Your guide to healthy finances

Give your money a workout and get your finances into shape

The better we know you the more we can do.

Contents

Important notice

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Financial health – an essential part of your personal well-being

Keeping financially fit is just as important for your well-being as physical fitness.

Just about everyone, at one time or another, has wished they had their finances a little more under control. And just like getting physically fit, the hardest part about getting your finances into shape can often be simply making up your mind to do something about it.

This booklet contains practical hints and information to help you understand and manage your finances. And the good news is that just by picking up this brochure you've already made a start!

Terms appearing in italics throughout this guide are explained in more detail on pages 20 and 21.

Top ten tips for financial health

Your financial future is in your hands. We hope that the following tips will help you get your finances into shape.

1. **It's up to you.** Remember, you are responsible for your money. Keep a *budget*, review it regularly and make sure you include a plan for regular *savings*. By knowing what you earn and what you spend, you'll know where you stand and where you're heading.
2. **Be realistic.** Don't spend more than you earn, and only borrow what you can realistically afford to repay.
3. **Plan ahead.** Map your financial future, including how you plan to fund your retirement.
4. **Keep track.** Keep records of all your financial transactions together in one place – from bank statements to investment statements. Check your statements regularly, and talk to your financial institution if there are any inconsistencies, or if there is anything you don't understand.
5. **Protect your assets.** Make sure you've got adequate *insurance* – to cover your belongings, your income and your health.
6. **Understand investment.** Understand the basics of investments, including *superannuation*. Remember that high *returns* generally equal high *risk* and only take on a level of risk that you feel comfortable with. Do an annual 'health check' on your investments.
7. **Know the cost.** Know what your financial products are costing you – ask questions if you don't understand the fine print and shop around to find the products that best suit your needs. Don't sign up for anything you don't fully understand.
8. **Be cautious.** Be wary of investments offering a high return with little or no risk. If it sounds too good to be true, it probably is!
9. **Get expert advice.** Seek professional and qualified financial advice when it counts (eg. buying a house, planning for retirement, insurance, *investing* and tax issues) and get a second opinion if you feel unsure.
10. **Educate yourself.** Take the time to teach yourself more about finance (see page 19 for more details) and don't be embarrassed to talk about money with people you can trust.

Make the most of your money muscle

Realistic budgeting

Have you ever found yourself down to your last few dollars two days before your next pay?

The good news is you can get back in control of your money and kick-start your financial work-out by creating a budget that matches your needs.

Top tips for setting your budget

1. **Review.** Take a look at where your money really goes: write down what you earn and what you spend over one pay period.
2. **Reduce.** Look for ways you can cut your spending, without having to live frugally. For example, only go shopping when you have the money to do so, shop around for the best price for major items such as whiteware, and think about buying some things secondhand instead of new. By reducing the amount you spend you can increase the amount you have for savings or repaying *debts*.
3. **Set goals.** Set yourself at least one financial goal, for example saving up for a holiday, buying a house or paying off your credit card once and for all. Having clear goals will help you decide what's important, and give you an incentive to keep your finances under control.
4. **Create your budget.** Start with what you get paid. Then work out how much you need for your essential living and household expenses. Decide how much you want to set aside as savings. How much do you want to reserve to pay your debts? Do you want to invest some money? Can you allow yourself a small amount of 'play money'? Write it all down.
5. **Plan for emergencies.** Remember to set aside a modest 'emergency' fund to pay for any unexpected expenses, such as a car repair bill or a trip to the vet.
6. **Check.** Once you've worked out your budget, give it a reality check. A realistic budget is one you can follow without it being a constant struggle.

Take action: Start today by creating your own budget using the budget planner and spending record sheet at the back of this booklet.

Reality check: is your budget working for you?

