Are you managing your money?

Or is your money managing you?

BY HOWIE CLARE & STEPHEN ROBERTSON

Are You Managing Your Money?

Or Is Your Money Managing You?

Howie Clare &
Stephen Robertson

my money
quality advice you can trust

Stephen Robertson BMS
Registered Financial Adviser | FSP 332966

p 09 377 4433
m 0275 408 900
e Stephen@mymoney.net.nz
www.mymoney.net.nz

*text **MONEY** to **215** to send my details directly to your mobile device!*

Frontier Services Ltd TA MyMoney

Contents

No Warranty or Liability

This book is not intended to be your only source of information when you are making insurance decisions. The information in the book should be treated as a guide only and used as a starting point and not a replacement for seeking professional advice. We made every effort to ensure that, at the time of publishing, the information was accurate. However, neither the author nor any distributors make any express or implied representations or give any warranties regarding the material contained or referred to in this publication, and we accept no liability for:

- any loss or damage whatsoever which may arise in any way out of the use of any of the material or facilities;
- any errors in or omissions from the material or facilities;
- the accuracy of any information obtained through use of the book.

Rule No. 1: Never lose money.

Rule No. 2: Never forget Rule No. 1.

Warren Buffett

Foreword

It has been my privilege to know and work with Stephen Robertson for a number of years and I hold him in high regard as a good friend and a very astute and professional property financing specialist.

Stephen started his career as an accountant in the tax division of KPMG before joining the ANZ Bank as a Business Manager and finally setting up his own mortgage broking business, My Money.

Stephen is a member of the PAA & NZFSG. In order to retain membership in these bodies, he must attend monthly, quarterly and annual training to ensure that his knowledge of products is always up-to-date, ensuring his clients get the best results.

So along with a dynamic team of specialists and key business relationships, he brings a wealth of knowledge, experience and professionalism to help his clients choose the best possible funding structure for their property acquisitions.

Furthermore, being a totally independent broker, Stephen is not aligned to any bank or financing institution, and can give unbiased advice to suit his clients' needs. Additionally, as a keen property investor, Stephen is highly knowledgeable in helping other property investors to structure their borrowings to maximise their returns.

Having personally availed of Stephen's services I can vouch for his excellent financial knowledge, caste iron professionalism and unquestioned integrity. I am confident you will gain invaluable knowledge and insights into the world of property finance and investment from this book.

Tim Symons

Tim Symons
Ex-Associate Director
Macquarie Bank Limited
Director, Symons Financial Services

About Stephen and "My Money"

Stephen Robertson is married to a third-generation Auck-lander and has three boys under the age of seven, keeping him busy as their taxi driver and sideline sports coach.

In the community Stephen is a trustee for a New Zealand-based charity actively working to alleviate poverty here and abroad. In his spare time you will find him outside cellphone coverage on the Hauraki Gulf chasing monster fish from the deep.

Stephen has been in the mortgage broking industry for over 10 years. Along with a dynamic team, he brings a wealth of knowledge, experience and professionalism to help his clients choose the best possible loan and structure for their mortgage. Stephen is a totally independent broker, not aligned to any bank or institution, and can give unbiased advice to suit his clients' needs.

Stephen is a member of the PAA & NZFSG. In order to retain membership in these bodies, he must attend monthly, quarterly and annual training to ensure that his knowledge of products is always up-to-date, ensuring his clients get the best results.

As a keen property investor, Stephen is highly knowledgeable in helping clients structure their borrowings to maximise returns.

This may lead to clients being able to purchase more investment properties in the future, or pay off their mortgage faster than they had envisaged – and without making any cut-backs in their spending.

Because My Money deals with lenders on a regular basis, it has built up strong relationships with them and can help guide clients through the process to give them the best possible result. This can mean the difference between a loan being approved or declined.

My Money also works with a network of professionals which means it can guide clients through the buying process. Best of all, because these professionals respect My Money clients can be assured of VIP treatment from accountants, lawyers, valuers and real estate agents.

Self-employment also has its unique challenges when obtaining finance, an area that My Money specialises in.

Chapter 1

Meet Your Money

"He who buys what he doesn't need steals from himself."
Swedish proverb

For many people, finances are an unsolvable Rubik's cube filled with anxiety. There are millions of people in the Western World who live with the shackles of debt each day. We don't teach our children when they are young about the value of a good credit score.

Many people have a hard time formatting and sticking to a budget. You can easily solve the finance puzzle with a little hard work, self-control, and the right tools. Today is a new day; you are taking the first steps to reclaiming your financial freedom.

It is easy to read this book and say, "I already knew that; it's just common sense." In our experience, common sense does not equate to common use. Just because we know about good money management, it doesn't mean we are practicing it. We have deliberately kept things simple, so that hopefully you'll be able to implement the tips and ideas easily.

Chapter 2

The Mistakes People Make

"The safest way to double your money is to fold it over and put it in your pocket." *Kin Hubbard*

If you want to be smart with money, avoid the money mistakes people commonly make. Here are just a few of them:

1. Failing to set a budget

It is critical to know how to manage your money. A budget keeps track of your income and expenses. The management guru Peter Drucker said, "If you can't measure it, you can't manage it." How do you know where you are unless you have the information at your finger-tips? It might help to compare a budget to the dashboard in your car. A dashboard has a range of readings to show where you might have a problem. The petrol gauge lets you know if you've got enough fuel. Your speedometer tells you if you're within the speed limit. The thermometer lets you know if your engine is overheating.

Likewise, your budget shows if any of your accounts are in deficit.

2. Failing to stick to a budget

It’s doesn’t make much sense to have a budget and then ignore it. If you only allocate $75 a week for petrol, you're going to be in trouble if you keep spending $100 a week on petrol. You need to read it (analyse the data) and then take any remedial action required. In life, rules are designed to protect you from harm. When you set a budget, you set a range of spending rules or limits. If you fail to observe them, the rules are redundant.

3. Living beyond your means

To keep your head above water financially (known as “being solvent”) you simply need to spend less than you earn. This is called “living within your means.” Rich people and poor people get into financial trouble when they spend more than they earn. If you find yourself in debt regularly, it will be caused by:

- Spending too much
- Not earning enough
- Spending too much and not earning enough

Many financial experts claim it is easier for the average person to reduce their spending than it is for them to increase their income. Living within your means requires self-discipline and commitment.

4. Refusing to wait

Speaking of self-discipline, people can incur debt by buying things immediately, as opposed to taking their time. When we lack patience, we tend to say, “I need this, and I need it now!” When we take our time and think it through, we say, “Do I really *need* this or do I just *want* it? Will I regret this purchase in a week’s time? If I pay for this on my credit card, how much will it end up costing me when I factor in the interest? Can I get this item somewhere else for less money? Will it really be that bad if I wait until I've saved the money to buy this?” We can understand why a child wants things immediately. They are too young to know how to plan, wait and compromise. But as an adult, we need to put these childish thoughts aside and act with more maturity, self-control and wisdom.

5. Buying on impulse

Most people think they buy on logic, but if they are honest they have to concede their spending is driven by their emotions. Self-improvement expert Tony Robbins says that we are motivated (to act in a certain way) by only two forces:

1. The need to gain pleasure.
2. The need to avoid pain.

We buy nice clothes because our ego tells us we need to look good and obtain the approval and admiration of others (gain pleasure), or to avoid the embarrassment of wearing the same old clothes every day (avoid pain). These emotional drivers might include greed, envy, fun, pleasure, guilt, love, joy, peace, security, curiosity, etc.

If you want to keep more of your money, you ought to base more of your financial decisions (spending, investing, saving) on logical rather than emotional grounds. The question of whether this expense will make you feel good should be secondary to the more important question of whether you actually need to incur this expense.

6. Keeping up with the Joneses

In the previous section we mentioned the problem of buying on emotion. Envy is one of those emotions. Our pride can force us to buy things for the wrong reason, namely to compare ourselves favourably with others. There is a lot of truth in the quote, “A lot of people go in debt just to keep up with people who already are.” We recently saw a guy wearing a tee-shirt that read, “He who dies with the most toys wins.” Much of western society appears to measure success according to how much money we earn, or how many cool things we own. Contrast that with Polynesian culture which measures a person's success, at their death, by how much they gave away. We urge you to measure your self-worth according to your character, not your possessions. Your wallet will thank you for it.

7. Relying on credit

Some retailers allow their customers to buy items for no-deposit, interest-free for 60 months. That's five years! Because there seems to be little pain, given that the weekly payments are tiny compared to the lump-sum amount, it is almost impossible for people to resist. The trouble is that:

- This can become a habit, which discourages us from saving for things before we buy them.
- We can end up buying things we don't really need (luxury goods).
- If you do this many times, your weekly payments can become quite a burden.
- The obligation is for such a long time.
- If you suffer a financial emergency, e.g. a job loss or an unforeseeable bill such as a dentist's bill, those weekly commitments become much harder to meet.

8. Too many credit cards

If you have problems with one credit card, you will have twice those problems with two cards. This is problematic when credit card companies make it so easy for us to qualify for a card. For many people it seems that if they have money, they have to spend it. And for some reason, this belief extends to credit. In other words, if they have credit available, they have to tap into it.

The solution is to get rid of the credit cards. If you believe you need a credit card:

- Limit it to one card.
- Only use it as a safety net for emergencies only.
- Pay off the balance as soon as possible.

9. Rewarding yourself with things

Have you heard of the phrase “retail therapy”? Many people believe shopping makes them feel better, in the moment. Even if that’s true, it must also be acknowledged that wasting money on inappropriate purchases makes us feel terrible in the long-run. Personally, we think retail therapy is a myth, and too many people use it as an excuse to buy things they shouldn’t. If you truly enjoy walking through malls and keeping up with fashion etc, leave your cash and cards at home.

10. Only paying the minimum payment due

Credit card companies require that we pay the minimum payment due on our credit card balance each month, or they will charge a penalty. But too many people see this amount as the target. It’s called a “minimum amount due” for a reason. It’s understandable to only pay the minimum payment due if you’ve had a tight month, but this shouldn’t become the norm every month. If you only pay the minimum amount due, you will never pay the credit card debt in full (scary thought). Some people believe that credit card companies offer the “minimum payment due” because they know how people only commit to this amount, thereby ensuring they pay much more in interest.

