



Smart money

Start educating yourself and your family about how you manage money, says Finance Editor Susanna Stuart

I HOPE YOU'RE NOT AMONG THEM, but some people spiral around in a constant financial mess. Debts. Bad investments. Penalty payments. Everything seems to catch them by surprise. Is there a secret to getting out of this mess?

Yes there is, and it's about going back to class and becoming financially literate. (Better still is the philosophy of getting into good habits from the start.)

The need for financial literacy is growing for several reasons, including:

- Young people need to be equipped to make financial decisions early as many use student loans to finance their education. Thus, exposure to big financial risk now comes at age 18.
- The financial market is relatively deregulated, encouraging competition,

so consumers need to compare products to make the best decisions.

- New Zealand has a voluntary approach to saving for retirement. Many people will want and need to top up their government entitlement. This requires a knowledge of debt, savings, investments and money management.

So where should you begin? The first step is to help your children to be smart with money. Teach kids to save by requiring that a percentage of their allowance goes into a savings account. Make it a rule. Encourage them to set financial goals, then encourage them to save towards these goals by rewarding them when they reach their target.

I know many people whose good saving habits were formed in their early years by some clever parenting.

Q+A

Q I've seen advertisements by finance companies for investments in first-ranking secured debenture stock. How safe are they? *Robin, Auckland*

A When you invest in debenture stock, you're lending money to a finance company. In return it pays you interest. Your security is in the assets of that company but whether it is 'safe' depends on the value or quality of those assets.

There's no guarantee you'll receive anything if the company defaults on its obligations but if you hold first-ranking stock, you are entitled to be paid first in the event of a sale or winding up of assets. Expect a better return than you'd get from your bank because you're taking more risk. Bridgecorp is a good example. The higher returns didn't reflect the issues the company was exposed to – not only in the property sector, but in Fiji where weather and the political climate put their major projects at risk.

If you have a question for Susanna, email next@acpmagazines.co.nz

Getting kids clued up

Every cent really does count. Remember ANZ's '5s For Under Fives' campaign in 2005, where we raided our sofas to find 5c pieces before they were withdrawn? Well it was a real success, raising \$703,976 for Plunket. That's a whopping 14 million 5c pieces! Now ANZ is getting behind Plunket's annual appeal (October 13 to 21).

As part of their October promotion, if you open an ANZ Youth Account in October and set a regular monthly automatic payment of at least \$25 for your child, they'll give you a book about how to teach your child about money, *Start Talking Cents* (Random House, \$29.99). It's a great idea to set up an account for your child and, since I wrote it, I endorse the book too! **☑**