



Facing up to the future

It's time to reign in our spending and work hard at saving, says Finance Editor Susanna Stuart

THIS YEAR'S SLOW-DOWN is a wake-up call for the economies of the Western World. For years, ridiculously cheap finance has been offered to consumers who have over-borrowed. It was like being given the keys to the candy store.

Of course something had to give. Too many loans were built on the sand of unsecured mortgages and it's little wonder that many lenders were swept away the moment the interest-rate tide turned. The ripples have widened, and now business confidence has been falling and along with it, job confidence.

This year, be sensible, get back to basics and set up your finances to match your life stage. Here's how:

1 When you're new to the workforce, build up savings for your various goals such as your first home. Set a

budget and make career-enhancing moves such as investing in study.

2 If you have a family, your priorities are to build your wealth and protect your children. If you have a mortgage, this should be paid off as quickly as possible. Insurance and income protection are tools to help you to replace lost capital in the event of death, or lost income because of illness. Your investment strategy should be focused on growth assets.

3 When your family has left home, it's time for you to seriously plan your next financial stage. Do you want to keep working at the same pace? It's critical to have repaid all your debt. Your investment strategy depends on your time frame. When exactly do you plan to retire?

Tips for investing in uncertain times

- 1** Be clear about your investment objectives – save money in the bank for your more immediate goals and invest in growth assets for future income.
- 2** Make full use of superannuation – KiwiSaver offers handouts that are hard to pass up but be sure you're happy for your funds to be tied up to age 65.
- 3** Allow for cycles and bumps – there will always be shocks and we can't help being affected by the optimism and pessimism of others. When it's gloomy, start investing.
- 4** Understand the risks involved.
- 5** Remember that diversification is more important as you get older.
- 6** Get good advice.

Do what you will

The new Wills Act 2007 came into force last November, replacing fractured legislation that dated back to 1837. The new act is written in modern language and clarifies a number of anomalies. Civil union couples, for example, will have the same rights as those who are married.

The Public Trust's chief executive Grenville Gaskell says the legislation also relaxes the very strict rules around the way wills are signed and witnessed. "It means the High Court will be given discretion to validate wills that are poorly drafted or executed – provided the High Court is satisfied it reflects the will-maker's intentions."

Don't let it get to that. Update your will after milestone events such as getting married, having a baby or if you separate from your partner.

4 The fourth life stage is your retirement period. At this stage, you can't take as much risk as you may have done previously, and your main priorities should be preserving your capital and making sure it works hard for you. A secure income is important, so invest more in quality fixed-interest deposits with some income from property and shares to keep your capital growing. **N**