11. Confusing needs with wants

We know of a guy who went on a missionary trip to a very poor country. He had to make do with very little (no luxuries and very few creature comforts) for a month. When he returned to New Zealand, he struggled to make the transition from “devastating poverty” to “overwhelming opulence.” For example, he walked into a supermarket and ran out, struggling to comprehend how easy it was to satisfy his desires. It is frightening how much we can live without. According to psychologist Abraham Maslow, our most basic need is for survival i.e. food, water, air and shelter. In his book, "The Millionaire Next Door," Thomas Stanley points out that most millionaires are extremely frugal because they spend on needs, and invest the rest. Wealth coach Robert Kiyosaki teaches that many of the things we believe are assets are liabilities – to the extent that they are only assets if they put money in our pockets.

12. Failing to read the fine print

Although consumer laws are ever-changing to protect the unsuspecting consumer against greedy retailers, we don't help ourselves by blindly entering into commitments we should keep away from.

We also fail to appreciate the hidden costs and other terms associated with the deal. That's why lenders are required to disclose finance rates to make the borrower aware of the true cost of the loan, including the total interest and finance charges. With certain mortgages, the borrower can be penalised if they repay early. Many car owners are unaware they can invalidate their insurance if they admit liability at the scene of an accident, or fail if they leave their keys in the ignition. When people are in business with others (including a husband and wife) they may not understand that the bank loan they signed on behalf of their company included a "joint and several guarantee."

This means that if the company defaults under the loan, the lender can sue the guarantors personally, and they don’t have to divide the amount due between the guarantors (in other words, they can get all the money due from one of the guarantors). So make sure you read and understand the terms of a legally-binding agreement, and seek advice if required – before you sign.

Chapter 3

What You Thought Was True About Money That Is Not

"Money is hard to earn and easy to lose.
Guard yours with care." Brian Tracy

A myth is a widely-held but false belief. It has been said that money is one of the most lied-about subjects in history. Here is a compilation of commonly-held money myths:

1. You Need Money to Make Money

While it certainly helps if you have "seed money" to put into an idea or investment opportunity, we feel that cash-strapped people use this myth as a license to do nothing. Setting aside just a little bit of money, such as the coins in your pocket at the end of each day, can soon amount to a handy sum. Not all rich people have made money through money. Some have done it through their skills, talents, advice, creativity, knowledge etc. The above saying would make more sense if it said, "It takes VALUE to make money." We are confident you have something that is valuable to others. We are sure there is some problem that you can help others to solve – problems that are costing them time, effort and money. As a result, they would be willing to pay you for that solution.

2. Money is the Root of All Evil

If you think that money and rich people are horrible, you're hardly likely to do the things that are needed to create wealth. If you believe poor people are humble, nice and down-to-earth, we expect you'll keep doing the things that will keep you poor. Yes, there are some rich people who are arrogant and selfish. But there are many generous and benevolent rich people too. And being poor might produce character and discipline in some people, but it can cause misery and resentment too.

The above saying is taken from the Bible. In fact, it is a mis-quote. In 1 Timothy 6:10 the apostle Paul was warning Timothy and he said, "*The love of* money is the root of *all kinds of* evil." He was saying that greedy people who spend their entire lives pursuing money, ahead of everything else, will fall into all sorts of sin. We see this scenario play out in modern-day society every day. People's greed and materialism forces them to do things that cause them all sorts of woes – sacrificing their health, destroying relationships, compromising their integrity and honesty, taking advantage of other people, etc. Money in itself is neither good nor bad. It is what we do with it, and for it, that determines whether money is a blessing or a curse, to ourselves or others.

3. Money Solves All Problems

We remember a well-known motivational speaker who said that money doesn't solve your problems, it magnifies them. So if you had small drug problem when you were poor, you will have a big drug problem if you become rich. If you were an obnoxious person before money, you will be unbearable after you have money.

As stated above, money *in itself* is neither good nor bad. But it can be used for good e.g. to help others, to provide food and shelter for our families, to buy nice things that bring joy to ourselves and others. Or it can be used for bad reasons e.g. to buy illegal drugs, to manipulate others, to fund criminal activities, to bribe others, etc. Money can be used to solve many problems we face, including paying for life-saving surgery, paying for a bigger home for a growing family, replacing an unreliable car. But money cannot solve all problems. It cannot mend a broken heart following a relationship break-up. It cannot bring back a loved one who has died. It cannot take away the pain of a harsh word. It cannot buy back a lost opportunity such as missing your child's prize-giving.

We've heard some people say, "Money cannot buy you happiness." It's true in the sense that the accumulation of money, by itself, cannot bring happiness. But money can certainly give you the opportunity to do the things that brings happiness e.g. to go on a family holiday, to travel the world, to live in a beautiful home, to buy gifts for others. We would suggest that a family that has a surplus every week is more likely to be happy than if it had a shortfall every week.

4. Banks Are Your Friend

Banks are neither your friend nor your enemy. They are businesses that are established to create profits for their stakeholders. They generate profits by getting you, the customer, to pay as much in interest and bank fees as they can get away with charging. This is not bad – it's business.

Unfortunately, some people treat their bank manager as a trusted financial adviser that only has their interest at heart. This is naive and unwise. You should seek independent advice from a financial adviser.

5. Only Rich People Can Save (Or Invest)

It's true that if you have a substantial shortfall in your budget every week, you will struggle to save money on a regular basis. But people don't realise that many rich folk (as well as poor) struggle to balance their budgets every week. The reason is the same though – their expenses exceed their income. If you consistently live beyond your means, it is a serious problem, and it will make it impossible for you to save money. But if you do have a surplus, or can create one, there is no reason why you can't set aside a consistent amount. Even if it is only $20 a week, that amounts to $1,000 a year. Many people wouldn't even miss $20 a week (that's less than $3 a day), but they don't think saving such a small amount would make much of a difference.

6. Rich People Don't Have Money Problems

Yes they do. There are plenty of high-income earners in financial trouble. We often hear of famous people like Mike Tyson and Michael Jackson who went from riches to rags. The reason is that they either fail to follow good advice or they spend far too much on a lavish lifestyle – or both. Often their demise is a combination of bad spending habits and failing to put aside money for their taxes. If you own a business, it is so important to not "spend the IRD's money" i.e. set aside an appropriate amount for income tax and GST if applicable. There is a lot of truth in the saying, "It's not how much you earn, it's how much you keep."

7. My Friends Are Richer Than Me

We remember wondering how all our friends were able to travel overseas or drive around in flash cars. We discussed this with a mortgage adviser who said, “They probably don’t earn more than you, they just top-up their mortgage.” It’s always tempting to compare yourself to others, but you don’t have all the facts to do that. Because most people don’t talk about how much they earn, or they overstate their earnings, you can only make assumptions. They might have borrowed the money, received an inheritance, or received a gift from a generous friend or relative. It’s a better use of your time to look at your finances, get good advice, and make adjustments accordingly.

8. I Can’t Live On Less

A woman asked her accountant about the best way to improve her financial position and the accountant asked what her current expenses were. The woman answered, “Don’t worry, I live very conservatively.” The accountant replied, “I've never had one person sit in that chair and tell me they live extravagantly.” It seems we all like to think we’re careful with money and that we spend wisely. But we expect the truth is we can always do better with our spending.

Have you seen a situation where a family suddenly has one of their incomes taken away, usually because of job loss, death or illness? It’s amazing how they cope. People can be very resourceful and disciplined when they have to. They just make to necessary lifestyle adjustments they need to make ends meet. We recently read about a family who make a pact to avoid the supermarket for 12 months. They grew their own food and bartered the surplus. They said they were much better off financially, after only a few months into their campaign. Ask yourself how you could save money in these areas:

- Power usage
- Petrol
- Bank fees
- Insurance
- Groceries
- Entertainment

We would find it hard to believe you couldn’t trim back in at least one of these areas.

9. You Get What You Pay For

Have you ever heard the saying, “If pay peanuts, you get monkeys." There is definitely an element of truth in believing that if you're cheap, you'll probably receive less quality. But that is not an argument for always paying top-dollar. Higher-priced items are not always better quality than cheaper items. Some generic (white-label) drugs are medically considered to be just as effective as their name-brand counterparts. A million-dollar home that falls into foreclosure and is repurchased for only $900,000 may still be worth a million dollars. When the price of Google's stock drops on a random Tuesday because investors are panicking about the market in general, Google isn't suddenly a less valuable company.

While there is sometimes a correlation between price and quality, it isn't necessarily a perfect correlation. A $3 chocolate bar may be tastier than a $1 bar, but a $10 bar may not taste much better (or any better) than a $3 bar. When determining an item's value, look past its price tag and examine its true indicators of value.

10. Avoiding tax is immoral and illegal

Tax evasion is illegal; tax avoidance is not. Tax evasion means breaking the law to reduce your tax bill e.g. refusing to pay your tax, or failing to declare cash jobs. But tax avoidance involves using legal methods to reduce the amount of taxable income you would otherwise pay e.g. leasing a photocopier rather than buying one (the lease payments will reduce your profit, which means less tax to pay. If you bought a photocopier, your taxable profit will not be reduced). Wealthy people pay their accountants a lot of money to come up with legal ways to reduce their tax bill. Poor people often pay more tax than they need to because they don't know how to reduce their tax bill.

11. A pay-rise means you will actually take home less money

People believe this because they think a pay-rise will push them into a higher tax bracket, will means more tax to pay over. But this isn't true. If you move into a higher tax bracket, it will only increase the rate of tax you pay on the money you earn in that higher bracket (the tax you pay on the rest of your income is still at the same, lower rate).

12. Rent is dead money

Renting a home can be a good or bad decision, depending on your financial position and the real estate market at the time. At the time of writing, the property market in Auckland is extremely buoyant. House prices are increasing at over 20% a year in some suburbs. Why would you sell your house and go renting, while your sale proceeds earn a miserable 4% in the bank? It would be wiser to seek the opinion of a good financial adviser, rather than following a silly generalisation like, “Rent is dead money.” Many of our clients have been surprised to see how we can get them into a home rather than paying rent.

13. All debt is bad

Debt can be good or bad. An example of bad debt is buying something you want, as opposed to need, on your credit card. If you only pay the minimum amount due every month, you might pay interest that is 10 times or more than the cost of the item. If this describes your spending habits, you would be better off saving for the item and then paying cash for it.

An example of good debt is taking out a mortgage to buy a home in a rising real estate market. The loan might incur interest at 8% per annum, but your investment (the property) might be increasing in value at 12% per annum – plus you get to live in the home you want, and can increase its capital value by making low-cost improvements.

