



Your guide to
healthy finances





For some of us, getting our finances under control is one big headache.

If that sounds like you, help is at hand with these easy-to-follow tips for getting your finances in shape. Whether you're in debt or have money to spare, need help with your budgeting or simply want to learn some sensible money management practices, there's sure to be an answer right here.

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10 tips for healthy finances

Let's start with some quick tips to help you get your finances under control.

1. Keep a budget, review it regularly and include a plan for regular savings.
2. Don't spend more than you earn, and only borrow what you can realistically afford to pay.
3. Take a long-term view of your finances, including planning for your retirement.
4. Keep records of all your transactions in a safe place – and make sure you read the fine print.
5. Protect your financial wellbeing with enough insurance to cover your belongings, your income and your health.
6. Learn about investing and your investment opportunities. Be wary of investments offering high returns with little or no risk. If it sounds too good to be true, it probably is!
7. Shop around to find the financial services that best suit you (especially those with low or no fees).
8. Get professional financial advice for important things like buying a house, planning your retirement and managing investments.
9. Make saving and investment your financial priorities – they are the keys to achieving your short-term goals and your long-term financial security.
10. Educate yourself. Take the time to teach yourself more about finance and don't be embarrassed to talk about money with people you trust.

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Setting a budget

The best way to take control of your money and plan for your financial future is to work out a budget.

Start today, by using the 'budget planner' at the back of this booklet and following six easy tips...

1. Use the budget planner to work out how you currently spend the money you earn. It's a great way to find out whether you need to cut your spending, or how much you could put aside for savings, investments or debt repayments.
2. Make sure your budget is realistic, so life isn't a financial struggle.
3. Look for ways to cut your spending without having to live frugally, so you can increase the amount you can put aside for saving or repaying debts. This could include:
 - 👉 only going shopping when you have the money to spend
 - 👉 buying things second-hand
 - 👉 making your own lunches rather than buying them.
4. Set yourself at least one financial goal, such as saving for a holiday, buying a house or paying off your credit card.
5. Make saving easy by setting up a separate savings account and arranging automatic payments from your everyday account.
6. Plan for unexpected expenses like car repairs by setting aside an 'emergency fund'.

Starting a savings plan

If the things you love to buy seem out of reach, it's a good idea to start a savings plan. You can do that today by opening a savings account and arranging regular automatic payments into it.

No matter how you choose to save, we recommend that you:

1. Set realistic savings goals. If you try to save too much too quickly, you might be put off doing it altogether.
2. Keep saving. Even small contributions will benefit from 'compound interest', where you earn interest on the interest amount you've already saved. With compound interest, a smaller amount saved earlier can earn more than a larger amount saved later.
3. Be disciplined – make saving a regular feature of your budget.
4. Shop around for the savings account that's right for you (especially one that has low or no fees).

Visit **Consumer Online** (consumer.org.nz) to compare savings and other accounts available in New Zealand.

Reducing debt

When debt gets unmanageable, it can really get you down – as well as make a serious dent in your finances.

The only way to tackle debt is head-on, so here are some tips to help you do just that.

1. Review your current situation and make a plan. If you're not sure where to start, talk to your bank, a financial planner or a budget adviser.
2. Make debt repayments the next priority after your essential living expenses.
3. Start by making the minimum payments due on each debt so you don't pay any extra fees or penalties.
4. If it's easier, pay off just one debt at a time – preferably the one with the highest interest rate.
5. It's worth thinking about bringing all your debts into one loan. You'll simplify your repayments, and you could save on interest and administration fees. Remember to shop around for the best (low interest) loan available.
6. If it gets too hard, get help. Your financial institution may be able to change your repayment plan, and a budget adviser may have some good ideas to get you back on track.

Visit familybudgeting.org.nz to find the location of your nearest budget advice service.

Visit your local **Citizens Advice Bureau (cab.org.nz)** for free, independent information and advice on general financial matters.

Managing your credit card

Having a credit card is convenient, but it's important to remember that it's another debt that you have to pay. The key is to use your credit wisely...

