Introduction to Investing for New Zealanders

Summer
KiwiSaver Scheme
My Plan

Investing for your future is an important part of your financial wellbeing.

If you are new to investing, this guide will introduce you to key investment topics, including the different types of asset classes and how they work. It will also introduce different investment styles and some of the risks you may face as an investor.

KiwiSaver plays an important part in many New Zealander's financial plans. This guide also looks at how it works, its benefits and how to make the most of the opportunity it represents.

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Any questions? Contact us

Talk to your financial adviser
if you would like to learn more.

Phone: 0800 11 55 66
Email: *info@summer.co.nz*

What is investing?

A popular definition of investing is using your money to make more money.

You may have come into some money through an inheritance, selling a property or business. You may have also saved carefully by putting aside a little every pay – like in KiwiSaver.

The kind of investments you choose to make will depend on your situation and your objectives or goals.

Your goals may be influenced by factors including your age, income, investment experience and attitude to risk, among others.

Why do you want to become an investor?

You may want to become an investor to open up your future choices.

Choices can range from what holidays you want to take, where you want to live, all the way through to smaller decisions like what clothing or groceries you want to buy.

Depending on your life stage, you may be investing so you can buy your first home or help your children though university. You might even be investing to provide future generations with financial opportunities.

Every person will have their own reasons.

What sort of investment types are there?

A wide range of investment options are available to suit any number of investor objectives, risk profiles and return expectations. Nearly all the options available can be placed into two broad categories – income and growth.

What are income assets?

Income assets are typically defined as cash and fixed interest investments. These are generally investments that provide you a return in the form of regular interest (or "coupon") payments. Income assets also generally include a promise to return your money at a future date, often called a "maturity".

Income assets are generally considered to provide a lower long-term return on your investment compared to growth assets, but a more certain level of return.

What are growth assets?

Growth assets, like equities (or shares in a company) provide you a return generally from growth in their value over time. Some shares will also provide a return in the form of dividends. Dividends are a payment of the profits earned by a company out to shareholders.

Growth assets are generally considered to provide higher long-term returns than income assets. Growth assets will however have a more uncertain level of return and a higher level of risk than income assets. We explain risk on page 7.

What is a return?

A return is the profit you receive from making an investment and is generally expressed as a percentage. For example, a bank might offer you a term deposit with an interest rate, or return of 2% a year. A $100 investment would return you $2.00 a year before tax.

What different asset classes can you invest in?

An asset class is a group of investments that display similar characteristics to one another.

Investments can broadly be classified into four different asset classes:

- cash
- fixed interest
- property
- equities or shares.

You might also consider investing in alternative asset classes which include things like commodities, art, collectibles, and crypto-currencies like Bitcoin or non-fungible tokens (NFTs). These generally come with higher levels of risk.

Each asset class has different characteristics, including the potential level of returns and the risks involved with owning assets in that class. The information below will focus on the four main asset classes.

Cash

Bank savings accounts

A bank savings account is the simplest short-term investment and probably the one that most people are familiar with. They are generally a good choice for short-term savings goals like a holiday, or as a place to keep money for an emergency. As a result, returns tend to be very low compared with other types of investments.

Bank fixed term deposits

A term deposit is another option for short or medium-term investment. Here your money is locked away for a set period, usually three, six or twelve months and sometimes longer. In return, you will generally earn a rate of return higher than an ordinary bank savings account.

You might be able to 'break' your fixed term investment if you need your money before the set period ends. If you do, you may incur a cost. The cost can be a lower interest rate or an upfront fee.

Fixed Interest

Bonds

A company or government might need some extra money to fund new projects, which they don't want to borrow from the bank. One way to get more money is asking the public to loan them some money. The company or government can do this by issuing a bond.

The company or government that has created a bond is called the issuer. This kind of investment is sometimes called 'fixed interest', 'bank bills' or 'Government stock'.

How does a bond work? You give the issuer your money for a set period of time. The issuer promises to pay you a fixed rate of interest at set points in time. At the end of the period the bond was issued for, the maturity date, they should then repay your money. Some bonds let you convert your bond into shares at maturity.

You generally make a return on a bond through interest or coupon payments made to you at set points in time.

You can also buy and sell bonds in markets. This means you may be able sell a bond if you need your money back before the maturity date. The market price of a bond may change with market conditions. This means you may make a gain or loss as the market value of the bond rises or falls.

When understanding a fixed rate bond, it is important to know some key terms:

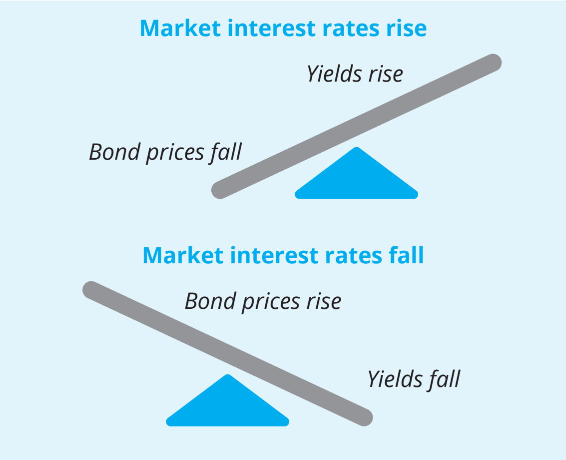
- Face value: The value the bond was worth when issued, and what you can expect to receive when the bond matures.
- Coupon Rate: The percentage of interest the issuer pays. It is based on the face value of the bond (not the market value) and does not generally change.
- Yield: The actual interest rate you receive on your investment. The yield is relative to the market price you purchase a bond at.

