



Credit crunch


In online technology and consultancy company Buzz Channel's recent survey, over half of the respondents (57%) said they're worried about their financial situation. Not surprisingly, most Kiwis reported that they were struggling with the increased costs of living, as well as paying off accumulated debt.

These people fall into two camps: Those who are struggling due to external circumstances beyond their control (for example, redundancy or illness) and those who are struggling because they spend more than they earn. My advice? Revise your budget, cut out wasteful spending and plan for worst case scenarios – get appropriate insurance if you don't have the resources to support yourself if a crisis hits.

Tax cuts untangled

The goodies from this year's Budget include tax cuts that will be staggered over three years. From October 1, the lowest marginal tax rate will drop from 15% to 12.5% on earnings less than \$14,000. Between \$14,001 and \$40,000 the rate will be 21%, rising to 33% between \$40,001 and \$70,000, and 39% for \$70,001 and over. Families with kids will also receive an inflation adjustment on the Working for Families scheme.

The first instalment of tax cuts for many households will be easily chewed up by the ever-increasing cost of living. So spend that extra money wisely!

- Don't trust promises of spectacular profits or 'guaranteed' returns.
- Be cautious if there's undue pressure to invest immediately or risk missing out on a 'once in a lifetime opportunity'.
- Check whether the scheme is on the list of scams. Visit www.consumeraffairs.govt.nz/scamwatch and www.seccom.govt.nz. 



Fraud alert

Watch out, rip-off merchants are about, says Finance Editor Susanna Stuart

WHEN SHARE AND property markets are booming, many 'get rich' schemes will spring up. The promise of building wealth quickly is very seductive, but unfortunately many investors set aside common sense and get sucked in by promises that will never be fulfilled. Visit the Securities Commission website (www.seccom.govt.nz) and you'll learn about the array of operators out there trying to fleece you and me with get-rich-quick systems.

Fraudsters prey on trusting and naive people. Some peddle investment scams among community groups, often putting considerable effort into winning over community or church leaders. These scams involve promises of very high returns, but once your money is handed over, you are unlikely to see

it again. Money from new investors is used to pay 'interest' to earlier investors to create the illusion that the investment is successful. At some stage the supply of new investors will dry up and the scheme collapses.

Let me tell you now, there is no sure-fire system of getting rich quickly, and most super-successful investors have either got in early (with start-up companies) or they have invested contrarily when no one was investing and picked up assets at bargain prices.

Some of the key things we all need to keep in mind to ensure we don't get ripped off include:

- Never invest in anything that doesn't have a prospectus or an investment statement. These imply a level of scrutiny from authorities.