14. It's bad to check your credit score too often

Yes, it will probably hurt your credit score if too many outside agencies (like potential lenders or landlords) get official copies of your credit report around the same time. But there is no problem if you checking your own credit score. Your credit information changes all the time and could have a big impact on you. Check it especially if you’re about to seek credit. There are three credit reporting companies in New Zealand:

- Centrix
- Dun & Bradstreet
- Veda Advantage

It’s free to get a copy of your credit record but if you want the information quickly you’ll need to pay for it.

Conclusion

Just because a belief is common and widespread doesn't mean it's true. So, if you hear something about money or finance, give it some thought before taking it to heart - financial myths will only stand in the way to your financial success if you believe them. As you can see from the above, a statement might be partially true in some circumstances. But that doesn’t make it an absolute to apply in every case.

Chapter 4

Winning With Money

"A budget tells us what we can't afford, but it doesn't keep us from buying it." William Feather

4.1 Benefits of Budgeting

When going on a road trip, most people have a map which tells them how to get from point A to point B. The map is important, because it tells you how to get to your desired destination. A well developed budget is just like a map to help you reach your financial goals. You start at point A, and the budget helps you go the distance get to point B.

Getting Rid of Debt

Having a budget can be very beneficial to get the hardship of debt off of your plate. Debt is money that is owed by one person to another person, or company. Many people these days struggle with the burden of debt. The Pew Charitable Trusts reported in 2015 that 80% of Americans were in debt. The median is almost $68,000 for Americans, talk about stressful!

Debt can take many different forms, here are just a few:

- Mortgage
- Credit card
- Medical bills
- Personal loans
- Car loan
- Bank overdraft charges
- Student loan

Generating Savings

A well-crafted budget could help you create a savings. In this context savings means money that a person has saved, usually through a financial institution, but not always. Having a savings is critical, and often overlooked. You never know when lightning is going to strike, the car is going to break down, or you suddenly need to have an emergency appendectomy. The boy scouts have a motto, always be prepared. We don't always know what is coming our way in life, but a little foresight and preparedness can help. Saving a small emergency fund could mean the difference between saving the day, or total disaster.

Here are a few types of events you could save for:

- Car repairs
- House repairs
- Medical costs
- Retirement
- Unexpected unemployment

Reducing Stress and Anxiety

When a person is weighed down by their financial situation, it can cause stress and anxiety. Stress and anxiety can make it hard to function in life. Feeling the over-whelming pressure can be debilitating for some people. Stress and anxiety can manifest in the following ways:

- Heart attack
- High blood pressure
- Depression and insomnia
- Gastric Conditions, such as stomach ulcers
- Substance abuse
- Eating disorders, weight loss/gain

Financial stress and anxiety can be curbed by having a properly developed budget in place. A budget can help you manage your monthly spending. Your budget can even help you get out of debt, if that is one of your goals.

Lessening Family Conflicts

Financial strain can affect more than just your physical health; it can affect your relationships also. When you're stressed out, that always has a way of leaking into your relationships with your spouse, family, and friends. A major cause of divorce in America is related to financial issues. When financial stress is at the forefront of your mind, it can cause you to be distant, and irritable towards your loved ones. Sometimes we have to borrow money from a loved one, which can add even more tension to an already strained relationship. Not only are you trying to get yourself back to level, financially, but having to figure out how to pay your loved one back.

4.2 Considerations Before Creating a Budget

A budget is a very personal tool, and is tailor made for each individual. What works for some people may not work for others. Your budget can depend on your income, your goals, your expenses, etc. There are some basic items to contemplate before creating a budget. In this section, we will explore the different elements that you should consider before creating your budget.

Understand Your Income

Often time people have a tendency of living beyond their means. Everywhere you look there are credit cards, and loans available to help you sink further into that hole called debt. People charge items to credit cards that can have interest rates as high as 30%. When the bill comes in, often times just the minimum balance is paid. This type of financial behavior means filling the pockets of the credit card companies with your hard earned money.

If you are able to understand what your income is, and live within your means, you can climb your way out of your debt. Your income consists of the money that you (and your spouse) make each month from your jobs. It could also consist of any side work or at home business that you may be involved in. When considering your income, you want to only budget for the money you consistently earn.

If you have a side business, that doesn't earn a consistent amount of money, do not include it in your budget. The extra income can be invested in additional savings, paying down debts, or entertainment.

Determine Budget Duration

When you are developing your budget, the duration is important to factor in. You can make your budget as simple or complex as you wish. You could create a budget for a year, and create sub durations per pay period or per month. Your budget duration could by determined by your goals also. If your goal is to pay off your credit card within the next two years, then you can make a budget reflecting that.

The most common budget duration is a yearly budget that is broken up into monthly periods. There is no right or wrong way to determine your budget duration; it completely depends on your needs. Anything goes as long as it works for you!

Determine Expenses

Of course, with any budget, you need to know your expenses. You can build a great budget, but if your expenses are not accounted for it will be a wasted effort. There are two categories of expenses fixed expenses, and fluctuating expenses. A fixed expense is an amount that stays the same each month, or period. A fluctuating expense is an expense that varies in its costs. We will explore these two categories more in the next two sections. Often time's people will create a budget and not consider all of their expenses. Not understanding what is being spent, is the first step to failure in a budget.

When determining your expenses, you want to include items like housing costs, medical costs, transportation costs, etc. Take the time to write it down, and make a list of what you think your expenses are. Give yourself time to really think about your monthly or yearly expenditures before committing to what you've written. Normally, expenses that you hadn't thought about at the time will come to you later on.

Track What's Being Spent

Even though you have made a list of your expenses, sometimes what we write down as an expense is different than what we are actually spending our money on. A great resource in weight loss is to have a person write down what they eat each day. This record allows them to be accountable for their food choices, and allows them to see what their nutritional intake really is. Keeping a record of what is being spent, will allow you to really evaluate what you are spending your money on.

A lot of times, the small items are overlooked, but those small items can build into a large amount of debt for some. We suggest that you keep a log, for at least a month, of everything that you spend money on. With this log, you can see where your money is really going. If you are able to, continue to keep the log after you start your budget, then you can see the progress you're making.

4.3 Fixed Expenses

Fixed expenses are expenses that do not change in cost for their duration period. An example would be that your newspaper subscription is $45 a month. You know that every month you are going to be paying $45 for your newspaper subscription. Since it's the same amount every month that makes it a fixed expense. Fixed expenses could be utility bills, housing bills, transportation bills, etc.

Utility Bills

One type of fixed expense could be some of your household utility bills. Utility bills reflect public services that are associated with a legal residence. If that utility bill is the same every period, month or year, then it can be considered as a fixed expense.

Here are some examples of a fixed utility bill:

- Telephone
- Television e.g. Sky TV, Netflix

- Internet
- Energy e.g. electricity and gas
- Water
- Rubbish collection
- Gas

Housing Bills

Most of the time your housing bills can also be included in your fixed expenses. A housing bill is a bill that is related to the actual dwelling, not a utility bill. An example of a housing bill would be your rent. If you rent an apartment for $2,000 each month, it's a fixed housing expense. You know that every month you are going to have to pay your $2,000 rent. These bills don't have to only be monthly bills; they could be yearly bills, such as rates. Here are some examples of housing bills:

- Rent
- Mortgage
- Rates
- House or Tenant's insurance

Transportation

Some fixed expenses can be for transportation. Your car's fuel bill is not a fixed expense, because it can vary depending on where you travel to in your car. A fixed expense could be your car payment. Most people pay the same amount every month for their car payment; since it doesn’t change it would be a fixed expense. Your car insurance is another example of a fixed expense. Here are just a few examples of fixed transportation expenses:

- Bus pass
- Quarterly oil change
- Car payment
- Parking
- Taxi fares
- Car insurance

Debt Payments

Another example of a fixed expense would be your debt payments. Debt payments could consist of loan payments, or payments for past due debts. If you have past due medical expenses that you make payments on, this could be included as a debt payment. Since these payments are the same each month, which is why they are considered fixed.

If you are lucky (or financially savvy) enough not have any debt, then this section may not be applicable when determining your budget.

4.4 Variable Expenses

Now that you have learned about fixed expenses, we will switch gears to variable expenses. Variable expenses are expenses that change in amount each time. In this section we will discuss some of the fluctuating expenses that you may encounter when creating a budget. There are many different types of expenses that fluctuate in costs, but we will be exploring personal care, (variable) transportation costs, meals, and entertainment costs.

Personal Care

Personal care expenses are a broad category for your budget. Personal care can range between your food, toiletries, medical expenses, and clothing. These expenses could be weekly expenses, like groceries. Some of these expenses could be monthly expenses, like buying your prescription medications. You may not need these expenses, like clothing, every month. Most of these expenses will have to be estimated. When you're estimating the costs, it is strongly suggested for you to estimate on the higher end so that you don't cut yourself short. Once you are able to project the expenses you have, and their estimated time frame, you can add them to your budget.

Variable Transportation Costs

As you continue to embark on your budget exploration, you will notice that you have some variable vehicle costs. Fuel is a great example of a variable vehicle costs. What you spend in fuel one week, may not be exactly the same as you spend the next week. Fuel prices change constantly. Other examples of variable vehicle costs could be:

- Parking fees
- Road tolls
- Taxi fares
- Car wash

Entertainment

It is unrealistic to make a budget without having an entertainment expense. Yes, this is not a life necessity, but it is important for the quality of life. Obviously if the choice is paying a utility bill, or paying for entertainment, you should choose the utility bill. This expense could be small, depending on the flexibility of your budget. These are examples of entertainment expenses:

- Movie tickets
- Sports events
- Concerts

- Golf
- Bowling

Eating Out

Just as it is unrealistic to have a budget without an entertainment expense, not having a budget for eating out is just as improbable. We may all have moments where we think, “I am not spending money on eating out anymore; I will cook all of my meals.” It’s just like that New Year’s resolution to work out every day; it quickly falls by the wayside. Try to really evaluate how much you eat out, and budget accordingly. It is better to have extra money in the budget for these types of expenditures, that way you won’t be tempted to try to squeeze it last minute out of your gas budget. Keep in mind that there are ways to stretch a buck. You always have the option to use coupons, or special deals.

