

NZ Funds launches intelligent KiwiSaver scheme

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NZ Funds Management launched its KiwiSaver scheme today which looks to actively manage retirement savings relative to age and changing investment horizons.

NZ Funds' principal David van Schaardenburg says research shows that individuals going into a default fund are likely to accumulate less in wealth at retirement than they would likely achieve by utilising a dynamic, more growth oriented asset allocation.

"That is a very meaningful opportunity cost - there is little logic to a 30 year old having the same asset allocation as a 60 year old. But the majority of investors in default KiwiSaver schemes have done just that," he says.

NZ Funds says the intelligence of its scheme is achieved through applying two investing processes: Lifecycle Portfolio Management and ARMOR.

Under Lifecycle Portfolio Management NZFunds uses a proprietary asset allocation approach to automatically review and when appropriate, adjust each member's portfolio mix on an annual basis.

A client's savings will be invested in the Growth Strategy when they are younger and then each year from age 46, savings are progressively rebalanced between Growth and the Inflation strategies. When a client turns 60, a portion of their savings will be progressively allocated to the Income Strategy, however the ages are indicative and may be subject to change.

NZFunds chief executive Richard James says a KPMG report supports this strategy saying New Zealand should follow the lead of the Australian Government's Cooper Review and have a savings system that gives the best results for both active and passive savers.

"Introducing a "life-cycle" approach for KiwiSaver default funds - where the asset mix adjusts to match a member's age - would be a good step in that direction."

Each portfolio also benefits from NZ Funds' proprietary ARMOR investment management process. ARMOR stands for Absolute Return through the Mitigation of Risk. It is a systematic risk management framework developed over a number of years by NZ Funds which aims to protect each member's retirement capital from large market declines.

Van Schaardenburg says behavioural finance research shows investors are more concerned about losing money than they are stimulated by gain.

"The dual protections of our dynamic asset allocation and our proprietary ARMOR processes are designed to enable members in the NZ Funds KiwiSaver Scheme to save and invest with confidence, irrespective of their age or the prevailing market environment".

He says to foster additional understanding and confidence NZ Funds will publish a full breakdown of virtually every security owned in each portfolio, every month to enable members of the NZ Funds KiwiSaver Scheme to understand exactly what their retirement portfolio is investing in.

Van Schaardenburg also acknowledges that the opening of the NZFunds KiwiSaver scheme contrasts to a recent trend of KiwiSaver scheme closures, however he believes now is an opportune time to enter the market.

"With KiwiSaver now having greater scale and individual balances beginning to reach more meaningful amounts, we believe a KiwiSaver scheme adopting a disciplined asset allocation and risk management style will be highly appealing to the more discerning individual."

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