- **Does it match your pay?** Set your budget period to match your pay period, whether it's weekly, fortnightly or monthly. This will make it easier to manage your pay.
- **Are you paying yourself first?** Your savings and retirement plans should be one of your main budgeting priorities. They are the keys to achieving many of your *short-term* goals and *long-term* financial security.
- **Is it easy?** Organise your pay so that savings and debt repayments are automatically deducted.
- **Are your savings separated from your everyday money?** Keep your savings out of reach by putting them into a separate savings account – maybe one that doesn't have ATM or electronic access.
- **Can you avoid temptation?** Look for ways to avoid impulse buying. For example, take only enough money for food on your lunch break and leave the credit card or your ATM card back at the office. Better still, take your lunch to work with you!
- **Are you sticking to the plan?** Review your budget every few months (or more) to make sure you're sticking to the plan. Maybe you can put a little more into your savings, or perhaps you need to allow a few extra dollars for household bills.

Regular financial exercise for long-term gain

Creating a savings plan

Many people find that after they pay the bills, cover the basics and make the odd day-to-day purchase, there isn't much left for anything else. For some, saving up for major purchases such as a holiday, a car or a house seems almost impossible.

If this sounds like you, it's time to start saving and make your financial work-out pay off! A healthy savings plan can be the key to achieving your financial goals and making your life easier and more enjoyable.

Top tips for successful saving

- **Start today.** It doesn't matter how small your regular savings contribution is, thanks to *compound interest* a smaller amount of money saved sooner can earn more over the long term than a larger amount of money saved later. For example, if you save $2 every day from the age of 18 until you turn 60, you will have accumulated almost $105,000 (assuming an annual interest rate of 5%).
- **Pace yourself.** Make sure your savings goals are realistic. If you set the bar too high it's easy to become disheartened and stray from your savings plan.
- **Be disciplined.** Make savings part of your regular budget.
- **Keep savings separate.** Keep your savings in a separate account so you won't be tempted to dip in. But remember – there are lots of different accounts to choose from. Shop around, ask questions and aim to select an account that meets your needs. Look for an account that provides low or no fees.
- **Watch your savings grow.** Seeing the results of your efforts will make it easier to stay on track.

Take action: Start today by opening a savings account if you don't already have one. The Consumer Online website www.consumer.org.nz will help you compare financial products, including savings accounts – see the directory on page 18 for more information.

Debt-busting exercises

Reducing and controlling your debt

Debt can be a necessary and beneficial part of life. Most people take on debt at some stage to buy 'big ticket' items like a home or a car. But if your debt becomes unmanageable, it can put a serious dent in your emotional well-being and, in some cases, be the cause of severe financial and personal distress.

If your debts never seem to go away, it's time to take a realistic look at your situation. The only way to tackle debt is head-on!

Top tips for busting debt

- **Have a plan.** Review your current debt situation and work out a plan of attack. If you're not sure where to start, ask for help from your bank, a financial planner or a budget adviser.
- **Set goals.** Set realistic goals for paying off your debts. Even if you aim to pay off just one at a time, at least you'll have something to work towards.
- **Budget for debt repayment.** Make repaying your debts a priority in your budget, after your essential living expenses.
- **Consider consolidation.** Bringing several debts together can sometimes make them more manageable. For example, if you have more than one loan from the same bank, ask if you can combine them into a single loan to reduce the interest and administration fees that you pay.
- **Shop around.** If you do choose to consolidate your debts, shop around for the best option – where possible, aim for a low overall *interest* rate and minimal fees. Make sure you read the fine print and beware of products that offer a 'quick fix' in the short term but lock you in to high interest rates and ongoing fees in the longer term.
- **Prioritise.** If you can't consolidate your debts, start by paying off smaller debts and those with high interest rates. You'll feel great when you cross off that first debt! Then you can keep setting aside that same repayment amount to go towards your larger debts.
- **If it gets hard, get help.** You should never ignore a debt that you can no longer repay. Talk to your financial institution sooner rather than later – they may be able to vary your repayment plan to help make the situation more manageable. Alternatively, talk to a budget adviser about other strategies that might help.

Take action: Start by making at least the minimum payment due on each debt so you're not charged any extra fees or penalties. Then put any extra money you have towards repaying debts with the highest interest rate.