What can impact the market price of a bond?

Several factors can impact the market price of a bond, including changes to an issuer's credit rating, or changes to market interest rates. We explain credit ratings on page 8.

As the name suggests, a fixed interest investment has a fixed interest rate or coupon rate. A rise in market interest rates will mean that investments that have a fixed rate of interest will fall in value.

What happens when interest rates change?



The following example explains the diagram above.

If you buy a bond when it is issued, with a face value of $1,000 and a coupon rate of 5%, the issuer will pay you $50 in interest each year.

Let's say that your situation has changed and you need to get your money back by selling your bond on the market. Market interest rates have since risen from 5% to 5.55%.

When market interest rates increase, so does a new investor's expectation of the return they will get from the bond you are selling. Why pay the face value (full price) when they can buy a new bond for the same price and get a higher interest rate?

The person buying your bond now wants to apply a discount and pay you less than the face value. This is so the $50 in interest they will get each year will represent a higher yield than the coupon rate, in line with current market interest rates.

If your bond has a coupon rate of 5% and market interest rates fall to 4.55% the market price of your bond will increase. The $50 in interest a new investor will get each year is now worth more than market interest rates. New investors are now willing to pay more than face value for your bond.

	If interest rates rise from 5% to 5.55%	*If interest rates fall from 5% to 4.55%*
Face Value	$1,000	$1,000
Coupon Rate	5%	5%
Interest received each year	$50	$50
Market Value	$900	$1,100
Interest received each year	$50	$50
Yield	5.55%	4.55%

What can impact interest rates?

Interest rates are the cost of borrowing money – or if you are lending money, it is the return you need as compensation for the risks you take lending your money out. Interest rates can change and impact investments in the market like bonds.

What factors can cause interest rates to change?

Inflation

Inflation describes a rise in the average prices across an economy. It is measured by the Consumer Price Index (CPI).

The CPI is like a basket of goods, which is measured regularly to see how much prices have changed.

The CPI, according to StatsNZ, includes:

- food
- housing and household utilities
- health
- recreation and culture
- education
- communication
- clothing and footwear
- transport
- alcoholic beverages and tobacco
- household contents and services
- miscellaneous goods and services.

The level of inflation present in an economy is an indication of how much the money currently in circulation is losing its value. Monetary policy is a tool used to control inflation.

Monetary policy

In a New Zealand context, the Government sets its expectations with the Reserve Bank of New Zealand (RBNZ) through a remit based in law. The RBNZ meets these expectations by putting monetary policy in place.

The Reserve Bank of New Zealand Act 1989 requires that monetary policy promotes the prosperity and well-being of New Zealanders, and contributes to a sustainable and productive economy.

At the time of writing, the RBNZ's goal is to provide price stability by keeping inflation between one and three percent on average over the medium term. Monetary policy is also put in place to support maximum sustainable employment.

The RBNZ typically implements monetary policy by adjusting the official cash rate (OCR), which is reviewed seven times a year. The OCR impacts interest rates, the exchange rate and the overall level of demand in our economy. Demand is the want for goods and services that is supported by the means to buy those goods and services.

The RBNZ can reduce the OCR to promote economic activity and demand, by reducing the cost of wholesale borrowing (money the banks borrow, for example from RBNZ). This can reduce the cost of retail borrowing (money that people borrow from banks to spend). Because borrowing is cheaper it encourages demand, spending and investment which in turn may increase inflationary pressures.

The RBNZ can increase the OCR if inflation is above the one to three percent target. If RBNZ increases the OCR, you are incentivised to save as interest rates at the bank are higher. You may also spend less because borrowing will cost more. This reduces overall demand and lowers the pressure for inflation to rise.

Property

A popular way for people to invest is to buy an investment property.

As an owner of a property, you will collect rent, but you will need to consider a number of things that will impact your investments, including:

- the location and type of property, including whether it is in the city or in a rural area
- whether you buy residential, retail or other commercial property like a warehouse, motel or farm
- your record keeping, financing and taxation arrangements
- the ongoing maintenance requirements of the property
- lease terms
- selecting your tenants
- keeping up with law changes.

You or your property manager will have to deal with it all. Owning investment property or properties is a bit like operating a small business – it can be hard work.

You might instead choose to invest in a company or investment fund that invests in property assets, rather than a single property.

Using investment funds or listed property companies to invest means you get many of the advantages of property ownership without having to find the property or do the hands-on management yourself. This approach can also bring the benefit of diversification by having different types of property in different locations or properties exposed to different industries. We explain diversification on page 8.

You may incur management charges which will reduce your return if you invest using an investment fund. Similarly, you may incur brokerage fees if you buy or sell shares in a listed property company.

Equities or Shares

As a shareholder you own a part of a company. This means you get the right to share in the future income and value of that company. If the company does well or has good prospects, the value of your shares may rise. If the company does not do so well or has poor prospects, the value may fall.

As a shareholder there are two ways that you can share in the company's successes or failures:

- by receiving dividends paid out of the profits made by the company
- by making gains or losses because you can sell your shares for more or less than you originally paid.

The value of shares can be volatile. On any day, the value of shares in any publicly-listed company may go up or down in value.

Any loss or gain in value is only realised when you sell your shares. If you hold onto them, the loss or gain is unrealised.

