
Investor update

The 2008/2009 year was another tough one for investors. But as we head towards 2010, the financial outlook is finally starting to look brighter.

The general consensus is that a global economic recovery is underway, with many leading indicators supporting the positive upswing. In fact, New Zealand's recession, which started in

January 2008, has technically now ended according to recent reports.

While there is still some risk that the recovery could peter out, some experts, such as Reserve Bank Governor Alan Bollard (quoted in the Reserve Bank of New Zealand Bulletin, September 2009), are optimistic that we "are on our way to recovery", and others anticipate sustained economic improvement. Central banks have vowed to keep policies flexible and accommodative until the recovery is well-established and unemployment has dropped.

New Zealand has followed the global trend of recovery, with firm prospects for growth over the next year.

As a recovery takes hold, there has been cautious optimism from investors and many have begun to reinvest in growth asset classes (shares and property) to take advantage of low prices.

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www.realsuper.superfacts.co.nz

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Fund news

Introducing 'mix and match' investment options

You will soon have greater flexibility when it comes to choosing how your Fund retirement savings are invested.

A new 'mix and match' investment feature is being introduced from 1 January 2010 that will allow you to tailor your investment strategy more precisely to suit your personal situation and preferences, if you feel that a combination of investment options may meet your needs better than a single option.

The Fund's four currently available investment options are:

- Growth
- Balanced
- Conservative; and
- Cash.

Each option has different risk and return characteristics. The Growth and Balanced options target higher long-term returns, but also carry a higher risk of returning low or negative results from time to time (such as those experienced in 2008/09). The Conservative and Cash options offer lower expected long-term returns, but are less likely to return negative results.

The four investment options currently available have been designed to enable most members' needs to be met. Therefore, a single option may well continue to suit your requirements. If you are happy with the way your super is currently invested, you don't have to do anything, and your super will remain invested in the same way it is now.

However, the new "mix and match" investment feature will mean that instead of needing to have your entire Fund account balance invested in one investment option, you will be able to split your super over two or more of the Fund's investment options. For example, if you currently have 100% of your balance invested in the Growth

option and you wish to reduce your investment risk (but are comfortable with a riskier overall strategy than any of the other current available options offers) then you might choose to have part of your balance in a lower risk option, such as the Cash option. In this case, you might select (say) a mix of 80% Growth and 20% Cash.

Following the introduction of this facility the earning rate for each investment option, and your accumulated benefits (based on your chosen option or combination of options), will continue to be shown and updated on www.realsuper.superfacts.co.nz as before. Your annual benefit statement will show the dollar amount of the earnings (positive or negative) allocated to your accounts depending on the investment option(s) you have selected over the year.

Making an investment choice

To avoid common investor traps (such as trying to time the markets) it is suggested that you closely align your investment strategy with your personal requirements and set long-term financial goals.

Before you start, consider:

- Your age and time frame to retirement
- Your risk tolerance and investment objectives
- Your future financial goals and aspirations

The Fund is running education sessions during November that will include a section on 'mix and match' investment choice.

If you are unsure about making changes, the Fund's Trustees recommend seeking professional financial advice.

Please note that no employee of Rio Tinto or NZAS (or any related company) is authorised to provide investment advice in respect of the Fund. Because it can have a significant effect on the investment performance of your Fund account balances, the Trustees recommend that you **obtain independent financial advice before choosing or amending an investment strategy.**



Change to membership rules for over-65s

New rules now apply to members who reach New Zealand Superannuation age (currently 65). If you reach age 65 while still in your employer's service, then your own and your employer's contributions will automatically continue but:

- you can elect to cease contributing (in which case your employer's contributions will continue, but on a non-locked in basis at the reduced rate of 4% of your base salary); and
- you may withdraw some or all of your standard account balances (i.e. your member account, company account, any no.2 company account and any transfer account) less any deductions for fund withdrawal tax, despite still contributing to the Fund.

Any such partial withdrawal will be subject to you maintaining a minimum account balance of \$5,000 (and fees will apply to regular or urgent partial withdrawals).

While the Fund's additional insured benefits cease at age 65, if a subsidised member aged 65 or over dies or becomes totally and permanently disabled, a benefit of one times salary is payable from the Fund (provided it has not already been paid by the employer) in addition to the member's account balances.

Refer to the Fund's latest Investment Statement for further details.

Keeping your super on track

After a rollercoaster year, now could be a good opportunity to take stock of your investments and ask yourself: am I still on track for a comfortable retirement? Whether you are five, 10 or 15 years from retirement, it's a good idea to take the time to look at your retirement strategy and make sure it still fits your current situation.

Whether you're looking to prepare for market recovery, to recoup any losses in the wake of the global financial crisis, or just to make sure you are getting the best out of your super, there are many things you may want to consider. Here are a few tips to get you started:

Take a look at your retirement goals

How much will you need for a comfortable retirement? Are you saving enough? Check out the 'Sorted' website at www.sorted.org.nz to help you work out how much you may need to save for your retirement, and how long this will take.

Reassess your investment strategy

Are your funds invested in the most suitable investment strategy for your circumstances? When the market is at its lowest, for many investors this is the best chance to maximise funds. If you are unsure about your strategy we recommend you contact a financial adviser before you make any changes.

Boost your super

Are you getting as much as you can out of your super? There are many great ways to maximise your superannuation savings in the Fund. For example, you might consider making contributions from your before-tax salary through salary sacrifice (and taking advantage of a 33% contribution tax instead of the top personal tax rate of 38%), taking advantage of the KiwiSaver-style incentives by locking in contributions, and increasing your voluntary lump sum after-tax contributions to boost savings.

Fund education sessions coming your way soon

Superannuation can be a tricky topic at the best of times. To help you understand your superannuation better and answer any questions you may have, education sessions will be rolled out to members from mid-November.

Sessions will include an overview of the investment basics, factors to consider when making an investment decision, and a closer look at the Fund's investment options. There will also be information about the new 'mix and match' investment feature, and a recap of the Fund's recent investment performance.

These sessions have been designed to give you a clearer understanding of your super, and you'll be given the opportunity to ask any questions you may have.

Sessions will be presented by Merv Chan, a financial education consultant with Mercer (N.Z.) Limited, the Fund's administrator. Merv has had wide involvement with the financial services industry since the mid-1980s and has been working with the Rio Tinto New Zealand Retirement Fund providing education to members since 2007.

Sessions are scheduled to run during the week commencing Monday 16 November. There is a session time scheduled for each crew. Details are available in a schedule which was distributed on 9 November. If you are unsure of your time or have any questions, please contact Lynley Harris on extension 5722.

Superannuation is one of the largest assets you might ever accumulate. That's why educational programs are useful to help you manage your super.