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sorted offline... set your goals

www.sorted.org.nz



The first step to managing your money better

Getting your finances sorted can sound complicated, but it's not.

All it takes is some thinking and planning about where you are now, where you want to be, and how you're going to get there. And there's no better time to start than now! That's

what this issue of *sorted offline* is about. Here's where you'll find out how to build your very own financial plan, simply by working out your financial goals and setting yourself a budget.

What are you worth?

Your financial situation throughout life will usually be decided by four things:

- ① What you earn
- ② What you borrow
- ③ What you spend
- ④ What you save

Increasing your income, and making good decisions about your borrowing, spending and saving are the keys to your financial success. So don't leave it to chance. Just follow some simple steps to set your financial goals, and develop a plan to achieve them.

Want to set your goals the easy way? Visit www.sorted.org.nz and do it all at the click of a mouse!

Work out your current net worth

Knowing your "net worth" is an important first step in setting your financial goals and building your financial plan.

Your net worth is another way of saying how wealthy you are. It's the difference between the value of what you own and

the amount you owe – that is, the amount of cash you'd have if you sold everything and paid off all your debts today.

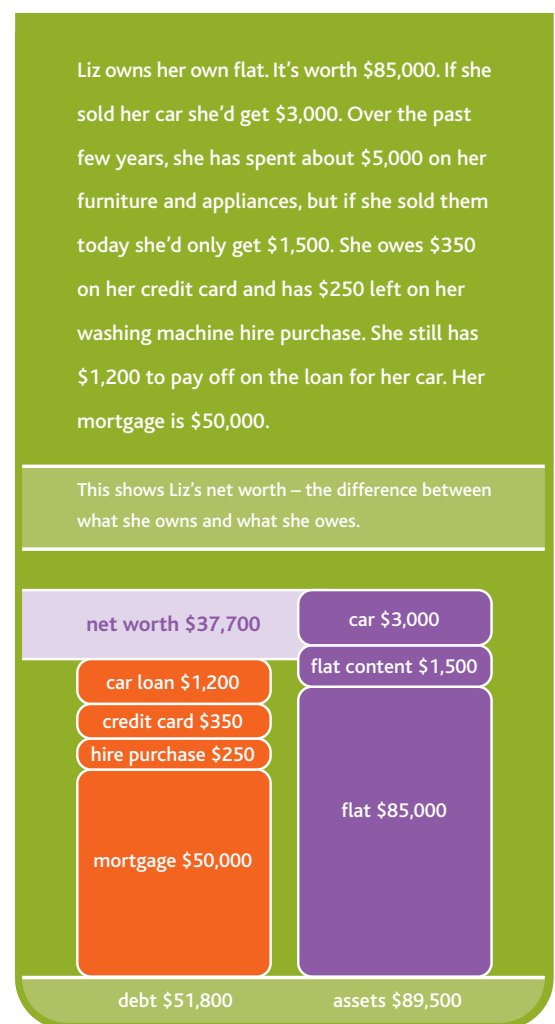
It's important to aim for a balance between your assets that provide a cash income (such as an investment fund), and your non-cash-producing assets (such as your house). So you need to regularly ask yourself two things:

- ① Is my net worth increasing overall?
- ② Is the make-up of my net worth about right?

Overall, your financial goal should be to increase your net worth over time – eventually to owe nothing and have a good mix of real assets (house, car, etc) and investments.

To work out your net worth, place a value on what you own (your assets) – such as your home, other properties, superannuation savings, shares, other savings, your business, your vehicles or your family trust – and deduct the value of what you owe (your liabilities), such as your mortgage, personal loan, hire purchases, student loan or credit card debt.

Visit www.sorted.org.nz to do the Net Worth Calculator and you can find out what you're worth in seconds!



set your financial goals

Setting your financial goals puts you in charge.

Setting your financial goals puts you in charge. They could be short or long term, small or large – whatever they are, they're something to head for. They could be to:

- Save \$20 a week.
- Increase your income by \$5,000 in the next year.
- Pay off your credit card in six months.
- Save \$5,000 by the end of next year.
- Pay off your mortgage in 15 years (instead of 25).
- Maintain your standard of living in retirement by starting now to put aside the money you'll need.

The important thing is to keep each goal simple, and give it a timeframe. Be specific, realistic and write your goals down. Then prioritise them. For example, your priority list may be:

- 1 Improve your income or your ability to earn future income (such as by seeking promotion, taking on part-time work, retraining or improving your business profits).

- 2 Get better control over your spending to help you save or reduce debt (such as by working out and following a budget, making an automatic payment to your savings account or destroying your credit card).
- 3 Get started on a regular long term savings programme or increase your regular savings (such as by joining a workplace superannuation scheme, seeing an investment advisor or opening a savings account).
- 4 Start a short term savings programme for a deposit to buy a house or other major asset (such as by saving a regular amount every pay day).
- 5 Protect the income and assets you already have and make sure you have provided for your family and other dependents (such as by reviewing your insurance needs, making a will or talking to your partner about "what if?" situations).

hot tips

Keep your goals within reach

- Stick to your plan. Tell someone else about your goals – ask them if they're realistic. Write your goals down – and review them every six or 12 months.
- If a 20- or 30-year goal is too hard – set your horizons closer. Short term goals get you into the savings habit.
- Celebrate achieving a goal!