What are the different styles of investment you can use?

Direct investment or doing it yourself

Going to a share broker and buying some shares in a publicly-listed company is an example of direct investment. By investing directly in term deposits, bonds, shares and property you can save some costs and get a sense of satisfaction that comes with doing it yourself.

It can however be difficult to manage an investment portfolio on your own. You may need to consider how much time and effort you will need to dedicate to researching and monitoring any investments you want to buy or sell.

Indirect investment or appointing someone to invest for you

Indirect investment means that you appoint someone like a fund manager to make investment decisions for you. For instance, by placing your money in an exchange traded fund (ETF) or a managed investment scheme like the Summer KiwiSaver scheme, experienced fund managers will look after your investment and make the day-to-day decisions for you.

A professional investment manager will charge a fee for their services, which will reduce any return you make on your investment.

How does an indirect investment like a managed fund work?

In a managed fund, your money is pooled with other investors' money and a professional fund manager invests it in various asset classes, depending on the strategy of the fund you have chosen.

The Financial Markets Authority indicates that funds using the following fund types would generally spread your money across income and growth assets as shown below:

Funds that target increases in the value of your investment, like growth or aggressive funds, will invest more of your money in growth assets like property and shares and will invest less money in fixed interest and cash.

Funds that target the protection of the value of your investment, like defensive or conservative funds will invest more of your money in income assets like fixed interest and cash and will invest less money in property and shares.

The value of your investment may go up or down. This is called volatility. A fund with more money in growth assets like shares and property is likely to experience higher volatility than a fund that invests more in income assets like fixed interest and cash. Funds with more money invested in growth assets will generally provide you a higher return over the long term.

You can also choose to invest in single sector investment funds. These are funds that target one type of investment or asset class like property, equities, or fixed interest.

You can find more information about investment funds at *www.fma.govt.nz*

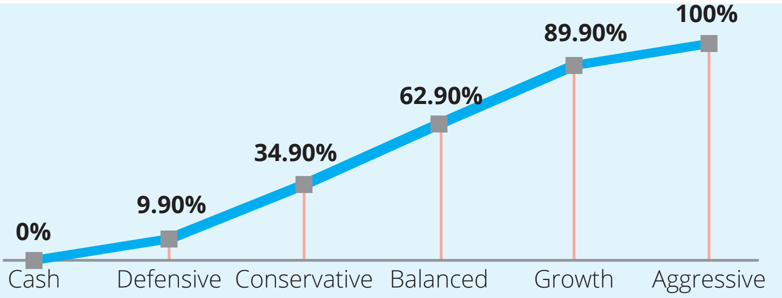
Some managed funds are PIEs (Portfolio Investment Entities). A PIE is an entity which makes investments on behalf of one or more investors. It must also meet certain other conditions. For example, meeting a minimum number of investors and concentration of investors within the fund. Not every managed fund is a PIE.

Investing in a PIE can provide tax advantages compared to direct investment. Capital gains made on most investments in New Zealand shares and most Australian listed shares are not taxable regardless of the level of trading undertaken.

A prescribed investor rate (PIR) is the rate at which tax is paid on taxable income you receive from a PIE. A PIR is capped at 28%. Because no other tax is generally payable by individual investors in the PIE, there can be tax advantages if you pay a higher marginal tax rate on your other income.

Read more about how to calculate your Prescribed Investor Rate at: *www.summer.co.nz/about-kiwisaver/tax#PIR*

Fund type	Percentage of growth assets
Defensive	0% - 9.9%
Conservative	10% - 34.9%
Balanced	35% - 62.9%
Growth	63% - 89.9%
Aggressive	90% - 100%



What is risk?

Risk is the possibility that your actual investment result or return will differ from the expected result or return. Risk includes the possibility of losing some or all your investment.

What types of investment risk are there?

All types of investments carry a level of risk. Generally speaking, the lower the risk associated with an investment, the lower the expected return.

The higher the risk associated with an investment, the higher the expected return an investor has.

Wise investors only take on higher investment risk if they feel they will be adequately rewarded through higher returns. In this way, risk and return are related.

Investment return risk

This is the risk of negative or lower than expected returns on your investments. All investments carry some risk, and events affecting investments cannot always be foreseen. This may mean you get back less from your investment than you hoped for. You might not receive back the full amount you invested.

Investment return risk comes from various sources and is different for different asset classes. The following list describes the main investment return risks for the different asset classes. Some of these are 'market' risks: the risk that the value of investments made by the funds are affected by developments in market sentiment, inflation, interest rates, employment, or regulatory and political conditions. Others are 'company' risks: risks that are specific to an investment in a particular business or entity.

Specific asset classes may carry specific risks

Cash and Cash Equivalents

The borrower may not pay the interest or repay the principal amount of the debt. Inflation may also erode its value.

Fixed Interest

The borrower may not pay the interest or repay the principal amount of the debt. Also, the market value of fixed interest investments will generally fall if market interest rates rise, or the creditworthiness of the issuer declines. Fixed interest investments are typically riskier than cash and cash equivalents.

Equities (Shares) and Property

The risks of equity and listed property investments are similar. They include the risk that if the entity's business performs poorly the value of the investment may fall, and there may be no profits to distribute. The value of the investment may be affected by general market movements as well as issues specific to the entity. Equity and listed property investments are typically riskier than cash and fixed interest investments

Other types of risk are also present in the market:

Currency risk

This is the risk that movements in foreign exchange rates affect the New Zealand dollar value of offshore investments. This risk can be managed by holding New Zealand cash and by using foreign exchange hedging (this is where an investor enters into a financial contract aimed at protecting themselves against changes in foreign exchange rates).