The healthy credit card workout

Sensible credit management

Credit is convenient, but don't forget that whatever goes on your credit card is another debt that you will eventually have to pay, often with high interest. The key to making credit work for you is to use it wisely, and know your financial limits.

Top tips for managing credit

- **Think twice.** If you don't think you can manage to make repayments on a credit card, don't get one.
- **Shop around.** Make sure you choose the credit card that is right for you. Interest rates, annual fees, interest-free periods and features such as reward points vary from card to card. Shop around, ask questions and make sure you read the fine print.
- **Only charge what you can afford.** Only charge items to your credit card that you know you can afford to pay off within a realistic timeframe. Remember that most credit cards charge additional fees for late payments.
- **Stick to one or two cards.** Limit the number of credit cards you have – you shouldn't need more than one or two. Fewer cards mean fewer annual fees and fewer interest rates to keep track of.
- **Limit your limit.** Consider carefully any offers to increase your credit card limit. Do you need more credit? Will you be able to manage it? Think about decreasing the limit if you have more credit than you need or can afford.
- **Stick within your limit.** If you make a transaction that takes you over your limit, you should pay the excess amount immediately. If you don't, your bank may charge an over-limit fee or close your card.
- **Avoid cash advances.** Cash advances and cash-equivalent transactions (eg. using your credit card to get cash from a branch or ATM or to pay another credit card account) are a costly way of getting access to cash, as they incur interest from the date you make the transaction until the date you pay the transaction off in full.
- **Pay it off regularly.** Try to pay off your credit card every month – or, if that's not realistic, pay more than the minimum repayment. The more you pay, the faster you'll reduce your credit card debt.
- **If it gets hard, get help.** If you have trouble paying off your credit card, don't be afraid to talk to your bank or financial institution to see if you can organise a payment schedule that works for you.

Take action: Start by making at least the minimum payment due on each credit card. For more information on how to reduce your credit card debt, visit the "manage your debt" section on www.sorted.org.nz.

Increase your financial strength

Building financial assets through investing

Think you have to be rich to invest? Not necessarily. Some of the most successful investors start small and watch their money grow over time.

Investing can be a great way to strengthen your finances over the mid to long term, so you can enjoy a financially sound and comfortable future. It's easy to get started, but it's also important to understand the basics of investing first. This will help you to make wise choices and avoid getting into financial difficulty.

How much risk can you take on?

All investments involve some level of risk, although some more than others. In investing, risk is the likelihood that your investment may go down in value and that you may lose money as a result. Generally speaking, if the expected return from an investment is above average, the risk associated with the investment is usually above average. The lower the likely returns, the lower the level of risk. This is called the 'risk/return trade-off'.

There are ways of managing your investments to reduce the amount of risk to which you are exposed, including:

- *Diversification*, that is, spreading your money around and investing in different types of investment or with different fund managers
- Taking a long-term view and investing your money for longer periods of time to reduce the impact of short-term ups and downs (volatility) on your investments.

What kinds of investment are there?

There are four main types of investment (called 'asset classes').

- **Shares.** These can be 'direct' investments in companies listed on the New Zealand Stock Exchange (NZX) or on international share markets, or 'indirect' investments in unit trusts, which hold shares in a selection of companies.
- **Property.** This can be a 'direct' investment in property assets (such as houses, offices or factories) or an 'indirect' investment in a property trust, which holds assets in a selection of properties. Property trusts are usually listed on a stock exchange.
- **Fixed interest (bonds).** Fixed interest securities, such as bonds, are issued by companies or governments.
- **Cash.** Investments in short-term, interest-bearing products, such as bank bills or commercial bills, or in term deposits.

You can invest directly in these asset classes yourself (eg. by buying shares or buying a property) or you can invest 'indirectly' through products such as managed funds. When you invest in a managed fund, your money is pooled together with that of other investors and is then invested by a professional fund manager on your behalf. Depending on the type of managed fund, the pool of money can be invested in one or more of the four main asset classes.

