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New Year, New Plans?

Hopefully we've all had a fabulous Christmas and wished all our friends and family a great New Year. The start of 2013 has also no doubt seen some of us create New Year resolutions as tradition dictates, however, as we know, many of these fall by the wayside as the year progresses.

The start of a New Year can also mean us realising that we're another year older, another year nearer our ideal retirement age, or for those of us who don't necessarily see ourselves retiring – another year closer to the age at which we would like to be financially independent and **choose** to work rather than **having** to work. So, what are you doing about ensuring you have sufficient money to live off in the future when you choose not to work?

As Martin Hawes puts it, in his book entitled "Twenty Good Summers" – when we reach age 65, we possibly only have 20 summers left before we reach age 85 – a sobering thought!!

Whatever age you are now, it's vital that you start budgeting to understand where your money is going. Ideally you want to be creating a surplus income to start saving for an emergency fund as rainy day money, then save for medium term plans such as holidays, vehicle upgrades, tertiary education for our children and finally, save for our longer term future when we decide we've had enough of **having** to work and want to give up or reduce our hours to travel, enjoy our hobbies and continue to be able to afford to fund our regular general expenses. If creating a surplus seems impossible at this time, maybe it's time to re-think our lives a little by increasing our skills, embarking on further education, changing our jobs, making our businesses more efficient, looking for new opportunities and being honest with our current spending habits.

So, for those who need some encouragement to keep going with those financial commitments, or start a plan to get on the right financial track, here's some thoughts to hopefully get you motivated:

- Current NZ Superannuation at age 65 is around \$13,900 p.a. to \$18,100 p.a. net in your hand (dependent upon whether you are single or married) and this is for those with no other income
- Average annual household income from wages & salaries between June 2011 to June 2012 was \$82,209*
- Average weekly rent \$273* (\$14,196 p.a.)
- 40% of households are paying rents of over \$300 per week (\$15,600 p.a.)
- Average weekly mortgage payments \$357* (\$18,564 p.a.)
- Average cost of building insurance premiums between \$832 and \$1144 p.a. (dependent upon where you live in NZ)

*Statistics NZ – period between June 2011 and June 2012

Would you be able to live on the current NZ Superannuation if you were/are age 65 now? What are you doing now to save for your future financial commitments? What are your goals for when you retire? How do you know you're on track to achieving these goals and importantly, being able to afford them financially?

To help you get on track, you need to start planning now. You need to get a budget going so you know what money comes into your household and what you spend. Be honest with your spending and look to where you can make positive changes if you need to create a bigger surplus.

Get advice on how you can repay debt quicker, whether this is credit cards, store cards and your longer term mortgage.

Have cash in the bank for those unforeseen financial 'emergencies'. If you don't have this, start a regular savings plan to build this up with your surplus income.

Create a list of your goals and decide when you'd like to achieve them what these will cost you e.g. replacing your vehicles regularly throughout life, costs of travel, sports & hobbies you want to continue with or commence and what expenses these will incur, supporting your teenagers through tertiary education etc.

Have a regular savings plan in place so that you're saving for these goals, particularly the ones which relate to your life when you stop working and need money to support your living costs at that time.

Ensure you have all the risks covered should anything go wrong. For example, what would happen to your income if you couldn't work due to illness or injury? How would you be able to repay debt if you or your partner/spouse were unable to work due to illness, injury or death? What would happen to your business if you or someone who is vital to the financial stability of the company were unable to work due to illness, injury or death? Do you have a Will and Enduring Power of Attorney? What asset protection plans do you have in place e.g. Trusts, Shareholder/Partnership Agreements? These are just a few of the important risk considerations that you need to have plans for.

Do you have a team of professional advisers around you help you plan for the unforeseen, advise you on how to mitigate your risks, repay debt, save and invest for your future goals and protect your assets?

So, to make 2013 a successful year, start by planning your financial future in much more detail and taking action now – as the saying goes, “if you fail to plan, you plan to fail”.

Charlene Overell AIF® CFP^{CM} CLU, is a Director & Authorised Financial Adviser of G3 Financial Freedom Ltd. A Disclosure Statement is available on request free of charge. Tel: (07) 571 5333 Mobile: 021 599 940 See www.g3freedom.co.nz Email: charlene@g3freedom.co.nz