Liquidity risk

This is the risk that an investment may not be able to be sold at the required time, due to a lack of a liquid market for that security. This may result in the investment being sold for less than its fair value, or a fund suspending withdrawals (because it cannot sell its investments).

Manager risk

If you are investing indirectly, this is the risk that a fund manager makes poor investment decisions. It can also arise where the performance of a fund depends on key employees.

How can you tell the level of risk involved with a managed fund investment?

Managed funds in New Zealand, like those in KiwiSaver, must have a standard risk indicator. The risk indicator is designed to help you understand the uncertainties both for loss and growth that may affect your investment. You can also compare different funds using the risk indicator.

Below is an example of a risk indicator:

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk rating generally means higher potential returns over time, but more ups and downs along the way.

A risk indicator does not tell you everything about an investment. Even the lowest category does not mean a risk-free investment. A risk indicator is not a guarantee of a fund's future performance.

While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for any fund you are considering investing in.

A managed fund will have a Product Disclosure Statement (PDS). This is a document that contains information about the financial product you are considering investing in. It includes a description of your investment options, fees, what the risks of investing are, tax and other information relevant to your decision to invest.

How can you manage your risk?

If you hope to earn a return, then you must accept some risk. You cannot avoid risk, but you can manage it. Below, we list some things to consider which can help you manage risk.

1. Diversification – spreading your investments around

Diversification can mean investing across many asset classes. The idea is that if one of your investments is delivering poor returns, other investments should be performing well. When one is 'down' another is 'up'. A well-diversified portfolio should provide you with stable growth over time.

Diversification can apply not only to different asset classes, but may also apply to:

- having different investments within specific industries
- having investments in different countries and currencies, to reduce the risk of a single local market shock or event
- having more than one investment manager looking after your investments
- in relation to fixed interest, investors may hold bonds with different maturity dates to reduce the risk of any short-term interest rate changes.

2. Research

Markets constantly change. These changes may impact on the value of your investments. Market movements may make you ask questions like "what does the latest interest rate increases mean for my investments?" or "commodity prices are rising, should I be reviewing my asset allocation?"

It is easy to be moved by sensational news headlines. Good research is important because when you know what is fundamentally going on within the market, or with a particular investment you can plan an effective course of action.

3. Credit Ratings

A credit rating is an independent assessment of a borrower. It tells you about the risk that the borrower cannot meet its financial obligations.

A credit rating gives you information about a borrower's ability to pay back money it owes, on time and in full. It is a guide to the state of the business and a useful indication of the risk of investing in one business over another.

You will sometimes hear the term 'investment grade' to describe an investment with a certain credit rating. It simply means the investment has a rating of at least BBB from the agencies Standard & Poor's or Fitch or Baa from Moody's.

A good credit rating does not necessarily mean that you should invest. A good rating is not a guarantee that an institution is more likely to do well than a weakly rated one. Even the highest rated organisation could default (not repay their debt) in the future.

It is up to you to decide what level of credit risk to take on and what level of return to demand for that risk.

4. Dollar cost averaging

Dollar cost averaging is when you invest regularly (or drip feed) your money into the market, rather than putting all your money in at one point in time. Dollar cost averaging reduces the impact of short-term volatility.

Dollar cost averaging comes from the idea that timing a market (buying at the bottom and selling at the top) is difficult and that you are better to make a series of investments over time to avoid the possibility of investing at the worst time.

How does dollar cost averaging work?

If you are a KiwiSaver member, you will contribute some of your salary or wage into your account each time you get paid. This is then invested by your KiwiSaver provider.

When your money is invested, it buys units in the fund (or combination of funds) you have selected. A unit represents your share of the investments that the fund owns.

Your regular contribution will buy fewer units when the units are more expensive because markets are performing well. Your contributions will buy more units when markets are down, or the unit price falls.

If you invest regularly, it will smooth the average price of the units you hold over a longer period, in effect evening out the highs and lows in the market.

For example, if you earn $40,000 a year and contribute 3% of your salary or wage into your KiwiSaver account you will make employee contributions of about $100 a month. These are sent to your KiwiSaver provider and then invested for you.

When the unit price moves down, your regular $100 contribution buys more units, when the price moves up, it buys less.

Although the unit price moves between 90 cents and $1.15 during the year, the average price you paid for units over the year was $1.02. You didn't put all your money in at the top of the market, or at the bottom.

Example of KiwiSaver contributions and unit numbers over one year

Month	Contribution	Cumulative Contribution	Unit Price ($)	Average Unit Price	Number of units	Total units held	Total value	Average unit price
January	$100	$100	$1.00	$1.02	100	100		
February	$100	$200	$1.10	$1.02	90.91	190.91		
March	$100	$300	$1.05	$1.02	95.24	286.15		
April	$100	$400	$1.00	$1.02	100	386.15		
May	$100	$500	$0.95	$1.02	105.26	491.41		
June	$100	$600	$0.90	$1.02	111.11	602.52		
July	$100	$700	$0.95	$1.02	105.26	707.78		
August	$100	$800	$1.00	$1.02	100	807.78		
September	$100	$900	$1.05	$1.02	95.24	903.02		
October	$100	$1,000	$1.05	$1.02	95.24	998.26		
November	$100	$1,100	$1.10	$1.02	90.91	1,089.17		
December	$100	$1,200	$1.15	$1.02	86.96	1,176.13		
Year end	**$1,200**		**$1.15**			**1,176.13**	**$1,352.55**	**$1.02**

Introduction to KiwiSaver

The purpose of KiwiSaver is to provide New Zealanders with an avenue to save and invest for their retirement. KiwiSaver was launched in 2007. Since then, millions of New Zealanders have either joined voluntarily or been automatically enrolled by their employer.

