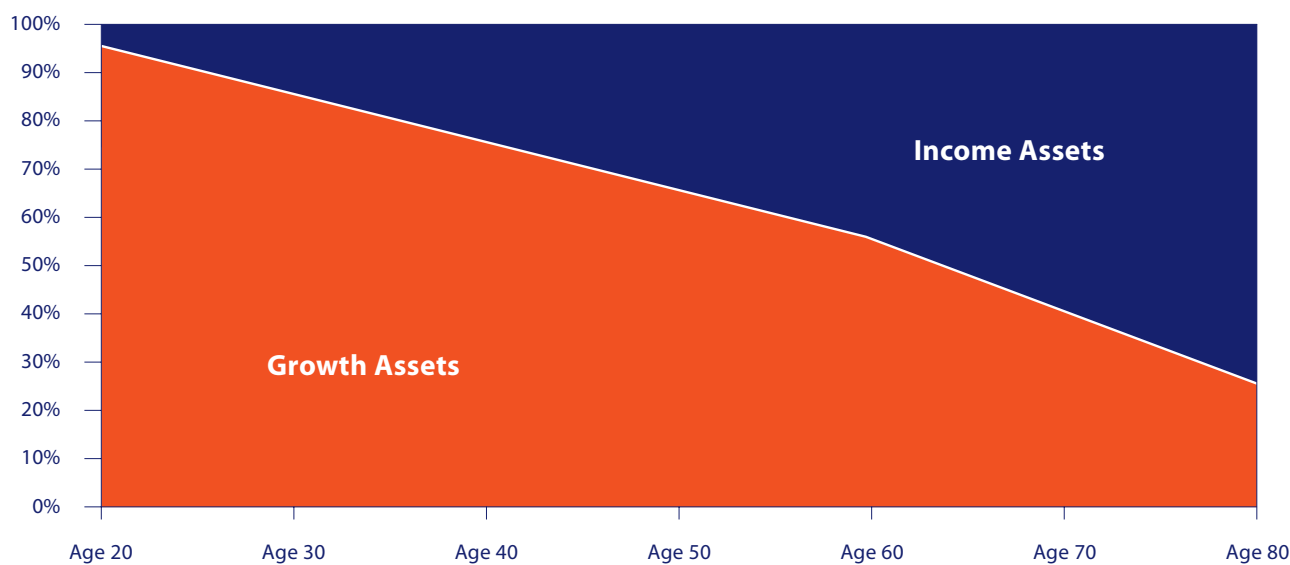
**And it isn’t a small problem!** Don’t forget this need to switch will typically be a few years down the track when we will have more than just a few dollars in our account, so the stakes are high. If we are unlucky and need to take a bit of a hit and are getting on in years, we could only make this up by continuing to invest in high-risk, high-return funds, but that could make our problem even worse!

**How do we solve this problem?** That is exactly what SuperEasy KiwiSaver’s Automatic Fund has been designed to take care of. There is no other fund available on the market that I am aware of that will work exactly like the SuperEasy KiwiSaver’s Automatic Fund. A fund that is essentially a tax-paid account held in trust in your name and your name alone.

# SuperEasy KiwiSaver – When I’m 64!

**SuperEasy KiwiSaver’s Automatic Fund** has pre-determined target asset allocations that depend on the member’s age, and EACH MONTH the members’ savings are reviewed to reflect a new target. So rather than moving it ‘in chunks’ at some self-assessed time, this will happen very evenly and smoothly in small amounts EACH MONTH right the way through to age 80 as illustrated in the diagram below.

**Reducing Your Risk Month by Month from Age 20 to Age 80**



**And it gets better!** Within each of these asset classes, the target asset allocation is diversified and spread over a range of investments including overseas equities (hedged, un-hedged and socially responsible investment funds), Trans-Tasman equities, property, overseas and New Zealand fixed interest securities and cash.

**Why do I think this is so good?** The Automatic Fund has solved the inherent problem present in every other KiwiSaver scheme – when to move your savings from higher-return, higher-risk assets to lower-return, lower-risk assets. What is more, in my retirement I will still continue to enjoy the same low wholesale charging structure that applies to local government staff. I will have the option to continue to pay into the scheme if I want to, or I can stop paying in and leave the existing funds to grow, or I can make a partial withdrawal whenever it suits me, or I can make a full withdrawal of my savings.

**There is life beyond 64!** Like everybody else I will not know what my circumstance will be at age 65 until I get there. However, SuperEasy KiwiSaver’s Automatic Fund provides me with all of the above options and they will allow me the flexibility to decide how I would like to use or invest my money at that time. In short I can continue to use it to manage my savings throughout my retirement.

**My money for My retirement.** And when I am much, much older, I am comforted to know another important point that is often overlooked until it is too late: the directors of Civic’s trustee company overseeing the management and propriety of my scheme will be completely independent and conflict free. Thus MY money will be funding MY retirement, not someone else’s.

Ian Brown, Superannuation Manager, Civic Assurance