

Budgeting group says homeowners have no spare cash to save - Radio New Zealand, 28 September 2006

A budgeting group says many New Zealanders are on a property treadmill and have no extra cash to save.

Reserve Bank governor Alan Bollard says people are relying too heavily on home ownership instead of saving, and he says many people believe house prices do not drop.

However, the Federation of Family Budgeting Services says many New Zealanders cannot afford to pay off a mortgage at the same time as developing a savings scheme.

Chief executive Raewyn Fox says the group urges people to have a variety of investments if possible.

Dramatic fall in savings

In a report on household savings and wealth, the bank says it is concerned that saving rates have fallen dramatically in the past 20 years.

It says New Zealand's aging population could mean house prices will fall, leaving homeowners who depend on the capital appreciation of their property vulnerable.

Dr Bollard says New Zealanders are running down savings more than in any other OECD country in recent times.

Dr Bollard told *Morning Report* the economy has to be more balanced and urged broader household saving strategies.