What is KiwiSaver?

KiwiSaver is a retirement savings product. It is different to other managed investment schemes you may be invested in as there are generally three contributors. You, your employer and the government, while you are eligible.

KiwiSaver is not just for employees. If you are self-employed you can choose to join KiwiSaver and choose to contribute enough to receive the government contribution each year.

How does KiwiSaver work?

For employee contributions coming directly from your salary or wages, your minimum contribution is 3%. You can choose to increase this to either 4%, 6%, 8%, or 10%.

If you are contributing into your account, your employer is also generally required to contribute. Your employer usually pays a minimum of 3% on top of your salary or wage into your KiwiSaver account. An exception to this is if you are employed on a total remuneration contract.

If you are contributing, while you are eligible, the government will also contribute up to $260.72 each year. This is a 25c per dollar payment from the government for the first $1,042.86 you contribute either voluntarily or through your salary or wage deductions.

This money is invested by your KiwiSaver provider in the investment fund or funds you have chosen.

Who can join KiwiSaver?

You will be able to join KiwiSaver if you can answer 'yes' to both of these statements:

- I am entitled to permanently live in New Zealand
- I normally live in New Zealand

You may still be able to join even if you live overseas, for instance, if you are a state sector employee employed on New Zealand terms and conditions.

KiwiSaver has some benefits:

It's easy to save. If you are an employee, you make your contributions automatically. Your contributions come out of your pay before you see them.

Your employer generally contributes for you over and above your regular salary or wage.

You may be eligible for extra contributions from the government. The yearly government contribution of up to $260.72 is available for eligible members between the ages of 16 and 65. You should make sure you contribute enough each year to get the maximum.

Buying your first home? You may be able to access most of your KiwiSaver funds to buy your first home if you have been a member for three years or more and have not owned a home before.

Compounding returns over time really add up. The longer you invest for, the longer you have to grow your KiwiSaver balance before you start making withdrawals.

What are compounding returns?

A compounding return is what happens when you invest and earn interest or dividends (a return). If the interest is reinvested in the future, you not only receive a return on the original amount invested but on the return you reinvested. In the following years, you will earn returns on the returns you have reinvested, and so on.

This leads to exponential growth over time. The earlier you start investing, the more you will have in the future.

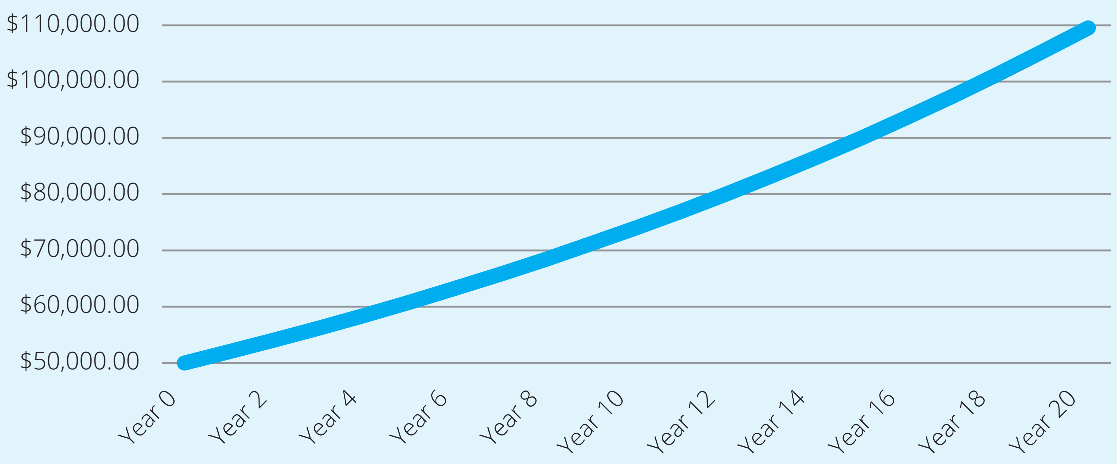
What does this look like? An example of compounding returns

You invest $50,000 at the beginning of the year in an investment fund returning 4% a year after annual fund charges and tax at the highest PIR of 28%. You make no further investments. Assuming no changes, in 20 years' time your investment could potentially be worth almost $110,000. **Your actual balance may differ.**

