

## Welcome

Welcome to the March 2019 edition.

We hope you have had a nice summer break and enjoyed some time with loved ones. Hard to believe we are now into autumn already! This time of the year is a great time to establish new goals, or revisit tried and proven ones. Why not take the opportunity to review your retirement savings goals and make any changes necessary to help ensure you're on track to get the most out of 2019.

As always, if you've got any questions about the Scheme or if there is anything you would like to see included in future newsletters, please call the Helpline on **0508 4 TEACH** (0508 4 83224) or email [teachersretire@mercer.com](mailto:teachersretire@mercer.com).

## Investments

**The sustained run of positive investment returns for risk assets came to an end in the December quarter, leading to 2018 providing the first calendar year decline in international shares since 2011. While the broad economic expansion continued on a global basis early on, the growth outlook softened towards the end of the year.**

Global equity markets tumbled by nearly 13% in the December quarter, driven by concerns over the US Federal Reserve's (Fed's) interest rate tightening, protectionism, slowing global growth and a weaker outlook for corporate earnings. Investors sought safe haven assets like sovereign bonds, which performed better as a result.

However, markets then rebounded in January, with all developed markets posting positive returns. The Fed's announcement early in the month indicating it will be more cautious with further interest rate hikes, alongside stronger-than-expected corporate earnings and a strengthening US labour market, provided investors with a much needed positive start to the year. The S&P 500 Index (a measure of US share market performance) recorded its best January in more than 30 years. The New Zealand and Australian share markets performed well, although they lagged the larger developed markets.

All other asset classes also began the new year with positive returns, while on the currency front the NZ dollar strengthened against most major currencies.

## Scheme returns

The table below shows the returns of each investment fund for the first seven months of the Scheme year, along with a comparison with the returns for the year prior.

Returns after tax and expenses			
	Scheme year-to-date 7 months to 31 January 2019	12 months to 31 January 2019	12 months to 30 June 2018
Cash	0.9%	1.5%	1.5%
Stable	0.9%	1.5%	3.8%
Balanced	0.1%	0.5%	7.5%
Growth	-0.1%	-0.4%	9.8%

## Latest member booklet out now

To help you quickly find answers to common questions about the Scheme, we developed a member booklet that provides general information about how the Scheme works, each investment fund on offer to you and ways you can access your funds.

This booklet has recently been updated to reflect some of the Scheme changes over the last year, and the content refined to make it even easier to use. You can access the latest Member Booklet by logging into the Scheme website ([www.trss.superfacts.co.nz](http://www.trss.superfacts.co.nz)), click on "Documents & forms", then "Member booklet" to download a copy.

If you have any questions about the content included in this booklet, please contact the Helpline on **0508 4 TEACH** (0508 4 83224).



# My balance is going down, should I be concerned?

Market performance has been positive over the last decade, with the US share market achieving the longest bull market in history. However, recent volatility (markets going up and down) has resulted in a bit of a correction and will have tested the resolve of many investors. What does this mean for you?

It's important to understand your investments and the levels of risk involved. Although saving for retirement is usually a long-term goal, it shouldn't be a set-and-forget process. News reports on changes in market performance can prompt concerned investors to check savings balances and change funds without considering long-term trends.

There are some ways you can be confident your investments are working the way you want. If your circumstances have changed, for example you're looking to buy your first home or are nearing retirement, then you should take a moment to review your investments.

**1. Do you know what investment option your money is invested in?** The Scheme offers four investment options. Three of these, Conservative, Balanced and Growth, are diversified funds. This means they invest in a variety of assets such as shares, property, bonds and cash, although in different proportions. The fourth option, Cash, as its name suggests, invests only in cash. Make sure you know what investment option you are in and the impact markets may have on returns. The Commission for Financial Capability's Sorted website ([sorted.org.nz](http://sorted.org.nz)) provides a **Retirement Planner** that can help you see whether you are on track financially for the retirement lifestyle you want.

