

The advantages of Portfolio Investment Entities



What is a Portfolio Investment Entity (PIE)?

The Funds are a type of portfolio investment entities ('PIEs') known as a multi-rate PIE. All of the Funds' taxable income (or loss) will be allocated between unitholders based on their proportionate interest in the Funds. The Manager calculates tax (payable)/receivable on income/(loss) allocated to each unitholder at their nominated prescribed investor rate.

What are the advantages of the PIE regime?

Tax advantages

Investing in a PIE can provide tax advantages relative to direct investment. Capital gains made on most investments in New Zealand shares, and most Australian listed shares, are not taxable irrespective of the level of trading undertaken. In addition, because the prescribed investor rates at which tax is paid on PIE income are capped at 28%, and no other tax is generally payable by individual unitholders, there can be tax advantages if a unitholder is on a higher marginal tax rate.

New Zealand resident individual investors can elect their rate on PIE income allocated to them, provided the following conditions can be met in either of the two immediately preceding Income years:

	10.5% PIR rate	17.5% PIR rate
1. Taxable income did not exceed:	\$14,000	\$48,000
and		
2. Combined taxable income and PIE income did not exceed:	\$48,000	\$70,000

Diversification

Smaller portfolio investors or regular savers can access a diversified equity investment at low cost by investing in a PIE fund.

Active management

Active management of investments by a professional fund manager.

Example one

This shows the tax benefit of investing in a PIE fund at the 10.5% rate vs investing directly, based on taxable income less than \$14,000 and with a combined taxable and PIE income between \$14,000 and \$48,000.

A resident individual is eligible for a 10.5% rate in a PIE fund if their taxable income did not exceed \$14,000 and their combined taxable and PIE income did not exceed \$48,000 in either of the two preceding income years.

	Sum invested	Marginal tax rate on investments	Net investment income*
Investing in a PIE	\$100,000	10.5%	\$4,475
Investing directly	\$100,000	17.5%	\$4,125
Benefit of investing in a PIE fund			\$350

Example two

This shows the tax benefit of investing in a PIE fund at the 17.5% rate vs investing directly, based on taxable income between \$14,001 and \$48,000 and with combined taxable and PIE income of \$70,000 or less.

A resident individual is eligible for a 17.5% rate in a PIE fund if their taxable income did not exceed \$48,000 and their combined taxable and PIE income did not exceed \$70,000 in either of the two preceding income years.

	Sum invested	Marginal tax rate on investments	Net investment income*
Investing in a PIE	\$100,000	17.5%	\$4,125
Investing directly	\$100,000	30%	\$3,500
Benefit of investing in a PIE fund			\$625

Example three

This shows the tax benefit of investing in a PIE fund at the 28% rate vs investing directly, based on taxable income greater than \$48,000 or with combined taxable and PIE income greater than \$70,000.

A resident individual is eligible for a 28% rate in a PIE fund if their taxable income exceeded \$48,000 or their combined taxable and PIE income exceeded \$70,000 in both of the two preceding income years.

	Sum invested	Marginal tax rate on investments	Net investment income*
Investing in a PIE	\$100,000	28%	\$3,600
Investing directly	\$100,000	33%	\$3,350
Benefit of investing in a PIE fund			\$250

* Based on a 5% investment income (\$5,000 interest on \$100,000), minus tax on your investment income.

Forsyth Barr Investment Funds

Forsyth Barr offers a range of PIE-compliant Investment Funds

New Zealand Equities

The Forsyth Barr New Zealand Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand equities, subject to the higher risks associated with investments in equity markets. The Forsyth Barr New Zealand Equities Fund is actively managed.

Australian Equities

The Forsyth Barr Australian Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected Australian equities, subject to the higher risks associated with investments in international equity markets. The Forsyth Barr Australian Equities Fund is actively managed.

Global Equities

The Forsyth Barr Global Equities Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected international equities, subject to the higher risks associated with investments in international equity markets. There are no geographical or sector restrictions on the Forsyth Barr Global Equities Fund. The Forsyth Barr Global Equities Fund is actively managed.

NZ Fixed Interest

The Forsyth Barr NZ Fixed Interest Fund's investment objective is to achieve positive long-term returns after tax, fees and other expenses, by investing in selected New Zealand dollar denominated debt and debt-like securities, subject to the risks associated with investments in debt markets. The Forsyth Barr NZ Fixed Interest Fund is actively managed.

Premium Yield

The Forsyth Barr Premium Yield Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected New Zealand and international debt and debt-like securities, subject to the risks associated with investments in debt markets. The Forsyth Barr Premium Yield Fund is actively managed.

Listed Property

The Forsyth Barr Listed Property Fund's investment objective is to achieve positive long-term returns after fees, taxes and other expenses by investing in selected listed property vehicles, subject to the higher risks associated with investments in listed property investments. The Forsyth Barr Listed Property Fund is actively managed.

The above summary reflects the current Statement of Investment Performance Objectives (SIPO). We are permitted to alter the SIPO with the agreement of the Supervisor. You can request a copy of the current SIPO at any time by speaking with your Authorised Financial Adviser.

Forsyth Barr Investment Funds provide the following:

- Portfolios of selected equities, listed property, fixed interest and other securities
- Research-driven investment decisions
- Active management by a professional fund manager
- PIE compliant funds can provide tax advantages to investors relative to direct investing
- Options for you to invest lump sums or make regular contributions
- Quick and convenient access to your investment if your circumstances change
- The ability to set up regular withdrawals for those wanting cashflow

For more information please call us on **0800 367 227** or visit **www.forsythbarr.co.nz**.

Disclosure Statements are available, on request and free of charge. This publication should not be construed as making a recommendation or giving an opinion in relation to acquiring or disposing of (including refraining from acquiring or disposing of) any financial product. A copy of the Product Disclosure Statement for the Forsyth Barr Investment Funds is available from any of our offices, by contacting your Forsyth Barr Authorised Financial Adviser, or by calling 0800 367 227. We recommend you review your investments and seek specialist advice on any taxation aspects.

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