1. If you don't think you can manage the payments on a credit card, don't get one.
2. If you can manage the payments, make sure you choose a credit card that's right for you. Interest rates, fees, interest-free periods and special features differ between cards.
3. Limit yourself to one or two credit cards.
4. Keep your credit limit as low as you can to avoid the temptation to spend money you can't afford to repay. Then stick to it.
5. Use your credit card only to pay for things that you can afford, and that you can pay off in a reasonable timeframe.

6. Avoid using your card to get cash or make payments to other bank accounts (you pay interest on these transactions from the date you make them).
7. Try to pay off your credit card every month – or at least make the minimum payment required.
8. If you get into financial strife with your card, talk to your financial institution. They may be able to help with an alternative payment arrangement.

Visit the **Retirement Commission's website** (sorted.org.nz) for more information on reducing your credit card debt.

Investing for the future

It's never too late to start investing – and it's a great step towards a financially comfortable future. However, it's important that you understand the basics of investing so you can make wise choices on where you put your money.

How much risk are you prepared to take?

All investments come with the risk that their value will go up and down, and some have more risks than others. You can manage these risks by:

- 👉 investing your money in different investment types and/or with different investment managers
- 👉 investing for longer timeframes to reduce the effects of short-term fluctuations in the value of your investments.

Which investments are right for you?

The four main investment types ('asset classes') are shares, property, fixed interest securities (bonds) and cash. They each have different characteristics, and the ones you choose will depend on things such as:

- 👉 what you want to get from your investment
- 👉 your investment timeframe
- 👉 how much risk you're comfortable with and can afford to take.

We recommend you talk to a financial planner before you make any investments. They can assess your situation and help you choose a portfolio that suits your financial goals and needs.

Make sure you read your financial planner's 'disclosure document', which will list their qualifications and experience and the products on which they can provide advice. Keep it in a safe place with your investment records.

Top tips for effective investing

1. Start now to make the most of your money, e.g. the sooner you start investing in cash investments, the more you'll benefit from compound interest.
2. Take your time when choosing your investments. Always read the relevant information before making any decisions.
3. Invest small amounts regularly.
4. Review your investments regularly, and talk to your financial planner if your circumstances change.
5. Be wary of 'get rich quick' schemes that offer high returns for little or no risk.

Visit the **Reserve Bank's website** (rbnz.govt.nz/education) for a free copy of 'Snakes and Ladders' – a book on investing by Mary Holm.

Visit the **Retirement Commission's website** (sorted.org.nz) for more information on investing and how to go about it.

Educate yourself – by reading your **daily newspaper**, listening to **finance reports** on the radio and television news, asking your **financial institution**, visiting your **local library** or contacting an **adult education centre** about finance-related courses.

Planning for your retirement

If you're not investing for your retirement already, now is the perfect time to start – because the financial decisions you make today can have a major effect on your lifestyle in the future.

The Retirement Commission estimates that, to enjoy your current standard of living in retirement, you'll need to have about 70-80% of your current annual income. To help you get there, we recommend that you:

1. Work out how much money you'll need to have a comfortable (and debt-free) retirement. Consider other possible income sources – for example, you may continue working, sell your business or buy a cheaper home.
2. Check to see if your employer has a retirement savings scheme you can join. Employers often help with financial contributions, which is an excellent way to boost your own savings.

3. Get expert advice from a qualified financial adviser. They'll help you shop around for the savings, investment and/or retirement savings scheme that's right for you.
4. Read the fine print and understand the costs of your retirement saving scheme – most investments have fees attached.
5. Once your savings are underway, think about making extra contributions as often as you can (and earning that valuable compound interest).

Visit the **Retirement Commission's website (sorted.org.nz)** for more information on retirement savings, as well as some handy calculators.

Insuring your financial wellbeing

When it comes to maintaining your financial freedom, your most important assets are your health and your income. After all, how would you and your family cope if you couldn't work, became disabled or, even worse, died?

Insurance will help you to protect your health and your ability to earn money, providing the reassurance of financial security should the unexpected happen.

