Money $orted

Getting ahead

Seminar facilitator's guide

Brought to you by the Commission for Financial Capability

Commission for Financial Capability

Facilitator's guide

Getting our money sorted can make an amazing difference to our lives, and it can be easier than we might think – especially when we have a little help. This "Getting ahead" seminar will introduce participants to three main things to do to get sorted financially: sorting our money, tackling debt and seeing our future.

This facilitator's guide has all the information you need to successfully deliver the seminar. The seminar will take about one hour, during which participants will start to set their own goals. At the end of the seminar participants will know how to make a budget and how a budget can help them to achieve their goals.

This seminar is designed to be as facilitative as possible. If you have time, allow longer than an hour so you can encourage discussion and make it possible for participants to ask questions.

Remember

Order Sorted's booklets from **sorted.org.nz/#/order** at least five working days before the seminar. All of Sorted's booklets and resources are free.

Disclaimer

Facilitators must agree not to give personal financial advice nor to promote or recommend any financial product or organisation when delivering this seminar. The information in this guide is generalised and current as at June 2016. Laws or policies may change at any time. This seminar should not be the only source of information when making financial decisions. It should be treated as a starting point before seeking professional advice.

Preparing for the seminar

Inviting participants

Encourage participants to attend by explaining that it will give them an overview of three things to do to get financially sorted. They will leave with information to start taking these steps, including a set of the free Sorted booklets.

You may wish to keep the number of participants to between 12 and 20. As money matters are often shared, you may want to consider giving participants the opportunity to bring a family member or friend to the seminar.

Seminar materials

You'll need:

- The presentation
- A computer or mobile device with Adobe Reader connected to a projector or television
- Internet access if you wish to demonstrate the calculators and tools on **sorted.org.nz** during the seminar
- Pencils and erasers for participants to write their goals in their goals booklet
- A whiteboard and marker or something similar

Know your participants

This seminar is generalised, so it's important that you think about the ways you can make it more relevant to participants:

- Are participants young, middle-aged, older?
- Do they have families, young children, or have their children left home?
- What sort of incomes do they earn?
- What cultural values do they bring?
- Do they have extended families and family obligations that are different to yours?

Some people may be uncomfortable sharing information about their personal financial situation with others. You can help by using the examples in this guide, talking about your own experiences or asking participants to think about hypothetical situations.

Read the facilitator's guide and accompanying materials carefully and use the resources and tools on **sorted.org.nz** before facilitating this seminar. Being familiar with the material and Sorted resources will help you to deliver it well.

Preparing for the seminar continued

Sorted booklets

Sorted booklets for participants – order now.

Provide participants with a set of Sorted booklets:

- ***Budgeting:*** *Making a plan to reach our goals*
- ***Debt:*** *Tackling it before it's a real drag!*
- ***Goals:*** *Targets to shoot for*
- ***Insurance:*** *Covered, just in case*
- ***Investing:*** *Making money work for us*
- ***KiwiSaver:*** *How can we make the most of it?*
- ***Retirement:*** *Shaping our future lifestyles*
- ***Saving:*** *Paying ourselves first!*

These booklets are used during the seminar. Copies are free and can be ordered from the Sorted website at **sorted.org.nz/order-sorted-resources**. Allow five working days for delivery.

Remember

Order Sorted's booklets at least a week before the seminar. All of Sorted's booklets and resources are free.

Presentation guide

This section guides you through the seminar. It has extra information to clarify details or make the seminar more interesting.

Key points

This is a summary of the key objectives for each slide.

Activities

These are the key things to do during each slide, including suggested activities you may wish to use, to help discussion and get participants involved in the seminar. These activities are shown in blue text.