Different asset classes and their characteristics

	Cash	New Zealand fixed interest	International fixed interest	Property	New Zealand shares	International shares
Volatility	Low – med	Medium	Medium	Med – high	High	High
Returns	Low – med	Medium	Medium	Med – high	High	High
Timeframe (years)	1+	3-5+	3-5+	5+	5-7+	5-7+
Examples of investments in these asset classes	Bank accounts, bank bills, cash funds	Government bonds, debentures, bond funds	Bond funds	Houses, commercial property, property trusts, property securities, property funds	Shares, share funds, listed investment funds	Shares, share funds, listed investment funds

Source: ING (NZ) Limited

Please note: This table is a guide only. The opinions and recommendations of your financial planner or financial institution may differ from those shown in the table above.

Which investments are right for me?

To work out the types of investment that best suit your needs, you'll need to identify a few factors that are unique to you and your financial situation, such as:

- What you want to achieve from your investments
- How long you want to invest for
- What level of risk you are comfortable with (and can afford to take).

These are some of the factors that will help determine which types of investment would be right for you. A financial planner can assess your circumstances and help you choose an investment mix that best suits your financial needs.

Top tips for effective investing

- **Educate yourself.** If you're new to investing, educate yourself. There are a number of booklets on investing, including 'Snakes and Ladders' by Mary Holm. You can download a free copy from the Reserve Bank website at www.rbnz.govt.nz/education. There is also a range of information available on www.sorted.org.nz.
- **Get expert advice.** Talk to a qualified financial planner about your financial goals and which types of investment would be best for you.
- **Understand tax.** Make sure you understand the tax effects of your investments and talk to a registered tax agent (or a financial planner) if you're unsure.
- **Understand risk.** Understand how much risk you are comfortable with and how long you want to invest, and select your investments accordingly.
- **Start now.** Start sooner rather than later and take advantage of the power of compound interest.
- **Invest regularly.** Invest small amounts regularly to boost your investment over time and reach your goals sooner.
- **Diversify.** Make diversification part of your investment plan and ensure your investments meet your timeframes.
- **Review regularly.** Review your investments regularly. If your circumstances change, talk to a financial planner to make sure your investment plan still meets your needs.
- **Be cautious.** Remember that all investments involve some level of risk. Be wary of get-rich-quick schemes. If an investment is offering high returns for little or no risk, it's probably too good to be true.
- **Look before you leap.** Don't be pressured into making an investment that you are not comfortable with. Always read the relevant information about any investment (such as offer documents, product disclosure statements and prospectuses) in full, before you make a decision.

Take action: Start by choosing a financial planner. Make sure you take the time to check their credentials. All financial planners in New Zealand are required to have a 'Disclosure Document' which lists their qualifications and experience and the products on which they are able to provide advice. Ask for a 'Disclosure Document' before you commit to invest. Read and keep this document with your investment records.

Financial health at any age

Retirement planning

When they retire, most New Zealanders receive income from two main sources – a pension from the government (called New Zealand Superannuation) and their own private savings. Be aware, however, that your government superannuation may not be enough for you to enjoy your current standard of living in retirement.

If you're looking forward to 20 years or more of retirement, how enjoyable will it be if your money supply retires at the same time you do?

How much might you need?

The Retirement Commission estimates that, to enjoy your current standard of living in retirement, your annual retirement income will need to be about 60% – 70% of your income before retirement. The table below will give you a basic idea of what you might need to set aside to fund 20 years of retirement from your current income, taking into account what you are likely to get from New Zealand Superannuation.