Investment value over a 20-year period

Years	Beginning of year	Return	Value at year end
Year 1	$ 50,000.00	$ 2,000.00	$ 52,000.00
Year 2	$ 52,000.00	$ 2,080.00	$ 54,080.00
Year 3	$ 54,080.00	$ 2,163.20	$ 56,243.20
Year 4	$ 56,243.20	$ 2,249.73	$ 58,492.93
Year 5	$ 58,492.93	$ 2,339.72	$ 60,832.65
Year 6	$ 60,832.65	$ 2,433.31	$ 63,265.95
Year 7	$ 63,265.95	$ 2,530.64	$ 65,796.59
Year 8	$ 65,796.59	$ 2,631.86	$ 68,428.45
Year 9	$ 68,428.45	$ 2,737.14	$ 71,165.59
Year 10	$ 71,165.59	$ 2,846.62	$ 74,012.21
Year 11	$ 74,012.21	$ 2,960.49	$ 76,972.70
Year 12	$ 76,972.70	$ 3,078.91	$ 80,051.61
Year 13	$ 80,051.61	$ 3,202.06	$ 83,253.68
Year 14	$ 83,253.68	$ 3,330.15	$ 86,583.82
Year 15	$ 86,583.82	$ 3,463.35	$ 90,047.18
Year 16	$ 90,047.18	$ 3,601.89	$ 93,649.06
Year 17	$ 93,649.06	$ 3,745.96	$ 97,395.02
Year 18	$ 97,395.02	$ 3,895.80	$ 101,290.83
Year 19	$ 101,290.83	$ 4,051.63	$ 105,342.46
Year 20	$ 105,342.46	$ 4,213.70	$ 109,556.16

Total value of investment over time



How can you make the most of your KiwiSaver opportunity

You can influence how much you have in your KiwiSaver account in two simple ways. Your contribution rate, and your fund choice.

Your contribution rate

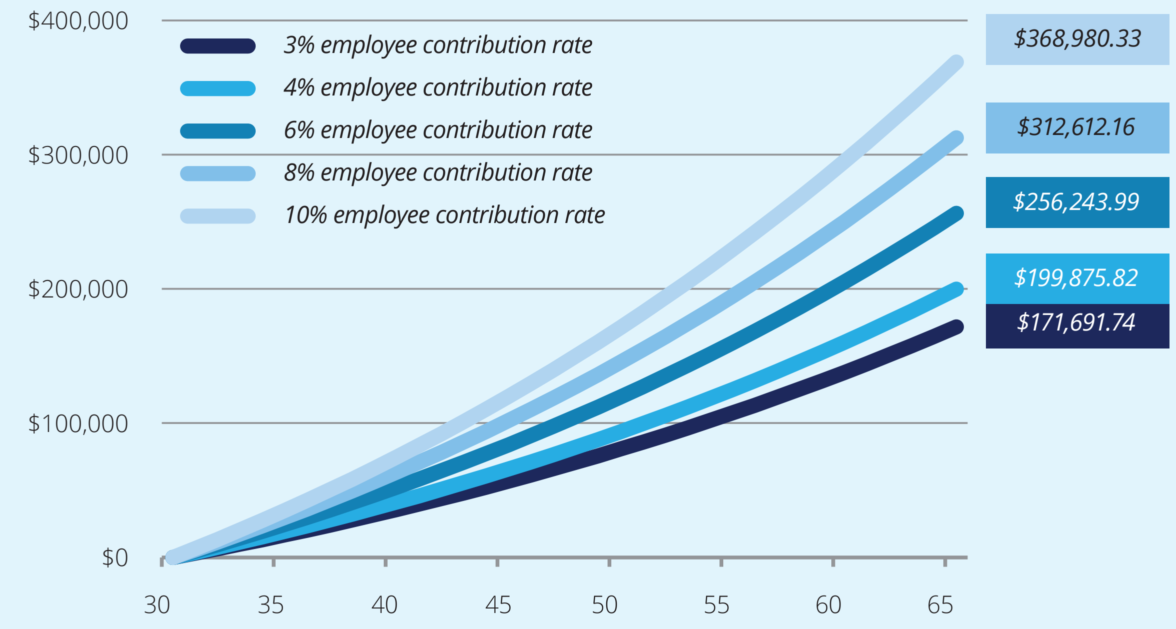
Higher rates of contributions over the long term can lead to significant differences in the amount you have saved for your retirement.

For employee contributions coming directly from your salary or wages, the minimum contribution is 3%. You can choose to increase this to either 4%, 6%, 8%, or 10%.

Below is an example of possible future balances at age 65, in real terms (today's money, adjusted for inflation), for a 30 year old, on a current salary of $50,000 and contributing at the different contribution rates.

There are some additional assumptions, including the investor is in a balanced fund, with a rate of return of 3.5% (after annual fund charges and tax at the highest PIR of 28%). Member, administration, and other fees are not taken into account. **Your actual balance may differ.**

Possible future balances for KiwiSaver member at different contribution rates:



This example is illustrative only to help you understand the possible impacts of decisions around contribution rates. These balances are calculated using the assumed rate of returns outlined in the *Financial Markets Conduct Amendment Regulation 2019, Schedule 7A* – actual returns will differ.

