

Media Release

23 May 2008

## Now is the right time to get Sorted

Budget week is a good time for New Zealanders to consider their own personal finances.

“While some people say they will have to spend any extra on the increasing costs of power, petrol and food bills, for others it will mean more disposable income.

“Regardless of which category people are in, now is the right time to take a look at your finances.” said Retirement Commissioner Diana Crossan.

Ms Crossan said there are five very simple things to consider:

- Understand what your financial position is – how much you own and how much you owe
- Create a budget
- Borrow only what you really need
- Pay off debt
- Consider a savings goal.

“No matter what your financial position, our aim is to see everybody manage their money well, said Ms Crossan.

“In this economic climate it makes sense to learn how to manage personal and household incomes. Sorted’s easy-to-understand information can help anyone get a better handle on their own financial situation.”

The Retirement Commission’s website **sorted.org.nz** is a trusted source of independent, authoritative financial information. Alternatively, people can call freephone 0800 SORT MONEY (767866) to talk to a trained budget adviser.

### What you could do with an extra \$16 a week:

#### Pay off your credit card

Paying an extra \$16 a week above the minimum repayment onto your credit card will wipe out a \$2,000 debt in 18 months. More importantly, you will stop paying interest at 21% per annum sooner. (21% is the current average credit card interest rate.)

#### Pay off your mortgage faster

An extra \$16 a week onto an average 25 year mortgage of \$250,000, where the interest rate is 9.25%, will save you \$36,000 in interest and shorten your mortgage by 2 years and 9 months.

## **Save it**

Putting away \$16 a week will quickly create a nice nest egg. A savings account, with compounding interest at 2.5% (after tax and above inflation), will give you \$840 after one year, \$2,500 after three years and \$4,400 after five years.

## **KiwiSaver – is it right for you?**

If you put \$20 per week into a KiwiSaver account (or \$1,040 per year) the government will give you another \$1,040 each year, plus \$1,000 to kick off your retirement savings (plus \$40 per year as a fee subsidy).

- A 30 year old could save over \$117,000 by 65 years of age at this rate. If you're employed, earning \$45,000 per year, you'd have to contribute more than \$20 each week (minimum 4% is \$35 per week) but your employer will have to put in money also meaning you could save over \$285,000 by 65 years of age.

## **Spend it right away**

\$16 will help towards the grocery bill or other regular household expenses ...

See attached 'Ten steps to getting Sorted'.

For more information please contact:

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