Amount you need to save to enjoy 20 years of retirement at 60% of your current income

Current annual income	60% of current income	**Single person needs to save** Takes into account $13,302* per annum NZ Super for single person living alone	**Married couple needs to save** Takes into account $20,465* per annum NZ Super for married couple, both qualify
$30,000	$18,000	$75,000	$0
$40,000	$24,000	$170,000	$55,000
$50,000	$30,000	$265,000	$150,000
$60,000	$36,000	$360,000	$245,000
$70,000	$42,000	$455,000	$340,000
$80,000	$48,000	$550,000	$435,000
$90,000	$54,000	$645,000	$530,000
$100,000	$60,000	$740,000	$625,000
$110,000	$66,000	$835,000	$720,000
$120,000	$72,000	$930,000	$815,000

For example: If you are a single person and want a retirement income of $48,000 each year of the 20 years of your retirement, you will need to have saved $550,000 by the time you retire. This assumes the $48,000 is drawn down in monthly instalments of $4,000.

Note: The above amounts assume an annual return on your savings, after payment of taxation, of 2.50% more than inflation.

* New Zealand Superannuation after-tax amount as at February 2006.

Top tips for a financially fit retirement

- **Join a company scheme.** Check to see if your employer has a company superannuation scheme that you can join. These are sometimes subsidised and are an excellent way to get started on saving for your retirement.
- **Get expert advice.** A qualified financial adviser can help you shop around for the savings, investment and/or superannuation scheme that best suits your needs and will help you work out how much you should be saving now. Remember, your superannuation investment might be the most important investment you ever make!
- **Work out your retirement budget.** Work out how much money you will need to have a comfortable retirement with the financial flexibility to allow you to live life to the full. Budgeting is as important during retirement as at any other time in your life. Think about all your potential sources of income. You may choose to continue working longer, sell a business or move to a less expensive home to supplement your income.
- **Know the costs.** Make sure you're aware of the fees you are paying on your investments, as there may be other, cheaper funds that suit your needs just as well. Consider the level of fees you pay against the level of service you receive and the likely returns.
- **Retire your debt.** Aim to be debt-free as soon as you can so that you can begin financial preparations for retirement.
- **Look before you leap.** Make sure you read the fine print and don't be afraid to ask questions about your investments/superannuation fund if you are unsure.

Take action: Start today by talking to a financial adviser about making financial preparations for retirement that best meet your needs. If you've already set up a superannuation or other investment scheme, think about making extra contributions. The earlier in life you start making frequent, additional contributions to your investments, the greater the impact compound interest will have on your retirement savings.

Health insurance for your finances

Protecting your assets

Ask yourself this: How long would your money last if you were suddenly unable to work... even if it was just for three months? And how would your family or partner cope financially if you became disabled, or if you died?

The most important assets you have are your health and your income. Just as you insure your house and your car, you also need to protect your health and your ability to earn money, for yourself and your family.

While income protection usually won't replace your full salary, insuring your earning power can still mean financial security if events take an unforeseen turn. And, in some circumstances, income protection insurance premiums may be tax deductible.

Top tips for asset protection

- **Find out what you've got.** Keep track of any existing insurance policies and check the insurance cover of your superannuation fund. Some superannuation schemes automatically provide income protection insurance, or death and disability insurance.
- **Get full cover.** Think about all the different kinds of insurance available – from vehicle, house and contents cover to health insurance, income protection insurance and life insurance – and decide which ones you need to protect your financial security.
- **Get expert advice.** Talk to a qualified insurance adviser who can provide advice about your (and your family's) insurance requirements.
- **Read the fine print.** With any insurance policy (whether it's one you've had for years or something you're thinking about taking out), read the fine print and make sure you understand exactly what you are and are not covered for. Also find out exactly what it's costing you. Shop around for a policy that suits your needs and provides value for money.

Take action: Make a will if you don't already have one. Talk to a solicitor or buy a do-it-yourself 'will kit'. If you've already got a will, make sure it's up to date, particularly if your circumstances have changed since you made it. Remember, having a valid will is the only way to guarantee that your assets will be distributed according to your wishes.

Your financial health information directory

For general money matters

The **Retirement Commission's** website **www.sorted.org.nz** helps you manage your money better at every stage of your life. It contains stories, information and 22 tools and calculators to help you budget, set financial goals, work out loan repayments, save, invest and plan for retirement. It also has interactive games to help kids learn about money and more information on wills, trusts, mortgages, student loans and managing money in retirement. The site is independent, does not endorse any products or services and is set up to help New Zealanders of all ages.

