

HOUSE OR BABY FIRST?

Should you be settled in your own place before you have a baby, or is it less stressful to ditch the big mortgage and rent instead?

By Penny Lewis. Photography by Karen Abplanalp.

There is no doubt having a baby and buying your first house are life-changing events. Forget 21st birthdays, these two milestones will really make you feel grown up. The dilemma for many people is what to do first. Buying a house can require an enormous financial commitment, with two incomes needed to pay the mortgage. But what happens when you want to have a baby? Being home with your newborn usually means you won't be bringing home the bacon, at least for a while. On the other hand, if you delay having a baby for financial reasons, you might be menopausal before you feel you have enough money in the bank. As they say, "there's never a right time".

Whether your first priority is buying a house or making a baby, the first step towards planning your finances is taking an honest look at your income and outgoings, says financial advisor Deborah Carlyon of Auckland-based Stuart + Carlyon. She asks her clients to fill in a worksheet to ascertain the state of their financial health. Once there's a clear picture, it's easier to make decisions and plan ahead.

Buying a house is still part of our nation's psyche, but it's becoming less so with the gap between what we earn and what a house costs. Statistics New Zealand figures from the 2006 census reveal the median national household income is \$51,400. In the Auckland region, it's \$63,400. The Real Estate Institute of New Zealand says in January 2008 the median house price in New Zealand was \$340,000 and that's double the figure of six years ago. Incomes haven't doubled though, so for typical buyers a single median income is no

longer high enough to buy a median-priced house, even with a 20 per cent deposit. The good news is that after five years of extraordinary growth, house prices have fallen back to where they were in March 2007.

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If you can afford it, home ownership has many advantages. You won't be at the mercy of a landlord. Your mortgage repayments are going towards an asset that appreciates long-term, so you're building equity. "A house is one of the best things to borrow for. It doesn't make sense to borrow for consumer goods that depreciate in value," says Carlyon.

Banks work on the formula that you should spend no more than 35 per cent of

your gross income on mortgage repayments. "Don't be under financial strain to buy a house," Carlyon says. "If you could only just manage a mortgage with two incomes, be realistic about how much debt you can take on."

With New Zealand tracking towards decreased home ownership, renting is the reality for more Kiwis than ever before. It's not all bad news, though. Thankfully rents haven't increased to the same degree as property prices. This means lower yields for landlords, but renters can afford to live in areas they often couldn't afford to buy. "It's not a bad time to be renting," Carlyon says. "But salt any surplus money away into the bank or KiwiSaver for a deposit and keep an eye out for bargains in the property market."

The financial advisor says whether you buy a house or have a baby, it's all about priorities. "If it's important to you to buy a home, you'll find a way to do it." Having a baby changes your lifestyle, so you won't spend money on the things you used to. The meals out and overseas trips can wait.

Where to get help to make the big decision

- ❖ Check bank websites. All the major trading banks have loan calculators so you can work out what you can afford.
- ❖ Get advice from www.sorted.org.nz or a Citizen's Advice Bureau budgeting service.
- ❖ Some good financial advisors will see you and not charge a fee for your first meeting. You'll get an independent and non-judgmental overview.
- ❖ Be aware that some seemingly "free" financial advice might come with strings – they may earn commissions on any loans they sign you up for.
- ❖ If you're looking to buy a house for the first time, look to compromise in some way. Try looking further out of town for cheaper homes, or take in a flatmate. Your baby won't mind a scruffy house, as long as it's warm and safe.