

# TOTAL CONTROL

*Keeping your finances in check can be tricky, especially if your income varies. **Susanna Stuart** offers savvy strategies for allocating your cash wisely*



I'm a great believer in getting our money to work smarter. Sadly not all banks offer the tools necessary to achieve this. They mostly design their services around people whose income is steady, and whose expenses seldom vary from month to month.

Doesn't sound like you? That is the problem. The income stream of many Kiwis – the self-employed, farmers, those on contracts or with part-time jobs – isn't constant, which is why we need an efficient and flexible means of managing it. This is true also if you have irregular outflows of money – big tax bills at the start of the year, say, or massive school fees.

A key component in financial planning is how we allocate our income and assets. My advice is to constantly optimise your financial resources. Along these lines I asked a colleague about her secret to money management. She's particularly astute about managing her family's finances and her strategy, a really simple one, is worth sharing.

"It all started with my husband being made redundant," she said. "We had to manage our money differently and to make every dollar count." What she

did, after some research, was switch to BNZ's TotalMoney arrangement. "It makes it easier to control our money," she said.

Where most banks offer fairly static products (a savings account here, a term-deposit account there) TotalMoney is designed as a financial planning tool. It lets you group up to 10 accounts together and pay only one monthly fee of \$10, making it very useful and cost-effective. What you do with those 10 accounts is up to you. For example, you can assign each one to a specific project or goal. I like to see clients have a separate emergency fund, as well as a holiday or education fund.

A useful 'family feature' is that some of the 10 accounts can be for set up for other family members. My colleague has accounts set up for her kids; watching their money grow is a powerful motivator to save more.

The third benefit of TotalMoney is the bank looks at the total picture when working out interest you owe on loans. Most banks, if you owe \$250,000 on the mortgage, calculate the interest on that full amount – regardless of whether you've got, say, \$100,000 in a savings account. BNZ offsets your debt by taking into account

your various savings. "Even the children's savings help reduce the amount we owe on the mortgage," my colleague said.

You can even make early lump sum repayments on your home loan without worrying about

early repayment charges. I'm impressed with the product. It's far better than using a revolving credit facility as it helps you keep better track of your finances and there is less temptation to increase the loan at whim. **N**

## SMART THINKING

- Broadly allocate your money into three categories. The first is for obligatory expenses, eg rates, insurance, utilities. The second is for 'fun' expenses – money you spend on yourself, eg movies, coffee and gifts. The third category is for your goals; this is where you can assign separate accounts for each goal.
- For the fun expenses, take out a weekly fixed amount in cash and once that's spent, wait until the following week.
- Name accounts so they're easy to identify, eg 'Xmas account'.
- Use automatic payments or direct debits to pay bills. This will ensure you capture any discounts offered for prompt payment.
- Prioritise your goals so you pay off any expensive debt first.

## HAVE YOU HEARD...

There are some changes affecting employers and employees that came into effect April 1, 2011. For employees it means extra money or more options including:

- The cashing in of one week of their four weeks' leave.
- Employees with irregular working hours and pay will

now have their holiday, sick and bereavement leave calculated on an average daily pay basis.

- Transferring the observance of a public holiday to another working day.
- The minimum wage goes up from \$12.75 to \$13. The training and new entrants' minimum wage is up from \$10.20 to \$10.40.

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