# A new leaf

Take a tip from those surviving the recent economic crisis and re-invent your spending habits, says Finance Editor Susanna Stuart

**THE FALLOUT FROM** the 2008 global economic crisis continues to shape the economic picture today, but sometimes in surprising ways. In the US, where legions of people from the finance sector lost their jobs, many of the unemployed have discovered a new approach to handling what little money they've got. They save it.

*The Washington Post* recently reported on Marty, an ex-Wall Street stockbroker who, after losing his job, sat down with his partner and went about changing their lives. They now live off her income while Marty looks after their young children full time. And where they used to spend money easily, they now scrutinise the price and value of everything. The irony is, they're saving more than they did on two incomes.

In many countries the saving rate has soared, relatively, since the meltdown. Where in the US prior to the crash in April 2008 only 0.8% of the collective income of Americans was set aside as savings (the other 99.2% went on purchases, mortgages and loans), by the start of this year the savings rate was up to 4.4%. That's quite a jump, though it falls short of the 7% levels of the 1980s.

The recession has certainly caused people to change their habits – and not just their spending patterns. Social trend watchers have been quick to point out that activities such as gardening and baking have been on the upswing. In some ways we've rediscovered aspects of a slower-paced, more heartfelt lifestyle.

But budgeting isn't all rose-tinted, and neither is it about suddenly having loads of time on our hands. For those who have lost work, for example, the process is part of a wider and usually very anxious, sometimes soul-destroying, mix.

The hub of the story about Marty the ex-stockbroker is that he and his partner sat down and consciously re-examined their lifestyle and their spending habits. They didn't just stumble to a newer, cheaper but happier place. Budgeting requires planning, sacrifice – and bucketloads of imagination.

Here are my eight guidelines to help rein in spending and increase saving:

**1 Don't wait for a crisis before you think about budgeting.** Make budget planning a regular activity – every three months if things are tight. Use these occasions not just to measure where your money went – past tense – but to plan where you want your money to go.

**2 Make debt reduction a priority.**

**3 At all times be aware of where your money goes.** Keep track of your expenses with online tools, for example the budget worksheet on www.sorted.org.nz.

**4 Save a percentage of your income, no matter how well you're doing today.** Maintain a reality-check attitude of "Do I really need this?" when you're out shopping. Don't impulse-buy, whether you're at the mall or in the supermarket.

**5 Include a few targets and goals within your budget.** Want to take a special holiday? Need that new gadget? Save for these. Without these goals your money will tend to be frittered away.

**6 Automate as much as you can.** This is the most powerful advice. Feed your income into a central account and from there set up auto-payments to deal with your money before you even touch it. This allows your head to rule your heart!

**7 Set up saving silos.** A different account for each objective. One for the holiday. Another for the house deposit. This makes it easier to stick to your plan.

**8 Use your imagination.** This means questioning your own lifestyle (could you live more simply, more happily?) It also means looking for alternative solutions to the things you might buy. Planning an expensive dinner party? Perhaps a BYO picnic with friends is cheaper and more enjoyable.

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