

Media Release

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Home owners urged to plan for possible interest rate rises

Retirement Commissioner Diana Crossan says that potential interest rate increases later in the year is a reminder that budgeting needs to be a priority for home owners.

Reserve Bank Governor Alan Bollard today kept the official cash rate at 2.5 per cent. However many economists are predicting that the OCR will increase later in the year, which will push up interest rates.

Diana Crossan says there is an expectation that 2010 will see an end to the lower interest rates which home owners have enjoyed over the past few years.

“A mortgage is the biggest single expense for many New Zealand families. Even a slight increase in the interest rate can make a big difference to your budget. But you can ease the pain if you start planning ahead and prepare for any possible changes in your commitments.

“If you’ve never done a budget before, the chances are you will be surprised just how much difference it can make.

“When you know exactly where your money is going each week, it’s much easier to control and prioritise your spending so you can get the best out of your hard earned money. Even putting away just a small amount of money each week will make it easier to cope with a mortgage rate increase,” says Diana Crossan.

“Experimenting with the [Mortgage repayment calculator](#) on Sorted will give you an idea of how a mortgage rate increase will impact on your repayments. Reviewing your mortgage from time to time is a good habit to get in to anyway. It’s surprising how many people put their mortgage in place and forget about it. And if you’ve got a budget, it might also be timely to review it to see if you can make further savings.”

“Reducing your overall debt, particularly high interest rate credit card bills, will also put you in a much stronger financial position in the event of your mortgage payments going up.

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