Set yourself a timeframe for each priority, and you'll be well on your way.

work out a budget

Setting a budget and sticking to it is a great way to reach your financial goals.

Make a budget that suits you and it can be one of your most powerful tools for getting sorted.

There are two basic approaches to budgeting:

- 1 **Cold turkey:** remove the temptation of spending everything you earn by "paying yourself first". Decide on a set amount or a percentage of your income you're going to save each pay day, and then see how the rest of your budget takes shape.
- 2 **Nip and tuck:** work out what you're spending now and where you can make changes. Do a little nipping and tucking – like you might make your lunch instead of buying it.

Then sit back and watch your financial position improve – you'll feel great!

bills can bite...



Mark and Judith have just had their second baby. Judith hasn't been working for a couple of years now. Since they've been on one income, things have been tighter. Neither of them really enjoys the work involved with managing their money – they don't really keep a track of where their money's going, and how much they spend on household items each week. They keep getting 'thrown' by big bills that seem to arrive unexpectedly. Last week the council rates bill arrived. To pay the bill they've had to cancel their plan to visit Judith's sister next month. They decide it's time to get sorted. They go through their budget to work out where their money's going. They realise that a lot of their "unexpected" big bills are actually completely predictable. They decide to rearrange the way some of the big bills are paid. Previously they paid with a cheque when there was enough money in the account. Now they're going to get a smaller, regular amount paid automatically direct from their bank account. They also decide to set up a 'spending' account – where they put what's left over each week after the bills are paid. Life is going to be simpler and less stressful now – because whatever money is in the spending account is all they have to spend.



your budget

Make your budget your most powerful financial tool. Work out the difference between your income and your expenses. Then take a look at how you're going to get sorted – nip and tuck or go cold turkey?

Spending

Your regular savings (if any)	<input type="text"/>
Debt repayments	<input type="text"/>
Car expenses	<input type="text"/>
Insurance	<input type="text"/>
Rent	<input type="text"/>
Education	<input type="text"/>
Utilities (power, telephone, rates etc.)	<input type="text"/>
Food	<input type="text"/>
Childcare	<input type="text"/>
Clothing/grooming	<input type="text"/>
Healthcare	<input type="text"/>
Repairs and maintenance	<input type="text"/>
Alcohol/cigarettes	<input type="text"/>
Donations	<input type="text"/>
Entertainment/recreation	<input type="text"/>
Gifts	<input type="text"/>
Holidays	<input type="text"/>
Other	<input type="text"/>

Income

All your income after tax	\$ <input type="text"/>	–	Total spending	\$ <input type="text"/>	=	Your result	\$ <input type="text"/>
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Is your result positive or negative? Think about your goals and ask yourself if you can afford to save money or increase your debt repayments? Or do you need to look at increasing your income?

Visit us at www.sorted.org.nz to do your budget the easy way. Enter your figures and the calculator does it all for you.

create your financial plan

Watch your plan take shape before your very eyes!

hot tips

Review your insurance regularly

Make sure you get the insurance cover you need – no more, and no less. **I**f you're in a relationship, make sure you both have the financial protection you need. **K**eep the unexpected in mind by planning wisely: illness, relationship break-ups and death are unfortunate but can happen to anyone. **T**ake the time to work through your financial plan with your partner. **B**e open and honest and be prepared to compromise with each other.



All the information you've gathered so far combines to create your financial plan. It's a complete record of your:

- F**inancial goals.
- N**et worth.
- B**udget.
- S**aving and debt reduction calculations (see *sorted offline: saving* and *sorted offline: managing debt*).

Review your plan often, as your circumstances and goals will change over time.

Some things to think about

When you're making your financial plan:

Consider the unexpected: insurance can protect you and your family against unexpected emergencies, so you won't have to dip into your savings. Discuss your options with a financial advisor or an experienced family member.

If you're married or in a partnership: make sure you're both involved in the financial plan and that you both get financial security out of it. Talk about your attitudes to money, and work through any disagreements. And remember, your financial situation will be affected if your relationship ends, so get independent advice to make sure your plan is fair to both of you.

Visit www.nz-lawsoc.org.nz or your local Citizens Advice Bureau to find out about things like making a will, estate administration, enduring powers of attorney, buying and selling property, living together, separations and family trusts.

Enjoy your financial plan

Your financial plan is your most important tool in achieving financial success. Create it, use it and update it – and you'll be more in control of your own financial destiny!

Visit www.sorted.org.nz to set up your very own confidential financial plan – you can visit and change it as often as you like, quickly and easily. You can even get www.sorted.org.nz to remind you to update it!

From offline to online

– how to get to www.sorted.org.nz



Getting to www.sorted.org.nz is easy – all you need is a computer with an Internet connection. And they're surprisingly easy to find...

If you live in a town or city, your public library probably offers internet access and in some libraries it's free – just call in and ask.

If you're at school or a tertiary institution (as a student or a staff member), you can probably get internet access there.



Internet cafes are a great place to get online for a small fee – or stop at one of the many internet kiosks located around the country, in places like airports and shopping malls.

Many of the more than 90 Citizens Advice Bureaux around New Zealand provide internet access for a small fee. If you're aged over 55, SeniorNet runs computer courses on everything from word processing to surfing the Net. To find out more go to www.seniornet.org.nz or give them a call (they're listed in the white pages of your phone book).



when you want to get sorted... use your mouse

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