



Family affairs

It's not always the best policy to put family first, says Finance Editor Susanna Stuart

YOU'D BE SURPRISED by the number of people I meet who are in financial strife because of their children. Parents often end up sorting out their adult children's financial crises – paying off loans, helping them meet day-to-day costs – sometimes to their own detriment.

What's striking about these situations is that some of these grown-up kids seem to be oblivious of the stress and financial hardship they cause for their parents. Many parents are dipping into their retirement savings in order to underwrite an out-of-control member of the family. Others are forking out funds for risky ventures or acting as guarantor for loans on speculative activity.

Make no mistake, families can be the most powerful financial unit of all, and I admire the culture of many

new migrants who take turns to assist members of their own families to get ahead. But somewhere along the line many New Zealanders have lost the same vital sense of obligation and awareness. Somehow we think it's okay to ask Mum and Dad to bail us out, but we forget what our responsibilities are in the arrangement.

If you want to borrow from family, or if a family member has approached you for help, my advice is to discuss the debt first. Decide if a loan is really necessary. Will the money be used as a really useful and practical short-term boost? Or is it needed to prop up a lavish lifestyle?

Keep any financial arrangements between family members business-like and get everything in writing. Record

how much money was borrowed, the term of the loan, the amount to be repaid and any interest to be charged.

If you're the parent and you find yourself continually bailing out your kids, educate them instead of giving them money. Recently an exasperated client did exactly that; referring his daughter to me after rescuing her from a credit card blow-out. The daughter is a talented professional on a huge salary, but needed some guidance about handling financial situations. A bit of knowledge was a far better thing for her to receive than more handouts. **■**

Rise above rising costs

In the space of one week, I've received four letters from providers announcing price increases. Specifically, the cost of my water, gas, health insurance and telephone have all gone up – all what I call essentials. Once I've done a budget and set up monthly direct debits for these bills, they're usually out of sight and out of mind. I do however make sure I take note of my indulgences since I know how easy it is to lose track of how much money you spend on incidentals. And while it's the rise in the cost of essentials that's making headlines, be aware that the cost of your indulgences is going up as well. This is a good time to fine tune the budget and re-prioritise your spending to make sure you don't end up in strife.

Investments sorted

The Retirement Commission has released an addition to their Sorted series of booklets. Called *Investing: Making your Money Work For You*, it explains in simple terms how to make an informed investment decision. It also outlines the different types of investments available and the ways to invest, as well as where to get the right advice. Visit www.sorted.org.nz.