Publications of some of the material on the website are available from all public libraries and Citizens Advice Bureau, and can be ordered free of charge by emailing office@sorted.org.nz or calling 0800 GET SORTED (0800 438 767).

Industry associations

New Zealand Bankers' Association
For information on the Code of Banking Practice and a range of customer information pamphlets. Phone 04 472 8838 or visit www.nzba.org.nz.

Investment, Savings and Insurance Association (ISI)
For information on insurance and investments. Phone 04 473 8730 or visit www.isi.org.nz.

For budget advice and assistance

New Zealand Federation of Family Budgeting Services
For free budgeting advice for families and individuals.

Look in your local White Pages under 'Budget Advice Services' or visit www.familybudgeting.org.nz.

Citizens Advice Bureau
For free, independent information and advice on general financial matters, including your rights as a consumer. Phone 0800 FOR CAB (0800 367 222) or visit www.cab.org.nz.

For information about investments

Reserve Bank of New Zealand
The Reserve Bank publishes a guide to risk for savers and investors called 'Snakes and Ladders' by award-winning writer Mary Holm. Phone 04 472 2029 or visit www.rbnz.govt.nz/education.

New Zealand Stock Exchange (NZX)
For comprehensive market data and information, shareholder information and investor education. Phone 04 472 7599 or visit www.nzx.co.nz.

Commerce Commission
To report an investment scam, or if you suspect one, you should contact the Commerce Commission. Phone 0800 943 600 or visit www.comcom.govt.nz.

For information about superannuation

Association of Superannuation Funds of New Zealand (ASFONZ)
An independent, not-for-profit organisation that promotes workplace superannuation in New Zealand. Phone 04 381 3382 or visit www.asfonz.org.nz.

Ministry of Economic Development – Insurance & Superannuation Unit
Phone 04 471 1028 or visit www.isu.govt.nz.

Department of Work & Income – Superannuation Helpline
Phone 0800 552 002 or visit www.winz.govt.nz.

For information about tax

Inland Revenue Department (IRD)
For information on rebate claims, tax returns and personal summaries. Phone 0800 227 774 (personal tax) or 0800 377 774 (business tax) or visit www.ird.govt.nz. You can also download forms, stationery and tax returns and calculate your tax online.

To make a complaint about banking, savings or insurance

Banking Ombudsman
A free, external and independent process to help people resolve their disputes with any of the 11 participating banks. Phone 0800 805 950 or visit www.bankombudsman.org.nz.

Insurance & Savings Ombudsman
To make a complaint about a savings or insurance product, or a product provider. Phone 0800 888 202 or visit www.iombudsman.org.nz.

Consumer information

Consumers' Institute
For consumer reports on financial services and comparison information on financial products see Consumer magazine or ConsumerOnline at www.consumer.org.nz.

www.interest.co.nz
This website contains comparison information on borrowing and investment products.

Educate yourself

- **Read** the money section in your daily newspaper and also the personal finance and investment magazines at your local newsagent.
- **Listen** to finance reports on the radio and television news and to any personal finance programmes.
- **Ask** your bank or financial institution for information about managing finances and investments.
- **Visit** your local library for access to books, magazines and websites.
- **Contact** an adult education centre near you and ask about short courses in personal finance, budgeting, investing, etc.

Financial health

Budget

A budget is a plan that sets out how much money you earn and how that money will be used. You can easily draw up your own budget, or get help from a professional.

Compound interest

This is interest paid on your original investment, plus interest paid on any interest you've already earned. For example, if you invest $1000 at 5% compound interest a year over three years:

- In year one, you will earn 5% interest on $1000 ($50 interest) bringing your total investment to $1050
- In year two, you will earn 5% interest on $1050 ($52.50 interest) bringing your total investment to $1102.50
- In year three, you will earn 5% interest on $1102.50 (approximately $55.13 interest)
- At the end of three years your total investment will be worth $1157.63.