4.5 Setting Your Financial Goals

It is important that you have a goal, or goals, in mind when you start a budget. Your goal can be simply to not have any of your utilities turned off due to nonpayment. Your goals could be more complex. An example of a more complex goal would be, to pay your utilities on time so that your credit score improves enough for you to get a loan on a car. Be they big or small, many or few, goals are important.

Short Term versus Long Term Goals

There are two different types of goals that you can set when forming your budget. There are short-term goals and long-term goals. Short term goals are goals that can be achieved fairly quickly. Long-term goals are goals that can be achieved over a long period of time. Some of your short term goals could be steps to achieving your long term goal. Here is an example:

Long Term Goals:

- Buy a car
- Go on an overseas trip through Europe

Short Term Goals:

- Pay bills on time so that credit stays good
- Spend less money on fast food by cooking more at home
- Rent movies instead of going to the movies
- Start saving extra money for down payment

Be Realistic

Another important factor when creating a budget is to BE REALISTIC! Making a budget means taking a real look at your spending. You can use your budget to cut some of the frivolous purchases that you might be making in haste, but you want to make sure you are making smart cuts that you are going to stick to. We talked earlier about that New Year's resolution to work out every day.

A more realistic goal would be to work out once or twice a week. You can always increase your workout routine, but you want to make it a realistic goal that you can achieve. Don't make your budget a New Year's resolution, make it a good habit. Give yourself wiggle room and money to splurge occasionally. Otherwise, you will stop using what might be the best tool in your belt!

Get Rid of Debt

If you are over the age of 20 you probably have achieved some level of debt. It is very seldom that someone doesn't have any debt anywhere. A budget can help you start paying off some of the debt that you have accumulated throughout your life. Paying off your debt can not only improve your credit score, but also your quality of life by reducing stress in your life.

Here are a few types of debt:

- Credit cards
- Bank overdraft fees
- Past due medical bills
- Pay-day loans
- Student loans
- Gambling
- Mortgage
- Car loans

Save for the Future

Everyone needs a little nest egg. Having an emergency fund is one of the benefits of having a budget. You can save small amounts of money each week, two weeks, or month for emergencies. You never know when you might have to have repairs made to your car, you lose your job, or a pipe in your house ruptures. It's comforting to be able to face the disasters head on, knowing that you have the ability to take care of it yourself, thanks to your savings.

Another important type of savings is retirement savings. People are living longer and longer these days, which is great! This newly found longevity though, does create a financial problem. When the Social Security Administration was started in America in 1935, the average life expectancy was 61 years old. Now the average life expectancy is 81 years old. But the trust fund reserves are estimated to be depleted by the year 2037. So as we get older, we are no longer able to depend on superannuation to be enough to cover our living expenses. We have to take the opportunity now to save for a future, or risk financial destitute.

4.6 Stopping the Money Leaks

Not all budgets require you to make cuts to your spending, but a lot of budgets do. Determining where cuts can be made can sometimes be a little difficult, especially when we are giving up something we really enjoy. Just keep in mind that the cuts you make, need to be realistic, and something that you can follow through on.

Cut Bad Habits

One great way you can cut costs is to cut out some bad habits that we all have. If you are a smoker, you could cut out cigarettes. The average price for a pack of cigarettes is $40. According to the Cancer Society, a light smoker smokes about 10 cigarettes a day. Usually there are 20 cigarettes in each pack, which is a pack every two days! If you take that into consideration, a light smoker is smoking around $4,150 a year (or $80 a week) in cigarettes. Think of how much money could be saved in a lifetime! If you can't quit, or you don't think that's a realistic goal, maybe just try reducing your consumption. Another bad habit to cut could be alcohol or maybe you have a daily doughnut fix. Bottom line is we all have habits that are not good for us. They are habits that take money away from your bright future, and could be cutting your life short.

Reduce Transportation Costs

Sometimes our car can squeeze out a little more change than just what's fallen between the seats. One excellent way to cut costs is to reduce your transportation bills. You can consider starting a car pool with your co-workers. Not only will starting a carpool save you money in gas, it also helps the environment, and gives you a better sense of comradery between co-workers. You might also consider using public transportation. Most cities have bus stops all over town available, and they are very affordable. Maybe you live close to work, you could consider riding a bike! What a great work out, and zero gas expense! When you own an automobile, keeping it running well can help keep costs down also. While we don't relish paying for car maintenance, preventative maintenance can prohibit impending doom from happening. Flushing out your radiator every 50,000 kilometres or five years can reduce rust and scale building up. Rust and scale build up is one of the leading causes of cooling system component failure. This could cause the engine to overheat, and possible lock up. Preventative maintenance on a vehicle helps save money in the long run.

Reduce Utility Bills

Another way to cut some costs is to try to reduce some of your utility bills. Maybe you don't need to have the all the Sky TV channels you currently have. You can reduce the amount of water used by taking showers instead of baths. You can also try limiting the time in the showers to save water, or water your lawn less. Maybe you could reduce your electric bill, by switching your light bulbs to LED light bulbs. Sometimes something as simple as just turning off the lights when you leave the room can save a few bucks. You might consider getting electronics that have the energy saver symbol on them. There are many ways to reduce your utility bills; you just have to figure out which ways work best for you.

Reduce Entertainment Expenses

While you do need to have some room in your budget for entertainment, there are some cuts that can be made to this part of the budget also. Having an entertainment section of your budget is great in moderation. You don't want to go out every night, that's a big expenditure. Going out occasionally is great, and can be just as satisfying. Check and see if your town has any special events that have free admissions. A lot of cities will offer free movies in the park on certain nights. You can bring your own picnic and make a date out of it. Sometimes you can find coupons in the newspapers for deals on activities in your city. Maybe the cut you are making is as simple as only going out three days a week instead of five.

There are more money-saving ideas in Chapter 6.

4.7 Simple Tools to Make it Easier

You wouldn't trust a plumber to do his job without having the right tools. There are numerous tools available to help anyone with a budget. In this section we will disuss the different types of tools that you could use to create and manage a budget. There are tools available for people of all types, from the technically advanced to the technophobic.

Software

Budgeting software is a program that you install on your computer that will help you with a budget. There are thousands of software choices when it comes to creating and maintaining a budget. Depending on your needs, you can get free software or pay for the software. The median range for personal finance software is $50-$65. Sometimes your bank may offer budgeting software to help you. Here are a few of the more popular software options:

- Microsoft Excel (Microsoft Excel has a range of budgeting templates that are free)
- Quick Books
- Intuit Quicken
- Money Dance
- CommonCents

Phone Applications

Why not put your smartphone to work and have it help you stay on budget! There are lots of different smartphone applications out there that can assist you in formatting and maintaining your budget. These are programs that you download onto your phone. Some of the applications can function all facets of your budget, while others will assist you with tracking spending. There are a lot of these programs out there, and they range in price.

These programs can range between free and up to $20, but the median cost is about $4 each.

Here are a few of the higher consumer-ranked applications that can help with your budgeting needs:

- Goodbudget
- Mint Bills & Money by Intuit
- Wally
- DebtTracker Pro by SnapTap
- Home Budget with Sync

The Envelope System

The envelope system is an oldie but a goodie. You take the expenses that you've budgeted, add up the total and withdraw the money from your bank account. Then you label envelopes with your budget categories. This can be one of your favourite times of the week.

Here are some examples:

- Food
- Fuel
- Pocket money
- Entertainment
- Gifts
- Doctor
- Dentist
- Hairdresser

You put the money for those expenses in envelopes. When the envelope for that category has no more cash, then that’s the end, no more. That means if your spending money envelope is empty, you are not allowed to take additional funds from another envelope. It just means you are going to have to not buy anything additional. There are several benefits to using this system.

- Most people will spend more money using a debit or credit card.
- Having the cash on hand makes you more accountable for your spending.
- You will notice that you will start having cash left over.
- Sometimes you can get a discount for paying cash.
- No overdraft fees!

Expenditure Notebook

Another important tool for any financially savvy person is an expenditure notebook. With this, it’s simple; you want to write down all of your purchases. Just like having a food diary helps people who are dieting; this notebook will help you when you are spending money. If you are faithfully writing down your purchases, you will be able to easily see where your money is going each month. With that data you can see where you are wasting money, and make more informed decisions about what cuts to make to your budget.

4.8 Stickability

Henrietta C. Mears once said, “Time cannot be saved, it can only be spent, and if not spent wisely and well, it is wasted.” Don’t waste your time building a budget and not sticking to it. By now you have the tools, there’s no excuse! Create your budget and follow it! You will be greatly benefited in the end.

Use Cash for Weekly Allowance

We touched on this a little bit with the envelope method. Giving yourself a weekly allowance in cash is a great way to stick with your budget. When you’re out of money, then that’s it, no more spending. You will eventually learn how to stretch your buck, and be satisfied with just staying in some nights. What you need to do is determine what your ‘allowance’ will be, and pull the cash out of the bank.

On average after six months you will notice that you are able to make it last longer, and you will be able to save more money in your bank account.

Accountability to Family or Friends

Sometimes when something is tough, we need the support of our family and friends. A budget is a complete lifestyle change, and sometimes it can be hard to stick with. At times we, as humans, can be impulsive. We have all had those moments of weakness, where the sale signs were beckoning too loudly. Having the support of family and/or friends to reel you back in comes in handy. Sometimes we need to have someone nudge us and say “Hey, you’re doing so well sticking to your budget, stay on course!” Sometimes that gentle reminder from your friend or family member is just enough to snap you back into your senses.

Set Up a Different Account for Savings

These days a lot of banks will offer for their customers to have a separate savings account free of charge. Many times you can have more than one savings account also, if you are saving for different goals. Sometimes sending that money to another account will help you not to spend the money.

It creates an “out of sight, out of mind” scenario. When you’re not actively seeing that money you forget that it is available. Having it out of your reach, when impulse kicks in, can help you save that money.

If you have the money on hand in your home, it might be too tempting and you would end up spending it.

Remind Self of Benefit to Sticking with Budget

It is very useful to have family and friends remind you to stay on track, but at the end of the day you are in charge of yourself. It's your job to keep yourself on track and be positive about your budget.

Reminding yourself often the benefits of your budget is important. Also reminding yourself of the goals that you will achieve will be helpful in sticking to your budget. Remember to keep a positive attitude, and take it one day at a time.

