



Fisher Funds

Investor Education Centre

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Is it safe to come back into the water?

In response to the furore around Huljich Wealth Management, the Government this week announced that changes to KiwiSaver will be fast-tracked to “ensure confidence is maintained”.

Various commentators have suggested different aspects of the investment industry that need to be addressed in order for investors to feel safe to come back in the water and invest in KiwiSaver in particular.

Some of the comments have been quite sweeping and if you have simply glanced at headlines, you could be forgiven for thinking the whole fund management industry needs an overhaul.

It really isn't that bad, in fact there are good reasons why investors can have confidence ... but just as it can take time for respect to be earned, so confidence can take a while to be restored once it has been shaken.

The fund management industry, like every profession, operates within a framework of rules and regulations. This framework provides safeguards for investors.

The first protection that investors have is a commercial one. Fund managers have a strong incentive to do the right thing to build and protect a trusted brand. If investors don't trust and believe in the integrity of their financial services provider, they will go elsewhere and the provider will be out of business.

This protection will be further boosted when the government steers the industry towards plain English documentation, with warnings on risky or complex products. With simple and consistent documentation, investors will be able to compare different providers on an 'apples for apples' basis.

One of the most significant safeguard for investors is the role of trustee.

All KiwiSaver schemes must have a trustee who is responsible for monitoring the fund manager and administrator, on behalf of investors.

By definition, “trustee” means looking after other peoples interest.

In the case of KiwiSaver, trustees are obliged to act in the best interests of members. This is an active role. They must look at every single investment transaction to make sure it meets the guidelines of the scheme, and they must ensure that all the investments are disclosed to members.

The Government is looking to beef up this safeguard even more by increasing the ability of the regulator to supervise trustees, to ensure that they fulfil their obligations.



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There are other layers of protection that exist in various guises. The Government Actuary is a government body responsible for monitoring compliance with the regulations and making sure that no KiwiSaver scheme has unreasonable fees. The Securities Commission also monitors the industry and the Companies Office plays a role in reviewing and registering prospectuses.

Additional regulation will build on these existing layers. It will not necessarily avoid bad apples, and neither can it replace our personal responsibility when considering financial service providers.

The Government recognises this and is committed to improving the financial literacy of New Zealanders, so that investors know what questions they should ask, and any potential fish-hooks they should look out for when trusting a provider with their money.

With a fundamentally sound industry being made even better, it is most definitely safe for investors to come back into the water.

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