Compare this with 'simple interest', which is only paid on the original amount you invest, not on any interest you have earned. In the same example, you would earn exactly $50 interest for each of the three years. At the end of three years your investment total would be $1150.

Compound interest is great on your savings and investments, but remember that it also applies to most debts. If you don't reduce your debts quickly, compound interest will make them grow larger over the long term.

Credit

Credit is a type of loan that lets you buy goods without actually having the money to pay for them. Credit must be repaid within an agreed timeframe and usually includes an interest payment.

Debt

A debt is an amount of money you owe to a person or organisation. For example, if you have a loan, a credit card or even a store-plan card from your local department store, the amount still outstanding is the debt you owe.

Diversification

Diversification is an investment strategy that involves investing in a range of different types of asset, rather than investing all your money in just one asset. In other words, 'don't put all your eggs in one basket'.

Insurance

Insurance is a way of financially protecting yourself against potential loss or damage. Common types of insurance include car insurance, house and contents insurance, health insurance, income protection insurance and life insurance.

Interest

Interest is the amount a borrower pays to a lender for the use of the lender's money. For example, if you borrow money from a bank in the form of a loan, the bank will charge you interest for the use of that money. On the other hand, if you invest your money with a bank (eg. in a term deposit), you become the lender and your investment will be rewarded with interest as a payment to you.

Investing

Investing is about building wealth. The aim is to invest money in assets that will grow in value over time so that you end up with more money than you contributed to that investment in the first place. Many investments earn income that can be spent (or reinvested), but the original amount of money is left invested so that it can continue to grow and produce more income.

Long term

Investments that are held over long timeframes, such as seven to ten years or more, are generally referred to as 'long-term' investments. When investment professionals talk about taking a long-term view of investing, they are often referring to time periods of 10 years or more.

Return

The return on an investment is the amount of money your investment earns.

Risk

In investing, risk is the likelihood that your investment may go down in value and that you may lose money as a result.

Saving

Saving is simply setting money aside for a specific purpose.

Short term

Investments that are held over short timeframes, such as a few months or one or two years, are referred to as 'short-term' investments.

Superannuation

Superannuation is a way of saving money during your working life, for use once you have retired.

Contact ANZ

If you need advice on your everyday banking, please feel free to contact us. You can:

- Visit any ANZ branch during business hours
- Call us anytime on 0800 ANZ 2 YOU (0800 269 296)
- Visit www.anz.co.nz.

Your spending record sheet

Use our spending record sheet to write down exactly where your money goes. Remember to fill in one column only, depending on whether your budget is fortnightly or monthly. Once you've completed your budget, go back over the hints and tips in this booklet and look for ideas and inspiration on how to get your finances into better shape.

	Fortnightly cost ($)	Monthly cost ($)
Household		
Rent/mortgage		
Body corporate fees		
House and contents insurance		
Council rates		
Gas		
Electricity		
Water		
Phone/internet		
Cable/satellite – TV access		
Repairs & maintenance		
Furniture & appliances		
Pets & pet care		
Other		
Car		
Car insurance		
Auto club memberships (eg. AA)		
Registration		
Fuel/gas		
Repairs & maintenance		
Other (eg. parking)		
Other transport		
Train/bus/ferry		
Taxi		
Other transport		
Food & general groceries		
Groceries		
Eating out		
Work lunches		
School lunches		
Other		
Clothes & grooming		
Adults' clothes		
Kids' clothes		
Adults' shoes		
Kids' shoes		
Dry cleaning & repairs		
Hair & beauty		
Other		
Children		
Kindergarten/school fees		
Child care		
School camps		
School books & materials		
Lessons (eg. music, sport, arts)		
School uniforms (if required)		
Pocket money		
Other		

