

# Personal Finance

For You

# What we're covering today:

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- ▶ What is the problem
- ▶ How can we fix it
- ▶ The Investment Quadrant
- ▶ Tips
- ▶ Children
- ▶ Disclaimer

# What is the problem?

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- ▶ Having too much
- ▶ Especially if inherited,
- ▶ feel guilty about spending it,
- ▶ save it religiously for fear of it disappearing, or
- ▶ squander it

# Not having enough

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- ▶ Not having enough, debt etc caused by:
  - ▶ Attitudes and thoughts
  - ▶ Habits
  - ▶ Our experiences
  - ▶ Personality: 4 money types

# Attitudes and thoughts:

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- ▶ I'll never be able to afford that / you're lucky
- ▶ I wish I had enough money to... go on an overseas trip, send my kids to private schools, etc
- ▶ If I'd had a career/ degree/ travelled less etc I'd be better paid but its too late now
- ▶ I'll get a big inheritance when my grandmother, rich maiden aunt in the UK, father etc dies.
- ▶ Keeping up with the Jones' / status anxiety
- ▶ I deserve this / entitlement
- ▶ Used to think baloney but now convinced that our thoughts influence our actions. "If you think you can, you're right, and if you think you can't you're right too".

# Habits

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- Morning coffee
  - Buying lunch
  - Driving to work
  - Takeaways
  - Restaurant meals
  - Books and magazines
  - Things for the house
  - New latest model car
  - etc
  - etc
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- Need 21 days to change

# Our Experiences

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- ▶ How money was talked about at home, when you were growing up
- ▶ How you worry about not having enough
- ▶ Pouring your money into a business without thinking it through first
- ▶ Using credit cards for cash for day to day spending
- ▶ Spending lump sums on consumables instead of a house deposit or term deposit at the bank eg lotto winners rarely have anything left 5 years later
- ▶ Blaming someone or something else eg divorce.

# Personality: 4 money types:

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## ▶ Per Liz Koh “Your Money Personality”:

- ▶ Hoarders – know how much they have and what they spend on. Don’t have a lot of debt, but not aspiring to make millions.
- ▶ Achievers – usually well-educated and status conscious, spend on quality expensive items, sometimes spend beyond their means to keep up appearances
- ▶ Entrepreneurs – comfortable with risk, not too worried about money, don’t need it, can borrow etc.
- ▶ Thrill seekers – spend what they have, don’t worry about the future.



# Ways to fix

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- ▶ Acknowledge there is a problem that you want to fix
- ▶ Take responsibility for fixing
- ▶ Take action

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- ▶ Recognise your money type: hoarder, achiever, entrepreneur, thrill seeker
  - ▶ Taking responsibility
    - ▶ No get quick rich schemes eg property seminars
    - ▶ No wishful thinking
    - ▶ Live within your means
    - ▶ Economic dependents
    - ▶ Be a realist – if it sounds too good to be true then its not going to make you any money
    - ▶ And you probably don't have a long lost Nigerian uncle who wants to give you \$1million or won't be notified by email of a lottery win especially if you didn't buy a ticket
    - ▶ Lotto – more likely to be run over leaving the Lotto shop
    - ▶ Be disciplined
    - ▶ Make sacrifices / budget / diet / 21 days
    - ▶ Healthy body
    - ▶ Lean in
  - ▶ Know what you spend on – Pocketsmith, HEAPs, excel spreadsheet and then budget and set aside funds for future
  - ▶ Sorted has info on how much you need [www.sorted.org.nz](http://www.sorted.org.nz)
  - ▶ Educate yourself

# The Money Quadrant

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- ▶ Understanding money/ ways to make money;
  - ▶ Bank deposits – income but no capital growth
  - ▶ Shares – learn about (eg NZ Shareholders Assn) and do own, use ASB Securities, Direct Broking or a broker, eg Craigs Partners, First NZ Capital, or ETFs.
  - ▶ Property commercial – contracts higher entry and higher risk and cost if untenanted, residential – dealing with tenants – this is a business.
  - ▶ Business – leverage principle – people and borrowing
  - ▶ Self-employed and salaried –limited by hourly rate = set some funds aside each payday for investment
  - ▶ Diversify – don't put all your eggs in one basket

# What now?

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- ▶ Investment – go see someone – what do financial advisers do, read Martin Hawes' Books
- ▶ Property – any of the Dolf de Roos books or Martin Hawes or Robert Kiyosaki “ The size of your success is measured by the strength of your desire”.

# Tips

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- ▶ Do buy a house – you'll need somewhere to live in your old age, rent = dead money
- ▶ Split and spread your mortgage, pay off frequently eg fortnightly to minimise interest costs
- ▶ Pay off your mortgage
- ▶ Pay off credit cards
- ▶ Don't be blinded by love! Trusts.
- ▶ Stick to your knitting!
- ▶ Join KiwiSaver if employed – a no brainer if someone else is subsidising your superannuation
- ▶ Power of compounding interest
- ▶ Insure but don't overinsure
- ▶ Warranties not always needed because of Consumer Guarantees Act
- ▶ Think before you spend eg use of cellphone, coffees, lunches during the day, eating out generally
- ▶ Reduce consumption generally
- ▶ Be healthy
- ▶ Give a little
- ▶ Diversify your investments
- ▶ Keep an eye on your investments – if it sounds too good to be true then it probably is.

# Children

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- ▶ Don't make children economic dependants supporting through their 40s, and then waiting on inheritance
- ▶ Good education, solid and practical qualifications designed to get a job
- ▶ Pocket money for jobs
- ▶ Talk about money
- ▶ Show good habits

# Summary

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- ▶ Take stock
- ▶ Do something today
- ▶ Live within your means
- ▶ Start saving
- ▶ Educate yourself and your children
- ▶ Invest those savings in shares, bank deposits, property
- ▶ Diversify
- ▶ Keep an eye on your investments