Your fund choice

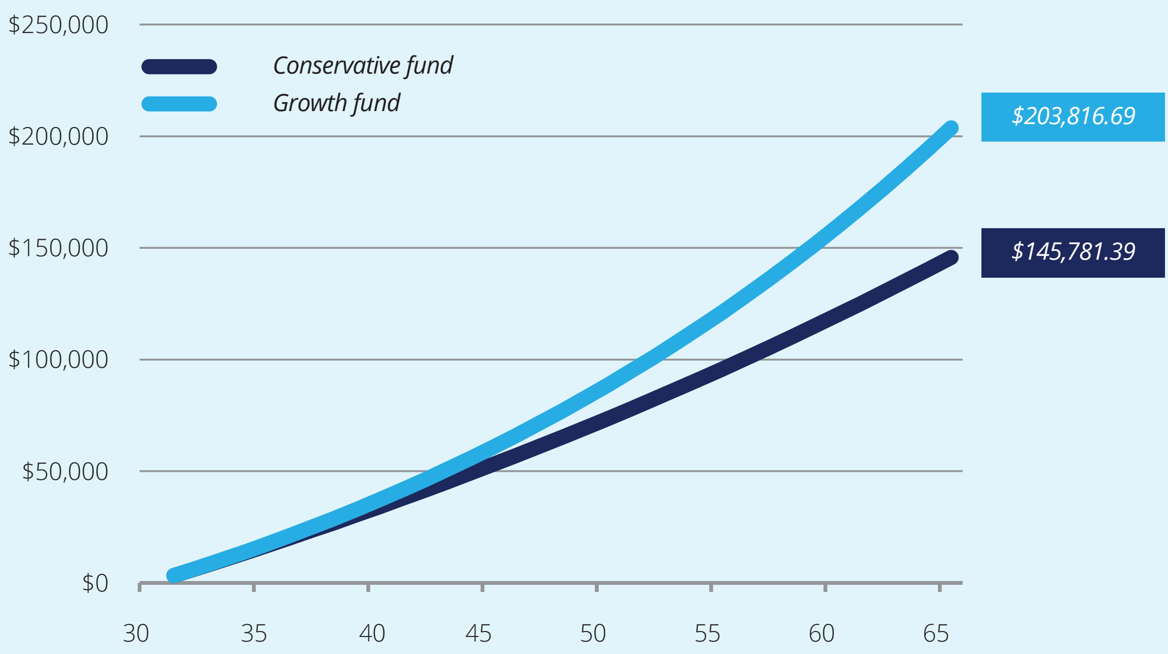
Being in the correct type of fund for your individual risk profile is important, and can have a significant impact on the amount you have saved for your retirement.

While growth funds generally have higher expected returns than conservative funds, they are also higher risk (that is, they are likely to have more ups and down in value).

Below is an example of possible future balances at 65, in real terms (today's money, adjusted for inflation), for a 30 year old, on a current salary of $50,000, with a 3% employee contribution who is invested in a conservative fund, with an assumed rate of return of 2.5%. Alongside, is the same investor if they were in a growth fund with an assumed rate of return of 4.5%.

The assumed rate of return is after annual fund charges and tax at the highest PIR of 28%. Member, administration and other fees are not taken into account.

Possible future balances for KiwiSaver member invested in a conservative or growth fund:



This example is illustrative only to help you understand the possible impacts of decisions around fund choice. These balances are calculated using the assumed rate of returns outlined in the *Financial Markets Conduct Amendment Regulation 2019, Schedule 7A* – actual returns will differ.

** *All examples are calculated assuming:*

- An employer contribution rate of 3%
- A current balance of $0
- Assumed rate of rate of wage and salary inflation of 3.5%
- Assumed rate of inflation of 2% applied
- No other investments or withdrawals between 30 and 65

How is your money held in KiwiSaver?

The Summer KiwiSaver scheme is set up as a trust, which is governed by a trust deed between Forsyth Barr Investment Management Limited (manager of the Scheme) and the Supervisor.

It is a registered managed investment Scheme under the Financial Markets Conduct Act 2013.

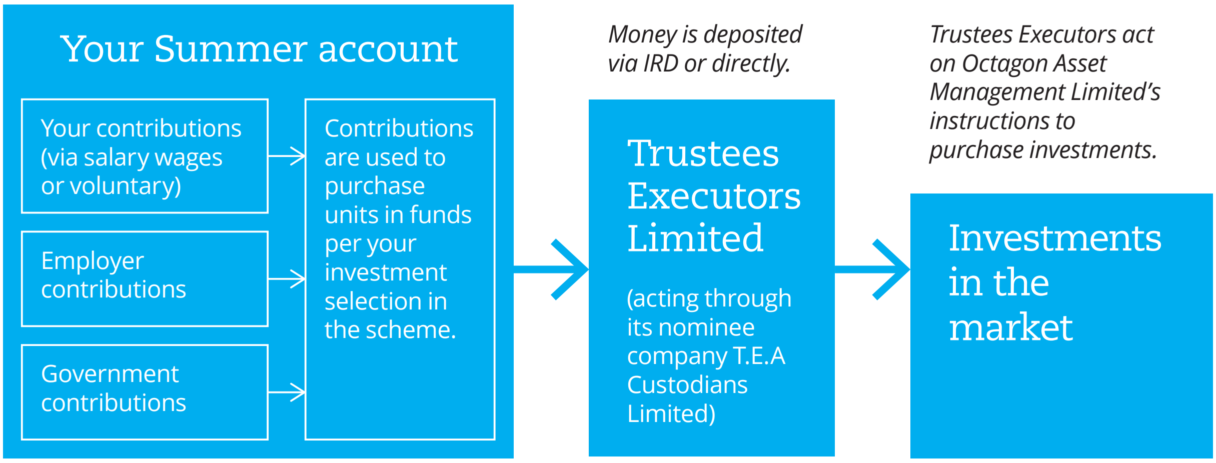
The Supervisor (or a custodian it appoints) holds all investments of the Scheme in trust for the Scheme's members.

This means the investments are held separately from Forsyth Barr for the benefit of Scheme members.

The Supervisor performs another important role, which is to check that we as manager perform our duties.

The Supervisor has been granted a full licence under the Financial Markets Supervisors Act 2011 to act as a KiwiSaver supervisor and is subject to reporting conditions from the Financial Markets Authority (FMA).