**2. Have you spoken with an expert?** Financial advisers can help you make the right investment decisions. The right financial adviser can save you time and help you achieve your retirement savings goals. The **Financial Markets Authority website** provides helpful information about choosing the right financial adviser. If you are concerned about the markets, considering changing funds, investing more money or perhaps withdrawing some of your savings, then speaking with a financial adviser can help refine your goals, and provide tailored advice for your specific situation.

**3. Are you a risk taker or do you like to play it safe?** You can access online tools to help work out what fund you should be in and understand the impact markets may have on your investments. Take a moment to consider what sort of investor you are by visiting [Sorted.org.nz](http://Sorted.org.nz) and complete the **Investor Kickstarter Quiz**.

**4. Need to withdraw money in the near future?** If you are thinking of withdrawing your money for retirement, it's important that you understand your savings may be reduced if investment markets weaken. As you approach a life milestone you may wish to alter your investment options to better reflect your risk profile. To help you make the right decision, discuss your circumstances with a financial adviser (see point two).

**5. Get to know the website.** The Scheme website ([www.trss.superfacts.co.nz](http://www.trss.superfacts.co.nz)) gives you control over your savings. When was the last time you logged in? Accessing your online account enables you to view investment returns and account balances, adjust your fund options, update personal details and tailor how you would like to receive your investment information.

# A decade after the Global Financial Crisis – 10 lessons to learn

Last September marked the 10th anniversary of the collapse of Lehman Brothers, the fourth largest investment bank in the US, and its impact on the world's investment markets. Ten years on, now is a good opportunity to look back and ask ourselves what, if anything, we have learned from living through those exceptional times. While new lessons may be few, there are some valuable older lessons to be reinforced.

## The crisis

Lesson 1: Market cycles are inevitable

Lesson 2: The financial system is based on confidence, not numbers

Lesson 3: Managing and controlling risk is nearly impossible

## The reaction

Lesson 4: Don't panic!

Lesson 5: Some banks are too big to be allowed to fail

## The aftermath

Lesson 6: Emergency and extraordinary policies work!

Lesson 7: If massive amounts of money are being pumped into the financial system, asset prices will surely rise

Lesson 8: If short-term rates are kept at extraordinarily low levels for a long period, returns on other assets will eventually fail/fall in sympathy

Lesson 9: Extraordinary and untried policies have unexpected outcomes

Lesson 10: Markets don't always conform to expectations

## Thoughts from a peek into the future

Thought 1: The next crisis will be different from the last – they always are

Thought 2: Don't depend on regulators preventing future crises

Thought 3: The outlook for monetary policy is unknown

## So what now?

Action 1: Don't abandon diversification. The Scheme's funds are diversified across multiple assets.

Action 2: Be dynamic! This simply means being ready for change, but unless your circumstances alter, sometimes doing nothing is the best option.

Action 3: Don't discard active management. Active managers, like the ones employed by the Scheme, can take advantage of market opportunities in both good and bad times.

## New Year resolutions

Still putting your New Year resolutions into place? One of these could be regularly reviewing your retirement savings, which plays a major role in having a secure financial future. Here are our top tips to checking you're on track:

- Check you are in the right **investment option**. You could be missing out on a significant amount of money over your lifetime by staying in an option that has limited or no exposure to growth assets, such as shares. The Teachers Retirement Savings Scheme offers members a choice of four investment options so you can choose an option to suit your personal situation.
- Speak with a **financial adviser** about your personal financial goals. To find an authorised financial adviser, visit the Financial Markets Authority website [www.fma.govt.nz](http://www.fma.govt.nz).
- Log in to the **Scheme website** to check your contact details are correct and update your communications preferences if these have changed.
- Read the **Fact Sheets** about topics which interest you, and revisit the Member Booklet to familiarise yourself with the options available to you.

To find out more about anything mentioned in this newsletter please call us on 0508 4 TEACH (0508 4 83224), email [teachersretire@mercer.com](mailto:teachersretire@mercer.com) or visit: [www.trss.superfacts.co.nz](http://www.trss.superfacts.co.nz).

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