

Recession-proof your finances and help fend off recession depression –

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Rising numbers of people are contacting mental health helplines stressed out about their finances, new figures show. Make sure you recession-proof your finances and keep your family out of “recession depression”. Lifeline, which provides support services for the Ministry of Health’s National Depression Initiative, has seen a “consistent increase” in calls about financial issues to its helpline. Meanwhile, The Lowdown - a similar service for youth - is three times busier than at the same time last year. Experts suggest it is not just low income earners that are seeing their finances come under pressure either - many middle income earners and beyond are also feeling the pinch. As a result it is becoming increasingly important for all consumers - regardless of their income level - to ensure their finances are well under control. This can also help keep recession depression at bay. So regardless of what you are earning, here are some simple tips to help you start putting the chocks in around your finances. Tip 1: Start budgeting “I would urge anybody at the moment, no matter what your income, to do an absolutely thorough budget. Trim costs where you can, put something aside for emergencies – even if it’s just a few dollars a week, it soon mounts up,” New Zealand Federation of Family Budgeting Services president Maureen Pitman says. Analyse exactly where your money is coming from and where it is going and look at what you own and owe to give you a clear “financial X-ray”, says Wellington-based Spicers Portfolio Management adviser Brian Race. Anyone can get free budgeting advice from their local Family Budgeting Service – try 0508 BUDGETLINE. The Citizens Advice Bureau, 0800 FOR CAB, also offers free budgeting help. If you prefer to do it yourself, make use of tools on the federation’s website www.familybudgeting.org.nz, or on the Sorted site www.sorted.org.nz. Tip 2: Dump the debt NZ Association of Citizens Advice Bureaux chief executive Kerry Dalton says it saw a 31 per cent increase nationwide in clients in the last six months of 2008 using its services because of significant financial difficulty. A lot of these were facing insolvency. Among them were two income couples starting to struggle with their financial commitments after one partner lost their job, she says. So start paying down your debt as soon as possible and resist the temptation to put anything else on credit or hire purchase. Also look at ways you might be able to pay your mortgage off more quickly. “Real financial traction only starts to gain momentum when the debt comes down,” Mr Race says. “The interest cost of debt comes out of after tax income and therefore taming the real cost of debt servicing and repayment is investment priority number one,” he says. Tip 3: Build up a rainy day fund It is amazing how many of us live from pay cheque to pay cheque, regardless of the size of our salary. With all the uncertainty around the job market it is important to have an emergency fund on hand to help tide you over should you lose your income for any reason. “While you probably can’t just set aside three to six months worth of salary now, you can build up a reserve,” Mr Race says. Tip 4: Protect yourself Consider taking out insurances that will protect you should something go wrong – this could

include income protection insurance. Mr Race says some policies will continue to pay you a portion of your income through redundancy, as well as if you should become ill. If you need to cut back, consider increasing the excess on things like home, car and health insurance to keep the premiums down, rather than getting rid of them altogether. "Self-insure" – or put the money aside – to cover the excess, or any smaller losses. Consider seeking advice on these issues from a financial adviser, who can create a financial action plan for you. www.ifa.org.nz can help you find one. Tip 5: Cut costs Do you really need to buy that latte every morning on the way to work, or need that second car? Could you get a cheaper deal on your power or phone by switching to someone else? Investigate options to cut back and find the cash to pay down your debts and bolster your rainy day fund. Websites like www.powerswitch.co.nz can help. "Many of these changes will take time to effect – especially in this market, so start taking action sooner rather than later," Mr Race says. "The aim is to move to a position of greater financial security, and to minimise your financial risk as quickly as possible." The Depression Helpline can be reached on 0800 111 757. This information is of a generic nature and does not constitute financial advice. No liability will be accepted for losses following on from its use.