4.9 Three Strategies to Make More Money

Having a budget is a great way to reach your goals, but sometimes our budgets need a little extra income. There are lots of ways to make a little extra money that take little effort. Why not beef up your savings, or pay off your debts quicker with making some additional cash. In this section we will discuss three strategies to make some additional money to help with your budget goals:

Strategy #1: Make and Sell Items

Do you have a talent? Why not use your talent to make some extra money! These days there are plenty of venues in which hand crafted items can be sold. Most cities have some sort of an open market, like a trades day, or a flea market. These are great avenues in which to sell handmade items because the overheads are usually lower, which leaves you more profit. Don't think that you have the personality to make it in a public arena? Luckily, in this day and age, an introvert can make and sell items too using the internet. There are plenty of arenas to sell handmade wares on the internet.

Here are just a few examples of those websites:

- Personal website
- Facebook marketplace
- TradeMe

Strategy #2: Sell Unused Items

We all have junk lying around the house that needs to go somewhere else, so why not sell it? You know the saying "one man's trash is another man's treasure" For all you know you're sitting on a gold mine! Go through your house and get rid of all of that stuff that's been collecting dust. You can sell your items on TradeMe.

You can also just have an old fashioned garage sale. Sometimes it’s helpful to coordinate with your neighbours and have a neighbourhood wide garage sale. Getting your neighbors involved can help build a sense of community in the neighbourhood, along with attracting more customers. You can post your garage sale in the newspaper, usually for a reasonable fee. Selling your old items can help you more than financially, because it helps you de-clutter your living space. Either way, you are making money on items that were doing nothing for you but giving you something to clean!

Strategy #3: Find a Part-Time Job

If you don’t have an artistic side or have the heart of a true sales man, you might try taking on a part-time job. There are plenty of opportunities for side jobs these days. Many stores will hire part time personnel, especially during peak holiday seasons. Don’t have your heart set on a regular job? Why not try baby sitting or being a dog walker?

If you have friends that go out of town a lot you could offer your house-sitting services, or if you’re fond of animals be a pet sitter. If you have the will to earn it, there is money out there to be made. All it takes is a little effort.

Recycle for Money

Another great idea for making some additional money is recycling. This is a great way to make extra funds because it gives you cash and it’s great for the environment. You can recycle your own cans, and metal that you use throughout the month. You can also partner with businesses that use cans and other metal items that need to be recycled. If you have a good work ethic and a truck you can pick up peoples discarded metal items, like old washers and dryers, fridges, bed-springs, etc. Recycling will help you make a little bit of extra cash, but this avenue is not a get rich quick scheme.

Chapter 5

Become the "Debt Master"

"Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like."
Will Smith

Very few people go through life without borrowing money, yet very little education is given about debt, and the devastating effects it can have on our life if it is not handled properly. In this chapter we will look at debt and how to manage it better.

If you borrow money, especially if it is over a long time, you need to understand the compounding effect of interest. "Compound interest" is the addition of interest to the principal sum of a loan during the term of the loan, or in other words, interest on interest. This is a wonderful concept when you are lending or investing money because the borrower is paying interest on interest; but it is a horrible concept when you're the borrower, because you are paying the lender interest on interest.

This is why it is good for credit card companies, and bad for their customers, when the cardholder only pays the "minimum payment due" each month.

It is also a major reason why a borrower should borrow as little as possible, and should repay lump sums off the principal as soon as they can afford.

It also justifies the more sensible (but more difficult) decision to save for a luxury or discretionary item, rather than buying it on credit.

5.1 Knowing Your Debt Monster

When we're young, we're not told how our credit score (or rating) plays such an important part in our life. Having a lot of debt puts stress on all our relationships, and our sense of self-worth.

A bad credit score can stop us from buying a house, buying goods on credit, renting a home, applying for a credit card, buying a car, or even getting a job. Having a budget helps us regain control of our life and credit score.

Get Three Credit Reports

There are three different types of credit reports that you need to obtain in order to fully view your credit situation. There may be debt reported on one report that isn't on the other reports.

There are three different credit report agencies in New Zealand:

1. Dunn and Bradstreet
2. Centrix
3. Veda Advantage

A person is entitled to a copy of their credit report each year from all three agencies. It is advised that a person should check their credit reports annually.

Checking your credit rating is how you can make sure you are keeping up with the payments on the debts credited to your account. Checking your credit lets you make sure you are not the victim of identity theft, and allows you to make sure the debts listed for you are correct. It also lets you see the progress you're making via your credit score.

5.2 Beating Down Your Debt Monster

Start with Small Stuff and Work Your Way Up

When you have debt from several different places, it can be overwhelming. Once you have seen what is on your credit report, you can prioritize what needs to be paid off. Sometimes starting with the biggest debt can make it feel like you're not getting anywhere. While you are paying off your debt, since you're still working on the same debt months later, it can make your progress feel stagnant.

Sometimes starting with the smaller debts can help alleviate this feeling. You pay the smallest debt off first. After a few months, you will see all of those little debts paid, and then you can focus on the biggest for last.

Credit Card Hacks

Credit cards are convenient, important for your credit score, and dangerous. Credit cards are great if you use them properly. They supply you with funds that you may not have on hand, and offer you the ability to pay those funds back little at a time.

What a lot of people forget, is that you should be using your credit card sparingly. It is not a bottomless bag full of money, free for the taking. Credit cards, while convenient, have a cost- your interest rate. A lot of time, people who have credit card debt, are in their predicament because they are unable to pay more than the minimum balance on the bill. Just paying the minimum balance is basically paying little more than the interest rate.

If at all possible, it's best to only charge what you can afford to pay back *in full* when the bill comes. For example, let's say you have a credit card for petrol. You pay the bill off in full at the end of each month. This raises your credit score, and saves you from getting into a mountain of credit card debt.

If you're having trouble paying you card balance in full, pay as much as you can over the minimum, so that you start paying on the debt portion. Be aware that you don't have to wait until the due date to pay. If you can, make mid-cycle payments which can improve your credit score. Another useful tool when dealing with credit cards are balance notifications. Many credit cards offer balance notifications, or alerts. The company can text or email you when a purchase has been made so that you can make sure to keep your spending in check.

Student Loan Repayment or Consolidation Options?

There are so many people these days who are struggling with the burden of student loan debt. In 2014, Experian credit bureau reported that 40 million Americans have one or more outstanding student loans, which is 29 million more than there was in 2008. That is a big increase in such a short amount of time! We may see similar trends in New Zealand.

There may be ways to help pay off your student loan debt. There are a lot of resources out there for people who are willing to put the effort and time into researching them.

One essential step is to contact your loan provider, and talk to them about the different repayment options they may have. If you have multiple loans, you can talk to the providers about consolidating them. Some loan providers will allow you to earn student loan debt forgiveness. There are two ways to earn student loan debt forgiveness; if you're employed in a public service position, or through income based payment plans. While this is not a quick or easy avenue, it is an option for some.

Chapter 6

Cool Money-Saving Tips

"Someone is sitting in the shade today because someone planted a tree a long time ago." Warren Buffett

If you have plenty of money, you can buy what you want, when you want it, for very little effort. But if you want to get things cheaper or free, then expect to invest a bit more time and effort, and be ready to make compromises about choice and quality.

We have compiled a list of ways to help you save money. It isn't exhaustive by any means, and we didn't want to include ideas that required you to spend considerable amounts of time and effort, otherwise you'd probably just prefer to pay the full price. For example, we haven't suggested establishing a vegie garden or preserving fruit, because most people lack the time or skills to do these things. Instead, we have focused on things that most people can do easily.

1. Stop receiving catalogues

Big companies know that if they can send you enticing offers, you will be more inclined to buy from them. So remove temptation by unsubscribing from their enewsletters and by affixing a “No Junk Mail” sign on your letterbox.

2. Impose a “cooling-off period”

Have you ever been shopping and found an item of clothing that you fell in love with instantly, bought it, got home and never wore it again? This is called “buying on impulse” and it costs people lots of money. Most wealthy people we know are patient when it comes to their buying habits. They know how to delay gratification, whereas cash-strapped people tend to buy on impulse. So impose a 30-day cooling-off period on any purchase over (say) $100. During that time, you might decide to write down the pros and cons of making the purchase. You might weigh that purchase up alongside another option (buying something else, saving the money, or using it to repay some debt). As a result of this process, you will be more likely to make better decisions based on logic, rather than impulse decisions based on emotion.

3. Get creative with your entertainment

We all like to have fun, but it is easy to go overboard and spend 15% or more of our income on leisure and entertainment. It is still possible to do fun things without having to spend a lot of money – but it does cost time, effort, and creativity. The key is to put the emphasis on creating a quality experience rather than on the amount of money you’re spending. Here are some ideas:

a) Rather than going to expensive restaurants, spend $20 on deli food, grab a bottle wine and a blanket, and head off to the beach for a romantic twilight dinner.
b) Take the kids for a treasure hunt, after hiding a dozen or so numbered stones in a nearby park. Certain stones will entitle the finder to a prize (they don’t have to be expensive prizes e.g. items from the $2 Shop, can of Coke, Crunchie Bar etc). Your kids will remember this for years.
c) Go for walks or bike rides and make them interesting by having special treats in your backpack; asking the kids questions about the places you're visiting; or sharing interesting facts the places you're walking past.
d) Organise a monthly pot-luck dinner with your friends, and take turns hosting. The host can pay one of the teenagers $20 to look after the young children with a movie, treasure hunt etc.
e) Visit a museum, park, beach etc and ask the kids to gather information and props to prepare a talk when they get home. Each child tells their

story and receives a small mystery prize e.g. chocolate bar, voucher, privilege coupon. These talks can be hilarious, so video them for prosperity’s sake.

f) Visit the library (we will discuss this more in-depth). If you have kids, ask them to choose books that you can read to them at night, or ask them to give an after-dinner book report. Or get them to find general knowledge books to help them compile a quiz for the whole family to enjoy (kids get double points) e.g. five questions on animals, geography, sports, food, transport, science etc.

4. Buy items second-hand

There are some items (not all) that can be bought second-hand for only a tiny fraction of their new price, but the quality is virtually the same. These items can be found at garage sales, Op Shops and on Trade Me. They include:

- Books, CDs and DVDs
- Tools
- Clothes and shoes
- Sports equipment
- Furniture
- Timber

The secret is to buy these things in advance. If you wait until you need them, they may not be available, and you'll be forced to buy brand new at a much higher price. It’s fun to browse on Trade Me and attend galas, garage sales and Op Shops in search of gems. You still need to be disciplined and limit yourself in terms of the items you're looking for and the price you're willing to pay for them. Make the effort to find out what these items are worth brand new, and commit to paying no more than say 25% of that price. The other advantage is that even if you buy them and need the cash later, you can usually recoup your money (or make a profit) because you bought them at such a low price.

