

LIVE A LITTLE

*Enjoying your hard-earned cash is no bad thing – it's all about a sense of proportion, explains Finance Editor **Susanna Stuart***

New Zealanders have for decades been pretty abysmal savers and we've long been encouraged to stop spending and borrowing so much. The steady mantra has been: Save more! The question is, is it possible to save too much?

I was thinking about this question recently because I was assisting an elderly client with her financial arrangements and, frankly, was telling her to start enjoying her savings by spending. The woman, in her late 80s, had enough to go on a cruise every year if she wanted, and to go into a flash retirement home if she chose, and yet still have a surplus at age 100.

But she was shaking her head. Spending on herself like this? It just didn't seem right.

I can fully understand. For many elderly people, children of the Great Depression of the 1930s, the habit of scrimping and saving is almost genetically hard-wired. It comes from a deep economic trauma that the current generation can scarcely comprehend. The habit is compounded by the belief that their children need a helping hand, and that the money ought to be set aside for their inheritance. This is very often misguided. An increasing number of people in their 70s and 80s have children now in their 40s to 60s who are doing quite nicely thanks.

But here's the thing. I'm now seeing a 'new frugality' among

some of those baby-boomers. Not all have conformed to the stereotype of big borrowers who spend too much. For some, there's just a begrudging desire not to spend. Perhaps this is simply a personality trait. Perhaps they've gone through their own economic shocks such as losing half their assets through divorce or the sharemarket crash of 1987. But some have simply adopted extreme saving as a life strategy.

It's possible to go overboard with this frugality. Money is a tool, after all, and with it we can invest in ourselves – for example in our own education – or invest in things that genuinely improve our lives, whether through such pleasures as travel, or through giving to worthy causes.

Money does no good if it is simply parked in a safe place. I recall how my husband's grandmother set aside many of her belongings for a rainy day. She had a shed full of crockery and beautiful linen, untouched until she died. But how much good did any of this do? A lot of these possessions, it turned out, had been ruined through age and mildew.

Not all frugality is so unfortunate. This year the Christchurch Art Gallery unveiled six significant new paintings bought with money bequeathed by a local man, Norman Barrett, who was known as "the man on the bicycle". Norm had a very basic existence

and rented a meagre bedsit. Yet through his life, it turns out, he'd amassed \$1.8 million. His wishes were for the Art Gallery to use the money to make important art purchases. He loved art.

The lesson is simple. Savings are useless unless there's a goal. That's what Norman Barrett had. Frugality isn't a bad thing, so long as it has a purpose.

Here are some tactics for a more balanced approach:

- If you're retired, work out how long your money is going to last based on your budgeted

expenditure each year. You can be conservative and opt for a longer life expectancy so you don't run out.

- Allow for emergencies. If you don't have health insurance, set aside sufficient money to pay for an operation or two.

- Tell the kids not to depend on any inheritance. Hospital care, even if subsidised by the government, or the cost of drugs can chew through your life savings quite quickly.

- Don't scrimp on your health; it's your most precious asset. **N**

Go ahead, enjoy your savings... but keep a sense of balance too.



HAVE YOU HEARD?

For those who find it hard to save, ASB has a nifty solution. Save the Change simply rounds up the amounts when you use your Eftpos card or make other electronic transactions, and tucks the change away into an ASB savings account of your choice. You can choose a rounding amount of \$1, \$2, \$5 or \$10. For further details go to your nearest ASB branch or visit their website: www.asb.co.nz