	Fortnightly cost ($)	Monthly cost ($)
Medical & dental		
Health insurance		
Doctor		
Dentist		
Optician		
Chemist (eg. prescriptions)		
Physio/chiropractor		
Other		
Entertainment, recreation, hobbies & study		
Further education		
Concerts & movies		
Sporting events		
CDs & DVDs		
Books & magazines		
Memberships (eg. gym, club)		
Toys		
Hobbies		
Holidays		
Other		
Gifts & donations		
Donations to charity		
Gifts (eg. birthdays, Christmas)		
Financial & legal		
Account fees & charges		
Financial planner		
Accountant		
Solicitor		
Insurance (eg. life, income protection)		
Other		
Savings		
Retirement savings		
Regular investment plans		
Holiday savings		
Emergency money		
Other		
Debt repayments		
Mortgage (other than listed above)		
Car loan		
Other personal loan		
Student loan		
Credit cards		
Store cards & lay-by		
Other		
Now, grab the calculator and add up all of your expenses...the result is your total fortnightly or monthly spending.		
Your total spending is:	$	$

Step 1: What is your income?

Income (the money coming in)	Fortnightly	Monthly
If you work, how much do you get paid after tax?	$	$
How much interest do you receive from bank deposits, if any?	$	$
How much income do you receive from your investments, if any?	$	$
How much income do you receive from any other sources?	$	$
	Now add up the above amounts to work out your total fortnightly/monthly income.	
Your total income is:	$	$

Step 2: How much do you spend?

Very few of us know exactly what we spend. We've provided a spending record sheet to help you work out exactly where your money goes – whether it's on bills and debts, or even what you put away as savings. Complete the spending record sheet overleaf then fill in the total amount below.

Spending (the money going out)	Fortnightly	Monthly
Your total spending is:	$	$

Step 3: The moment of truth!

It's time to put it all together and work out what you are left with each fortnight or month (depending on which timeframe you chose for your budget) once your income and all your spending have been taken into account.

Your total income: (Insert the total figure from Step 1)		Your total spending: (Insert the total figure from Step 2)		What you have left
$	–	$	=	$

Do you have a negative number here?

If you do, you are spending more than you earn. But don't panic. Being aware of the situation is the first step towards changing it. Consider the following:

- Can you reduce any areas of expense and maybe cut back on some 'nice to haves'?
- Could you benefit from reducing the number of credit cards you have, or reducing your credit limit?
- Could you combine any of your loans in a way that would allow you to benefit from a reduction in overall interest or ongoing fees?

Do you have money left over?

If you do, that means you are living within your means, and that's great. Consider the following suggestions for putting that extra money to good use:

- Use the money to pay off your debts and credit cards faster.
- Use the money to save up for something you need but have been putting off buying, or something you'd like, such as a holiday.
- Think about investing the money as part of your retirement planning.

Create your own budget

Before you begin...

- Choose your budget timeframe. If you receive a regular income, it's a good idea to align your budget timeframe with your pay period – that way it's easier to be disciplined and keep track of every single pay, one pay at a time.
- This budget planner provides a column for fortnightly or monthly figures. Choose which column you want to fill in, depending on how regularly you want to keep track of your money.

What if not all of your figures are for the same timeframe?

If your expenses don't match the timeframe for your budget (for example, if your car repayments are monthly but your budget is calculated fortnightly) grab a calculator and follow the steps below...

To convert all $ amounts to *fortnightly*:	To convert all $ amounts to *monthly*:
To **turn weekly** amounts **into fortnightly** amounts, multiply the amount by 2.	To **turn weekly** amounts **into monthly** amounts, first multiply the amount by 52 then divide the result by 12.
To **turn monthly** amounts **into fortnightly** amounts, first multiply the amount by 12 and divide the result by 26.	To **turn fortnightly** amounts **into monthly** amounts, first multiply the amount by 26 then divide the result by 12.
To **turn yearly** amounts **into fortnightly** amounts, divide the amount by 26.	To **turn yearly** amounts **into monthly** amounts divide the amount by 12.

Now you're ready to start. Follow the steps and fill in the $ amounts in your fortnightly or monthly budget.

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