5. Drink more water

Most people don’t drink enough water (unless your pee is clear, you're probably dehydrated) so there are obvious health benefits to drinking more water. But financially you're much better off drinking free water than soft drinks, coffee, alcohol etc. Did you realise the price of bottled water is higher than the price of petrol? To make your tap water more palatable, chill or freeze it overnight, or add lemon or mint to it. Buy yourself a nice water bottle and take it with you when you go out. It will keep you hydrated and suppress the urge to buy expensive soft drinks and coffees.

6. Keep snacks in the car

When you're travelling, it is too easy to pull into a petrol station or café and pay premium prices for food and drinks. On a long trip, you might end up doing this several times, costing you money and time. So why not carry a small supply of tasty, low-cost, non-perishable treats such as nuts and raisins, snack bars, dried fruit, chocolates, lollies, chippies. You can buy these in bulk at the supermarket and the “per portion” cost will only be a fraction of the cost you would pay at a petrol station or café.

7. Freeze your credit card

To avoid the impulsiveness of shopping, leave your credit card at home. Better still, place in in a container of water in your freezer. By the time you get home and wait for it to thaw out, the buying impulse may have subsided.

8. Visit the library

Don’t look at a library as just a place to borrow books because it is much more than that. Look at it as a place to do all sorts of things, most of them free or very cheap. Libraries today have all sorts of free resources, over and above issuing books. You can meet new people, search the internet, check out movies and CDs, browse through local newspapers and magazines, and keep up-to-date with local community events.

9. Quit smoking (and other expensive habits)

It might surprise some people how much they spend over the years on cigarettes, alcohol, gambling etc. Some of these habits carry problems other than financial ones e.g. health problems, family issues. If someone smokes a packet of cigarettes a week, that equates to around $1,500 a year. If that money was applied to a mortgage, it could allow the loan to be paid off years earlier. If quitting seems too hard, try cutting back a little.

10. Drive conservatively

Not only is speeding inefficient in terms of fuel consumption, it can also cost you in terms of speeding tickets, loss of license, damage to your vehicle and higher insurance premiums. A mechanic told us drivers would be amazed how much fuel they would save if they gently accelerated from a stationary position, rather than speeding away quickly. Many accidents on busy motorways are caused by drivers who constantly change lanes. Choose your lane and stay in it, until you need to change lanes.

Chapter 7

Mortgages: Debt That Pays Dividends

"If you think no-one cares if you are alive, try missing a mortgage payment." *Unknown*

It is useful to clarify a few phrases. In general terms, a mortgage will arise in the following context:

- A potential borrower applies to a lender (usually a bank) for money. The money will usually be required to buy real estate, or to refinance an existing loan.
- Once the application is approved, the bank advances the money to the borrower as a loan. The terms of this arrangement are recorded in a loan agreement.
  a) The lender requires security for the loan, to protect the bank if the borrower fails to perform their obligations under the loan agreement. The security will usually include:
  b) The personal guarantee of the borrower (joint and several guarantees if more than one borrower).
  c) A mortgage over some form of security – usually real estate. This could be property owned by the borrower, or a new property

to be purchased by the borrower, or property owned by a third party (e.g. the borrower's parents). The mortgage can be unregistered but it is usually registered against the title to the property.

- Once the borrower has repaid the loan in full, they can ask the lender for a discharge of the mortgage, in which case the property will be mortgage-free.
- But if the borrower does not keep up with their payments, the lender has the right to sell the mortgaged property and use the sale proceeds to clear the arrears and collection expenses. This is known as a mortgagee sale.

In this chapter, we will use the words "loan" and "mortgage" interchangeably i.e. we are referring to the loan agreement and the security for it.

Lenders offer different types of loans which have been designed to suit individual needs. Each type has its own purpose, interest rate, fees and other terms and conditions which affect how much the borrower pays, and when those payments are due. For example, some loans can require the borrower to pay principal and interest, or interest only. Some impose fixed interest rates, and others impose a variable or floating interest rate (it goes up and down as the market dictates). Let's look at them separately:

Table Loan

Table loans suit most residential property purchases in New Zealand. These loans require fixed payments, unless the interest changes. They have great flexibility by offering different interest rate types e.g. fixed, floating or a combination of the two. The monthly payments include a combination of principal (the initial amount you borrowed) and interest.

At first, the repayments comprise mostly interest. As time passes, the outstanding principal decreases so that the repayments will comprise less interest and more principal. If the borrower is able to pay more towards the loan (whether it is a regular increase or a one-off payment), especially in the early stages, it will save thousands of dollars in interest over the lifetime of the loan. If you have fixed the interest rate, a penalty might apply – this is discussed more in the next section.

The main benefit of having a table loan is that the repayments remain fixed throughout the term of the loan (they will only change as the interest rates vary). This makes it easier for budgeting purposes. Table loans can be repaid over a term of 3-30 years.

Fixed or Variable?

When taking out a Table Loan, the borrower is usually given the choice of fixing the interest rate, or allowing it to vary (or float). Fixed-rate home loans are usually for a set period of time of 1-5 years. The advantages are certainty, for budgeting purposes, and protection if interest rates rise later on. With a variable rate loan, the repayments vary every time interest rates change, up or down. A borrower who opts for a variable or floating rate loan is hoping that rates will decrease down the track, but will have the funds needed if they rise.

Most lenders allow borrowers to split their loans so that part of their loan is fixed, and part is variable.

For fixed rate loans, lenders usually charge a penalty if you want to repay part or all of the principal (unless interest rates have risen). This is called "break cost fee."

Interest-Only Loan

An Interest-Only Loan is where the borrower is only required to make payments of interest only i.e. no payments towards the principal sum are required until maturity. A borrower may split their loan so that part is interest-only and the rest is a table loan (principal and interest). The portion on interest-only will usually be for a shorter term of 2-5 years. This loan suits a property investor who purchases a rental property, because 100% of the repayments are tax deductible, because they only include interest. This allows the investor to maximise their leveraging ability i.e. they can use their cash-flow (that would otherwise have been used to repay principal) to pay interest on a loan for another rental property. A borrower may also apply for an interest-only loan if they are facing a short-term reduction in their earning capacity e.g. because they are studying or taking maternity leave.

Revolving Credit Loan

Revolving credit is a fully transactional facility which allows the borrower to operate the loan within a specified limit, similar to an overdraft (but with a cheaper interest rate). It is generally set up in conjunction with another loan type where a portion of the total amount you have borrowed is structured into a revolving facility giving you immediate access to funds you pay in. The interest rate can only be set up as a floating rate.

There are no fixed terms of repayment although you have to at least pay the interest each month, plus the fixed facility fee. This loan type will suit borrowers who are expecting to receive large cash lump sums in the near future and would like to apply these to reduce their mortgage balance, and thereby reduce the amount of interest they pay. The biggest advantage of this type of loan is that the borrower can access the cash they have already paid in. This gives them the ability to pay for things like overseas trips or education costs. A word of caution though: do not consider this type of loan unless you are extremely disciplined and are committed to paying in all additional income earned as planned, to keep the level of debt to a minimum, and you will not make unnecessary withdrawals for luxuries etc.

Bridging Loan

As the name implies, a bridging loan helps us when we are stuck between two places. It is a short-term facility to "bridge" the gap created while the borrower is waiting for money to come from a future event. The typical scenario is when the borrower is required to settle the purchase of their new home today, but the sale of their existing home is not due for another week or so. Given the short term involved, the lender may not require the borrower to make any payments i.e. they will pay for everything at the end of the loan. The interest rate for a bridging loan is usually higher than a normal mortgage loan, and the application fee can seem expensive when compared to the application fee for a normal mortgage (because the fee for a normal mortgage is repaid over such a long term). But bridging loans allow borrowers to complete deals that might otherwise be unachievable.

Home Equity Release (Reverse) Mortgage

A typical summary of a homeowner with a mortgage is that they bought their home in their younger years, and then spent decades paying off the mortgage. As they got older their financial needs changed. They now find themselves on a lower income, with a smaller (or no) mortgage and a home that has increased significantly in value. They are preparing to retire which means their usual source of income will cease and be replaced with a much smaller pension.

At this time of their life, the homeowner is “asset rich” and “time rich”, but “income poor.” They have the time to do all the things they’ve dreamed of, but all their money is tied up in their mortgage-free home. They don’t want to take out a traditional mortgage because they couldn’t afford the payments. If the property needs costly repairs or maintenance, the homeowner will either lack the money to do it, or they will be forced to dip into their hard-earned savings that they were meant to live on and enjoy life with. They don’t want to sell the home and downsize, because they love their home and want the extra space for the children and grand-children to stay.

Lenders are now able to help these in these situations by “releasing” the equity or value from the property, usually the family home, without having to sell it. This is made possible through a Home Equity Release Mortgage (also known as a Reverse Mortgage). Their house is valued to determine its current market value, then any debt still owing is deducted. The balance represents the homeowner’s equity and the homeowner can potentially borrow against it. The major benefit of this type of loan is that the homeowner is not required to make any repayments (principal or interest) as it will be repaid in full when the house is sold or the homeowner moves out permanently.

Like any other loan, interest will be charged and added to the amount borrowed, which creates the loan balance. It is calculated daily and added each month and will be repaid together with the initial amount borrowed when the house is sold or the homeowner leaves permanently.

A major disadvantage is that if the homeowner wants to gift or sell the home to their family, the loan has to be repaid in full. Plus, the debt will grow quickly as no repayments are made and interest is calculated daily and added monthly. If this type of loan is considered, the borrower should keep the amount borrowed well below the value of the home.

Capitilised Loan

A Capitalised Loan involves the lender capitalising or adding the interest to the principal sum borrowed, effectively lending the borrower both the principal amount and interest. If the lender only adds part of the interest on to the principal sum, it is called a Partial Capitalised Loan. The borrower is not required to make repayments during the loan period, but will repay the entire sum in one lump sum on maturity. This type of loan suits the need for short-term finance by those who are unable to or do not wish to meet regular interest payments. These loans are ideal for contractors and builders undertaking development or construction projects, where funding is required for a specific period and a lump sum with be received at a future date to repay the loan in full.