When considering your insurance options, we recommend that you:

1. Get expert advice from a qualified insurance adviser.
2. Investigate all your options for protecting your financial security – including vehicle, house and contents cover as well as health, income protection and life insurance.
3. Check your existing policies to see if you're already covered. For example, some retirement saving schemes automatically provide income protection, life and disability insurance.
4. Shop around for the insurance that suits you – and read the fine print so you know exactly what you're covered for and how much it costs.
5. Make a will if you don't already have one – or make sure it's up to date if you do. Having a valid will is the only way to make sure that your assets are distributed the way you want them to be.

Budget planner

Before you begin ...

This budget planner allocates your money using fortnightly or monthly figures. Simply choose the timeframe that suits you – for example, if you get paid fortnightly it's a good idea to use the 'fortnightly' column in the planner tables.

If the figures you're using don't match the timeframe you've chosen (for example, if you car insurance payments are monthly but you're using the fortnightly timeframe), here's an easy way to convert them:

To convert \$ amounts to fortnightly	To convert \$ amounts to monthly
To convert a weekly amount, multiply it by 2.	To convert a weekly amount, multiply it by 52 then divide the result by 12.
To convert a monthly amount, multiply it by 12 then divide the result by 26.	To convert a fortnightly amount, multiply it by 26 then divide the result by 12.
To convert a yearly amount, divide it by 26.	To convert a yearly amount, divide it by 12.

Now you're ready to start. Follow the steps and complete the record sheet using your fortnightly or monthly amounts.

Step 1: What's your income?

Income (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 interest do you receive from investments (if any)?	\$	\$
How much income do you get from other sources (if any)?	\$	\$
Add up these amounts to get your total income	\$	\$

Step 2: How much do you spend?

Complete the 'spending record sheet' to work out where your money goes – then fill in the total amount in the table below.

Income (money coming in)	Fortnightly	Monthly
Your total spending is	\$	\$

Step 3: How's your budget looking?

It's time to work out what you're left with each fortnight or month once all your income and spending have been taken into account:

Your total income (insert total figure from step 1)	Your total spending (insert total figure from step 2)	What you have left
\$	-\$	= \$

Have you overspent?

If you're spending more than you earn, there's no need to panic – but now is a good time to start changing the situation. For example, you could:

- 👉 reduce some of your expenses – maybe cut back on some 'nice to haves'
- 👉 reduce the number of credit cards you have
- 👉 reduce the credit limit on your credit card(s)
- 👉 combine your debts into one loan – and save on interest and fees.

Do you have money left over?

Congratulations – you're living within your means. How about putting the extra money to good use? For example, you could:

- 👉 pay off debts and credit cards more quickly
- 👉 put it into a savings account for something you need
- 👉 invest the money as part of your retirement plan.

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.

	Fortnightly cost (\$)	Monthly cost (\$)	Fortnightly cost (\$)	Monthly cost (\$)
Household			Medical & dental	
Rent/mortgage			Health insurance	
Body corporate fees			Doctor	
House and contents insurance			Dentist	
Council rates			Optician	
Gas			Chemist (eg. prescriptions)	
Electricity			Physio/chiropractor	
Water			Other	
Phone/internet			Entertainment, recreation, hobbies & study	
Cable/satellite – TV access			Further education	
Repairs & maintenance			Concerts & movies	
Furniture & appliances			Sporting events	
Pets & pet care			CDs & DVDs	
Other			Books & magazines	
Car			Memberships (eg. gym, club)	
Car insurance			Toys	
Auto club memberships (eg. AA)			Hobbies	
Registration			Holidays	
Fuel/gas			Other	
Repairs & maintenance			Gifts & donations	
Other (eg. parking)			Donations to charity	
Other transport			Gifts (eg. birthdays, Christmas)	
Train/bus/ferry			Financial & legal	
Taxi			Account fees & charges	



So what's the next step?

Once you're ready to talk about your finances, we're ready to help.

If you'd like more information, please feel free to:

-  **Call 0800 ANZ 2 YOU (0800 269 296)**
-  **Visit anz.co.nz**
-  **Come into any branch**

For more information and tools to manage your money:

-  **Call the Federation of Family Budgeting Services on 0508 Budgetline (0508 283 438)**
-  **Visit the Retirement Commission website www.sorted.org.nz**



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