	Name	***Role***
Supervisor	Trustees Executors Limited	Supervises us as the manager.
Custodian	Trustees Executors Limited (acting through its nominee company T.E.A. Custodians Limited)	Holds the assets of the Scheme on behalf of members.
Investment Management	Octagon Asset Management	Responsible for day to day investment management.
Administration	Forsyth Barr Limited	Provides us with day-to-day administration services.
	Trustees Executors Limited	Provides us with registry functions and investment accounting services.



How can you choose a KiwiSaver fund?

When choosing a KiwiSaver fund you should consider at least four things:

- **the amount of risk you take**
- **the fees you pay**
- **the return you receive after fees**
- **advice.**

The amount of risk you take

It is important that you take on the correct amount of risk, and invest in the right type of fund for your circumstances.

There are many tools available online to check what risk profile is appropriate for you. These tools are generally a type of survey that might ask you about:

- your age
- how long you are planning to invest for (or when you are planning on withdrawing funds)
- your attitude to risk
- what you might do in the event of a downturn
- the level of returns you want to achieve.

From your answers, you will be given information about what sort of investment strategy most likely fits.

While these tools are a good place to start, you might also choose to have a conversation with a financial adviser.

A financial adviser can take your individual circumstances into account when considering whether an investment is appropriate for someone like you.

It is important to understand that your risk profile may change if your circumstances change.

The fees that you pay

There are generally two types of fees involved with investing in KiwiSaver. A member fee, charged monthly, and a management fee. A management fee is usually based on a percentage of the investment you make.

For example:

You have a balance of $20,000 in your KiwiSaver account. Your KiwiSaver provider charges an annual management fee of 0.9% a year to invest in their growth fund and a member fee of $3 a month. You would be charged an estimated fee of $180 in management fees (0.9% of $20,000) plus $36 in member fees, a total of $206 over a year.

What do the fees you pay actually cover?

The fees you pay as an investor cover the costs involved with being a member in a KiwiSaver scheme. These include paying investment managers to manage and grow your money.

Fees also cover the management and administration costs of the scheme. This includes legal, marketing, audit and accounting fees and any fees charged by the supervisor or custodian.

Fees should matter to you – but so should value for money. You should consider the return you receive after fees.

The return you receive after fees

While past performance is not an indicator of future returns, it can help you decide whether you want to invest in a particular fund, or with a particular scheme.

Performance can either indicate the skill of an investment manager, or just reflect market conditions at the time.

You should consider returns over a long period of time, relative to other funds or other schemes.

Advice

If you are new to investing, or even if you have invested frequently over the years, deciding to talk to a financial adviser may be one of your most important decisions.

A financial adviser is there to help understand you and what you are trying to achieve with your money.

Your financial adviser will want to talk to you about your attitude to risk, how long you want to invest your money for and whether you will need to draw on it for any expenses or lifestyle requirements. They will listen to your views on ethical investing to understand any preferences you have.

When your adviser has the information they need, they can then make recommendations about how you might achieve your goals.

There are some important documents when you are seeking advice

You should receive a scope of service and an advice information statement. It is important to read and understand these documents.

The scope of service

It is important you understand the advice service you are receiving. For any advice service you choose, there should be a scope. The scope will provide:

- an overview of the service
- the basis the service is provided on
- any limitations to the advice
- the benefits and risks of using the service
- information about fees that may apply and where you are able to obtain more detail about this.

Advice Information Statement

An advice information statement is specific to the Financial Advice Provider you are working with. The information statement will include details of:

- fees they receive for providing advice
- any incentives they might receive if you follow their advice
- any other conflicts of interest
- the steps taken to manage conflicts of interest
- the Financial Advice Provider's complaints and disputes resolution process.

Receiving recommendations from a financial adviser

Your financial adviser will give you advice. The nature of the advice you receive and the documentation that will apply will depend on the scope of the service you are using. Your financial adviser may for example provide you with their recommendations in the form of a statement of advice or investment plan. These detail what steps the financial adviser believes you should take to achieve your goals, and reasoning for why those steps are suitable.

Contact us

If you have any questions or would like to receive financial advice, please call 0800 11 55 66 or email info@summer.co.nz.

This is not a recommendation to buy or sell any financial product and does not take your personal circumstances into account. All opinions reflect our judgement on the date of publication and may change without notice. Past performance is not a reliable guide to future performance. We recommend you take financial advice before making investment decisions. We have prepared this publication in good faith based on information obtained from other sources, but we do not guarantee the accuracy of that information. We do not make any representation or warranty (express or implied) that this publication is accurate, complete, or current and to the maximum extent permitted by law disclaim any liability for loss which may be incurred by any person relying on this publication. The Summer KiwiSaver Scheme is managed by Forsyth Barr Investment Management Ltd. You can obtain the Scheme's product disclosure statement and further information about the Scheme on this website, from one of our offices, or by calling us on 0800 11 55 66. Forsyth Barr Investment Management Ltd is a licenced manager of registered schemes and part of the Forsyth Barr group of companies. For information about Forsyth Barr's financial advice services visit www.forsythbarr.co.nz/choosing-a-financial-advice-service.

Notes

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As part of our commitment to you, this document meets the WriteMark Plain Language Standard. The WriteMark is an internationally recognised plain language quality mark.

Summer
KiwiSaver Scheme
My Plan

SUM6693-02 - July 2025