The borrower needs to show the lender a viable plan, and prove the future repayment is secure and will be sufficient to pay the entire principal sum and interest. In most cases the money will come from future sale proceeds once the project has been completed.

The obvious benefit to these types of loan is that no repayments are required until maturity, the downside is that interest is compounding at a faster rate due to the lack of principal reductions.

Reducing Loan

A Reducing Loan, also known as a “Straight Line” loan, is similar to a table loan in that the repayments include principal and interest. The difference with a reducing loan is that the borrower is paying the same (fixed) amount of principal each time. But because the principal is reducing with each payment, the interest payment for the next instalment is less.

The advantage of a reducing loan is you will pay less interest over the lifetime of the loan. The disadvantage is that the repayments start off higher than a table loan but reduce over the life of the loan.

Chapter 8

How to Pay Off Your Mortgage Faster

"Debt is like any other trap, easy enough to get into, but hard enough to get out of." Henry Wheeler Shaw

Introduction

When you take out a mortgage loan, three unique forces come together:

1. The long-term commitment involved e.g. up to 30 years
2. The compounding effect of interest
3. The size of the principal sum (often hundreds of thousands of dollars)

In this chapter we will look at ways to reduce the time you spend paying back the loan (force #1). You have little influence over the compounding effect of interest (force #2). Therefore, your greatest influence is to reduce the size of your principal sum.

When you reduce your principal sum, it significantly reduces the total amount of interest you pay over the lifetime of your loan.

So let’s look at some strategies to pay your mortgage off faster (the first three involve reducing the balance of your principal sum):

1. Apply lump sum payments to your mortgage

Sometimes we suffer unforeseen events in life that hit us hard financially, such as a car repair, dentist or vet bill, job loss, bereavement, etc. But there are also times when we enjoy an unexpected, lump-sum windfall. This might include a gift, inheritance, prize, lottery win, compensation payout, or tax refund. When these windfalls occur, it’s tempting to “celebrate” by going on a holiday or buying a luxury item we’ve always wanted. Instead of doing that, you ought to consider applying that money towards debt – especially your mortgage. Although it is hardly an exciting use of the money, there is an incredible pay-back for you in terms of the interest saved.

Let’s assume you have a $250,000 table loan with a 30-year term at 7% interest with monthly repayments. If you reduced the principal sum by just $15,000 in the early stages, it would reduce the term of the loan by around five years and reduce your total interest bill by over $20,000. Imagine how your quality of life would be improved if you were mortgage-free five years earlier.

2. Pay all your mortgage fees and charges up front

Some lenders allow you to add to the amount you borrow instead of coming up with cash for your upfront costs. While this seems like a good thing at the time, there is a big cost to it in the long-term. In the previous section, we saw the big savings that can be achieved when you repay lump sum payments off the principal sum. Conversely, if you **increase** the principal sum (by loading on the mortgage fees) at the start, it has the opposite effect of extending the time it takes to repay the loan, and increasing the total amount of interest paid.

3. Make more frequent payments

One of the easiest ways to pay your mortgage off faster is to make your repayment on a fortnightly rather than monthly basis. The reason for this is that there are 26 fortnights in a year, but only 12 months. Paying fortnightly means that you will be effectively making 13 monthly payments every year. And this can make a big difference, and you will hardly notice the effect of the extra payment.

4. Split your loan

Many borrowers worry about interest rates rising so they opt for a fixed rate loan. Others hope that rates will drop, so they choose a variable rate loan. Because it is so hard to predict the future (and we worry about “getting it wrong”), some borrowers “split” their loan. This is also known as a “combination loan.” This sort of loan splits your principal sum into two parts:

1. A portion is advance on a fixed-rate basis
2. The balance is advanced on a variable rate.

Essentially this allows you to spread your risk as to whether interest rates rise or fall. If interest rates rise you have the security of knowing part of your loan is safely fixed and won't move. However, if interest rates don't go up (or if they rise only slightly or slowly) then you can use the flexibility of the variable portion of your loan and pay that part off faster.

5. Refinance your loan

If interest rates have reduced significantly and you have locked in your loan at a high rate, it might be worth breaking the loan and re-fixing at the lower rate. Although there might be break fees to pay, the interest saved over the long-term may leave you much better off, with a shorter term.

Some lenders offer new customers a “cash-back” as an incentive to refinance their existing mortgage with the new lender. If the cash-back is more than any break fees charged by your existing lender, at the other terms of the loan are better than your current loan, you could improve your financial situation considerably. Be aware that the new lender may require you to stay for a minimum term, otherwise you have to repay the cash-back amount.

You might be able to renegotiate terms with your existing lender, in order to keep your business.

6. Maintain your repayments when rates drop

If the term of your fixed-rate loan has passed, you have the option to re-fix the loan at the new rate. If interest rates have dropped, your repayments will also drop. It is tempting to accept the lower payments and spend the difference each month on other things. But if you keep your mortgage payments at the same level as before, you will pay your mortgage off faster, because you'll be paying off more principal with each payment.

The other benefit is that if interest rates rise when the next rate review occurs, the effect of the rise will be much less than if you had lowered your repayments at the first review.

7. Invest in real estate

While this strategy will not be available to every borrower, it is one of the most effective ways to pay off your mortgage faster if you can manage it. Many property investors can legitimately use the tax benefits of owning rental properties to pay off the mortgage on the home they live in. But they need to set up their legal structures properly at the start.

We often see people invest in property without getting quality advice early enough. By the time we meet them the ownership structures are not well-designed to achieve the best outcome for tax purposes. In some instances, it would have been better to purchase the properties in the name of a "Look Through Company" which is a limited liability company that is allowed to transfer its income and expenditure to its shareholders directly. The debt can then be restructured to achieve better tax deductions for the investor, so they can pay off the mortgage on their (owner-occupied) home faster. The Inland Revenue Department have strict rules around this strategy so make sure you get good advice.

8. Talk to a mortgage adviser

Because no two situations are the same, these strategies won't suit every borrower. So you would be wise to sit down with a good mortgage broker to review your current financial position, and discuss all your options. This may include a re-structure of your current loans. A good mortgage adviser has the expertise and knowledge you need to find the best option for you.

Chapter 9

Why Use an Adviser?

"If you think hiring a professional is expensive, try using an amateur." *Red Adair*

New Zealanders seem to enjoy doing things for themselves, instead of hiring someone else to do it for them. The fact that we like to "give things a go" may be a positive trait, but there are times when it is foolish. Looking for a mortgage is one of those times, especially when there are experts (mortgage advisers) who will help you for free.

There are many reasons to deal with a mortgage adviser, also known as a mortgage broker or financial adviser, which will be explained below. But let's start with finding out what a "mortgage adviser" is.

Mortgage advisers are required by law to be registered under the Financial Advisers Act 2008 because they are giving financial advice.

The Financial Advisers Act exists to protect consumers, to ensure they receive good financial advice by:

- Requiring advisers to be qualified and properly trained.

- Holding advisers accountable if they give bad advice.
- Requiring advisers to belong to a Financial Disputes Resolution Provider.
- Requiring advisers to be listed on the Financial Services Providers Register.
- Requiring advisers to give every client a Disclosure Statement, which outlines the adviser's experience and disciplinary record.

A good mortgage adviser will:

1. Save you time and effort.
2. Help you complete the paperwork.
3. Tell you at the outset if you are ineligible.
4. Find the best options.
5. Recommend the best deal.
6. Work with you over the long-term.
7. Review your situation.
8. Refer you to other advisers.
9. Work for free.

Let's address these points in more detail below.

1. Save you time and effort

A good mortgage adviser can save you time by eliminating the lenders who will never approve your application.

They can approach multiple lenders to give you the best chance of getting your application approved, and to get you the best terms. If you use an adviser you won't have to fill out separate applications for each lender i.e. one application will suffice. The adviser will present that application on your behalf to all the lenders.

Once the lenders come back with offers, the adviser can help you work through and compare the offers, and recommend which one to accept.

2. Help you complete the paperwork

An adviser can help you fill out the considerable amount of paperwork. Much of the information required is standard, across all lenders. But some lenders require additional information, and an adviser knows which lender requires what.

A good adviser knows how to provide information once, and will provide that information to all the lenders at once. Advisers are required to keep your personal details secure and confidential.

3. Tell you at the outset if you are ineligible

There is a lot of work involved in submitting a loan application, and you are require to divulge personal information about yourself. Imagine doing all this work, only to find you were never going to be successful. A good mortgage adviser should be able to assess whether you have a chance, before going too far into the application process.

4. Find the best options

The lending market is diverse, competitive and confusing at times. It is a lot to expect a layperson to know how to know where to look, and where not to look. Here are four reasons to use a mortgage adviser:

4.1 They work with a range of lenders

It is normal for borrowers to approach their own bank first. However, your current lender may not have the best solution for your requirements. If you deal with a particular lender, they will only recommend their products. No lender will admit their products are inferior to their competitors' products. But a non-aligned adviser has no such bias, and they will go through all the options so that you choose the best one for your needs.

While it's true that the adviser's fee is paid by the lender they place your loan with, but the commission rates across all the lenders are fairly similar. So a mortgage adviser has no preference about where to direct you, other than the lender that gives you the best deal.

4.2 They know the differences between lenders

Lenders have different rates, cash contributions, amounts on certain products that they will lend, different views on terms such as interest-only loans, bridging loans, the term (duration) a loan can be taken over loan over, etc. It would be extremely difficult for a layperson to understand and compare these differences. But a mortgage adviser deals with these lenders all the time and they understand these differences well.

4.3 They keep up-to-date with changes

Each lender has different criteria to satisfy, and these criteria can vary depending on the nature and purpose of your loan i.e. depending on whether you are buying your first home, building a new home, buying an investment property, or purchasing a holiday home. New regulations come into the market all the time that the banks and others lenders and customers must be aware of, and a layperson cannot possibly keep themselves familiar with these changes. But a good mortgage adviser has their finger on the pulse of all these changes.

4.4 They can find alternative funding

If your project does not fit into mainstream bank lending then your adviser may be able to source your funding through other lenders (also known as non-banks or second-tier funders).

5. Recommend the best deal

You might have several options on the table, so how do you choose the best one? A mortgage adviser can make the process easier by explaining all the different rates, fees, structures and conditions with each lender. They will be aware of the different interest rates and specials that are on offer in the marketplace, and may even be able to negotiate a better deal for you with your preferred lender.

6. Work with you over the long-term

A good mortgage adviser will seek a long-term relationship with you and your family. They will build a relationship with you, and find out what your financial goals are. But when you are dealing with one bank, you will be dealing with a loan officer who may leave the organisation.

7. Review your situation

A good mortgage adviser will review your situation as your loan comes due for renewal, or if your circumstances change. They will have your best interests as their primary concern. But a loan officer within a bank has a duty to the bank, to maximise its profit – which means they are trying to make as much money as possible out of you.

8. Refer you to other advisers

Your adviser can also let you know if you need to talk to another professional such as an accountant, solicitor or insurance expert as situations change in the future.

9. Work for free

Not only will a mortgage adviser do all this for you, they won't charge you a cent. Their fee is paid as a commission by the lender who wins your business.

NB: sometimes an adviser will charge a fee when organizing loans with non-banks, but they should make this known to you very early in the process.

Chapter 10

Choosing the Right Mortgage Adviser

"Don't ask your poor friends how to make money and don't ask your single friends about relationships."   Anon

There are many advisers in the marketplace and on the surface they appear to be offering the same products and services. Some work on their own, others belong to a group. But not all advisers are the same and we will give you some practical tips and ideas to help you choose the right mortgage adviser for you.

Registration

As stated earlier, all mortgage advisers are required to be registered under the Financial Advisers Act 2008 because they are giving financial advice. If they're not registered, they're not legally able to give advice.

Disclosure Statement

Ask for their Disclosure Statement and check their qualifications, experience and disciplinary record. If you want to see what a Disclosure Statement looks like, you can refer to the sample in the Appendix at the end of this book.

Experience

Feel free to ask questions about their experience. A good mortgage adviser will have at least four years' experience in lending, and possibly some banking experience.

Range of Lenders

Ask them to explain how many banks and other lenders they work with. If they can only submit your application to one or two lenders, it will limit your options considerably. To find the best solution, an adviser should be able to approach a range of suitable lenders if required.

Back-Up Support

Ask a potential adviser if they work on their own (as a sole operator) or if they belong to a group of advisers. If your adviser becomes unavailable, due to an absence, illness, retirement or death, it is important that someone else can pick up your file and advise you when you need it.

Ongoing Service

Ask the adviser about what ongoing support they will offer (if any) once the loan is secured and put in place. Will they keep in touch when the loan comes up for review, to help you negotiate terms with the lender? Some advisers only want the commission payable at the start of the loan and leave the client alone from that point.

Security of Information

Enquire about the adviser's system for keeping your information confidential. Is it secure and protected from loss or theft? Or is it kept in an unlocked cabinet in their home.

Complex or Unusual Loans

If your loan is a complex or unusual one, ask your adviser to explain how experienced they are in dealing with outside-the-box deals. You need an adviser who is willing to tell you things you may not want to hear e.g. you should not do the deal, you should postpone your plans, you should save more money first, etc.

Timeframes

Ask your adviser to confirm the likely timeframes involved with your loan application, and assure yourself about the adviser's ability to meet those deadlines.

Personality

When appointing a mortgage adviser, you are trusting them with one of the most important transactions of your life, so need to feel comfortable with them. Find out about them at a personal level, not just a business level. Can you relate to them and can they relate to you? Do they communicate clearly and sincerely? Do they seem committed to helping you now, and over the long-term? Most of these questions will be answered from your gut-feel. Don’t assume that they are good just because of their credentials, or the promises laid out in their website and marketing materials.

Listening Skills

You need to be sure that your adviser has listened to you, and has a thorough understanding of your situation, needs and expectations. They should be able to summarise what they think you need. They should show respect for your decisions, even if you disagree with them. But they should have the courage and integrity to tell you if they think your decision is not in your best interests.

If you have an adviser that often cuts you off mid-sentence, this may suggest a “know-it-all” attitude, and the adviser may be making assumptions about your circumstances and needs. A good adviser doesn’t make assumptions, and will ask as many questions as it takes to determine your needs. Some of these questions might seem very personal, but it usually means the adviser wants to do the best job for you.

Networks

A good mortgage adviser can provide even greater value by their ability to refer other advisers to you. Most experienced advisers will have a network of people such as real estate agents, solicitors, accountants and insurance advisers that they can introduce you to if required. So enquire about the adviser's networks and contacts, and ask if they are willing to refer you to these advisers. Successful people know how to build a good support team around them, and you should too.

A good adviser will be an asset to your family and your financial future.

Chapter 11

Conclusion

"The mint makes it first, it is up to you to make it last."
Evan Esar

We hope this book has helped you appreciate the importance of taking responsibility for your money, and has given you practical tools to help you avoid bad debt and educated you about how to make smart decisions about taking on mortgage debt.

Before Stephen shares some testimonials from his happy clients, we wanted to impart some wise words from a few well-known people:

- **Steve Burkholde**: If you're saving, you're succeeding.
- **Thomas Jefferson**: Never spend your money before you have it.
- **Bob Hope**: A bank is a place that will lend you money if you can prove that you don't need it.

Chapter 12

Stephen's Happy Clients

"Stephen was recommended to us by a highly-experienced real estate agent, after my wife and I were declined a mortgage by our bank. The banks showed no interest in understanding our particular situation and no interest in helping us find a solution. Stephen made a great effort to understand us, our background and our needs, and was able to arrange an excellent mortgage for us. He used his experience, knowledge and relationships in the mortgage industry to get us the best deal possible. We would not have had the same results without his help. We feel very grateful to Stephen for his support, professionalism and his extremely personal service. We would have no hesitation in recommending him to our friends and family." ***Dr Gareth Rivalland***

"Late last year I was seeking finance for a property purchase to lead to a development. My regular broker was not able to secure finance due to the scale and nature of the proposal. The deadline passed twice. Stephen Robertson was recommended to me by others. He was thoroughly professional, prepared all the information required, led us through the process and secured a good deal. He as able to operate at the level of complexity needed to meet the banks requirements for the scale we were doing. I was grateful for his prompt and professional help. A good bloke as well. I will be back." ***Richard Thomas***

"I own my home in Auckland and sought Stephen Robertson's help to secure funding for a rental property in Hawkes Bay. Stephen was able to quickly secure bank approval for my first rental property that quickly turned into four properties and has set me up to continue to build my portfolio. Stephen not only helped with the finance but finding a good solicitor. He guided me through each stage of what can be a daunting process and made it easy. I would recommend Stephen if you want an honest, reliable and knowledgeable financial broker who delivers results." ***Kathryn***

"I approached Stephen because I was having trouble getting a mortgage with my bank. I was a self-employed, first time buyer with a small deposit so was only getting very uncompetitive offers. After sitting down with Stephen, he explained the best course of action and simply set out the information that he required from myself and my accountant. I work in a physical industry and sometimes find financial matters intimidating so it was invaluable to have Stephen's expertise guide me through the process and I always felt that he was only ever a phone call away if there was anything I wasn’t sure about. As advised on our initial meeting, Stephen was able to arrange a mortgage for me that more than suited my needs. I found the whole process very quick, easy and stress free which of course made my wife and myself very happy indeed. We plan on moving house again within the next year or two and I will definitely be using Stephen’s services again.” ***Martin Horwood***

Appendix

Disclosure Statement

Registration Reference: FSP 332966
Email: stephen@aspireadvisors.co.nz
Phone: 09 377 4433   Mobile: 027 540 8900
Frontier Services Limited trades as MyMoney
Address: 139 Stonefields Ave, Stonefields, Auckland 1072
Web: www.mymoney.net.nz

This Disclosure statement was prepared on 18 June 2015 [Version 1.1]. It is important that you read this document. This information will help you to choose a financial adviser that best suits your needs. It will also provide some useful information about the financial adviser that you choose.

What sort of adviser am I?

I am a registered, but not authorised, financial adviser. I can give you advice about:

- Loans: Home loans, restructures, refinancing, top ups, debt consolidation and personal loans.
- Commercial / Business: Commercial property finance, equipment finance

What should you do if something goes wrong?

If you have a problem, concern, or complaint about any part of my service, please tell me so I can try to fix the problem. You may contact our internal complaints service by telephoning (09) 377 4433, or by emailing: stephen@mymoney.net.nz, or in writing to The Manager, MyMoney, 139 Stonefields Ave, Stonefields, Auckland 1072.

If we cannot agree on how to resolve the issue, you can contact Financial Services Complaints Ltd [FSCL]. This service will cost you nothing, and will help us resolve any disagreements. You can contact FSCL by emailing: info@fscl.org.nz, calling FSCL on 0800 347 257, or writing to The Manager, FSCL, PO Box 5967, Lambton Quay, Wellington 6145.

How am I regulated by the Government?

You can check that I am a registered financial adviser at http://www.fspr.govt.nz The Financial Markets Authority regulates financial advisers. Contact the Financial Markets Authority for more information, including financial tips and warnings. You can report information or complain about my conduct to the Financial Markets Authority, but in the event of a disagreement, you may choose to first use the dispute resolution procedures described above.

Declaration

I, Stephen Robertson, declare that, to the best of my knowledge and belief, the information contained in this disclosure statement is true and complete and complies with the disclosure requirements in the Financial Advisers Act 2008 and the Financial Advisers (Disclosure) Regulations 2010.

It's a sad fact that we live in a materialistic world, where people want it and they want it now. The willingness to delay gratification appears to be a thing of past generations. While we enjoy unprecedented access to cheap (or even free) credit, this has only encouraged us to buy things we want rather than need. And the obligation to repay can eventually leave us paying for these items many times over. The world-famous money coach, Robert Kiyosaki, encourages his students to increase their financial literacy. This book is a simple, practical guide to help you keep more of the money you earn, and help you make smarter decisions about the debt you incur – especially mortgage debt.

"You must gain control over your money or the lack of it will forever control you." *Dave Ramsay, Author*

STEPHEN ROBERTSON - MORTGAGE BROKER

Stephen Robertson has been in the mortgage broking industry for over 10 years. Stephen is a totally independent broker, not aligned to any bank or institution and can give unbiased advice to suit any need. Stephen is also member of the PAA & NZFSG which requires he attend monthly, quarterly & annual training to ensure that his knowledge of products is always up to date. Being a keen property investor, Stephen is highly knowledgeable in helping clients structure their borrowings to maximise returns.

RRP $19.95

234567 890005

my money

quality advice you can trust