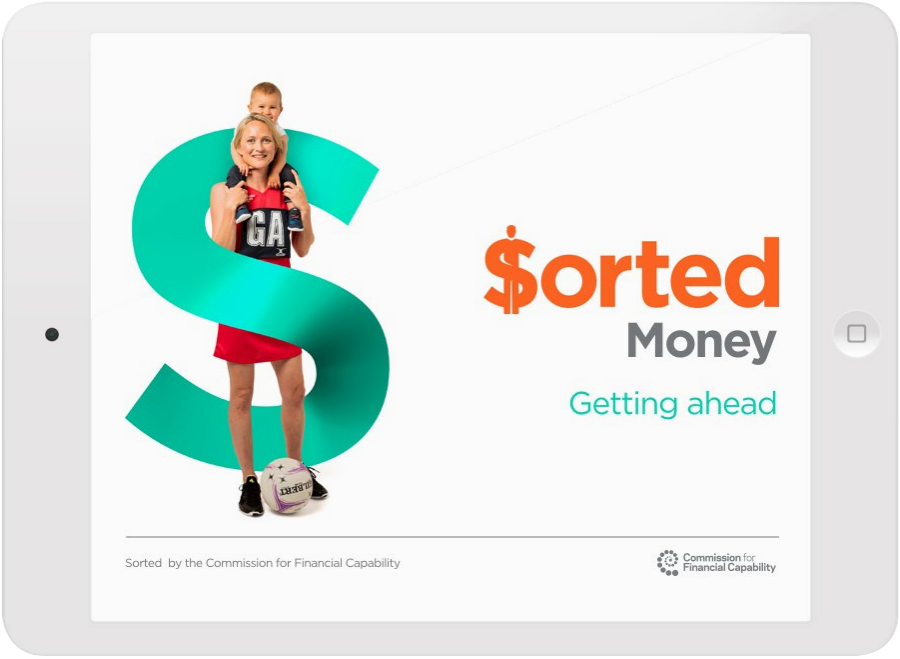
To say

Background information to use as a rough script for each slide.
These words are shown in regular grey text.

To explain

You may need to explain some key terms or concepts. Where necessary, definitions are included to help you do this.

Slide 1



Key points

- Welcome participants to the seminar.
- Explain the purpose of the seminar.
- Invite participants to share what they know about getting their money matters sorted.

Activity – Whole group

Ask each person to introduce themselves to the group and say what they hope to achieve from the seminar. Start with yourself.

Ask participants what they know about getting their money matters sorted. Write their answers on the board. If appropriate, ask one or two participants to share their own money experiences or stories of other people they know.

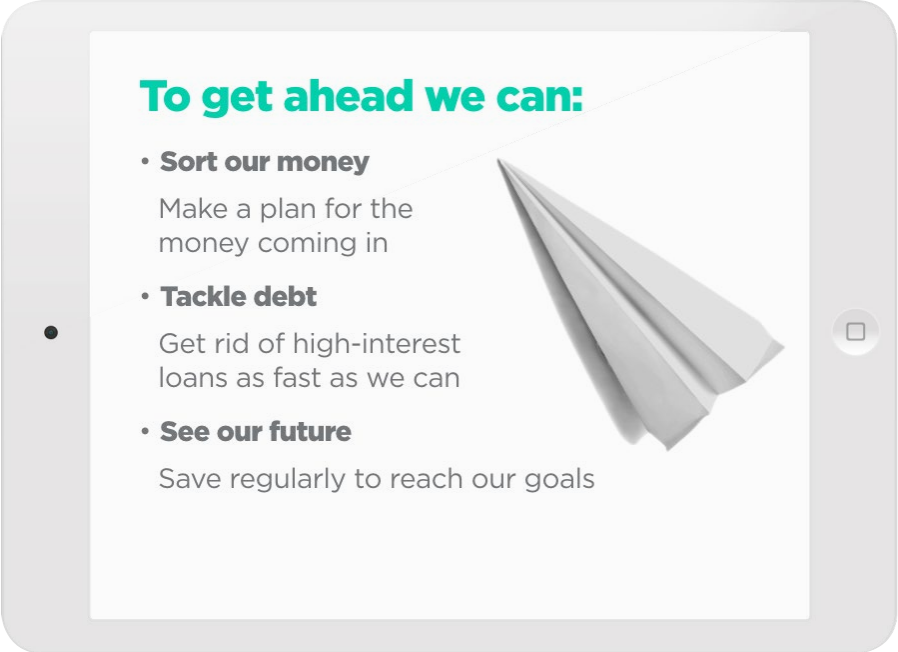
Welcome

Welcome to Sorted's seminar on getting ahead financially. This seminar will take about an hour, and by the end of it we'll have explored the steps we can take to get sorted – and where to go for help. Getting ahead is an easy way to think about our money. Are we making the best choices for our situation? Are we making progress?

Impartial information, not advice

But before we start, who's heard of Sorted before? Sorted is brought to you by the Commission for Financial Capability. It provides free, independent and impartial information about money matters. Because it's impartial, we won't be giving out personalised advice in this seminar – but you will get information you can use to make more informed decisions.

Slide 2



Key points

- Explain the concept of getting ahead financially.
- Introduce the three steps.
- Explain that this seminar will cover all three steps.
- Hand out the Sorted booklets.

Three things to get sorted

So what do we mean by getting sorted? We mean taking control of our finances. Getting sorted is not about how much we earn, but about making the best decisions with the money we've got. There are three main things we can do to sort our money, which we'll be looking at in this seminar. Basically, if we're doing something in each of these areas, we are well on our way to getting there.

Sort our money

What do we think we mean by this?

Making a plan for our money and giving each dollar a job to do. This includes planning for the things we want in life as well as getting prepared for the unexpected.

Tackle our debt

What do we think this will be about?

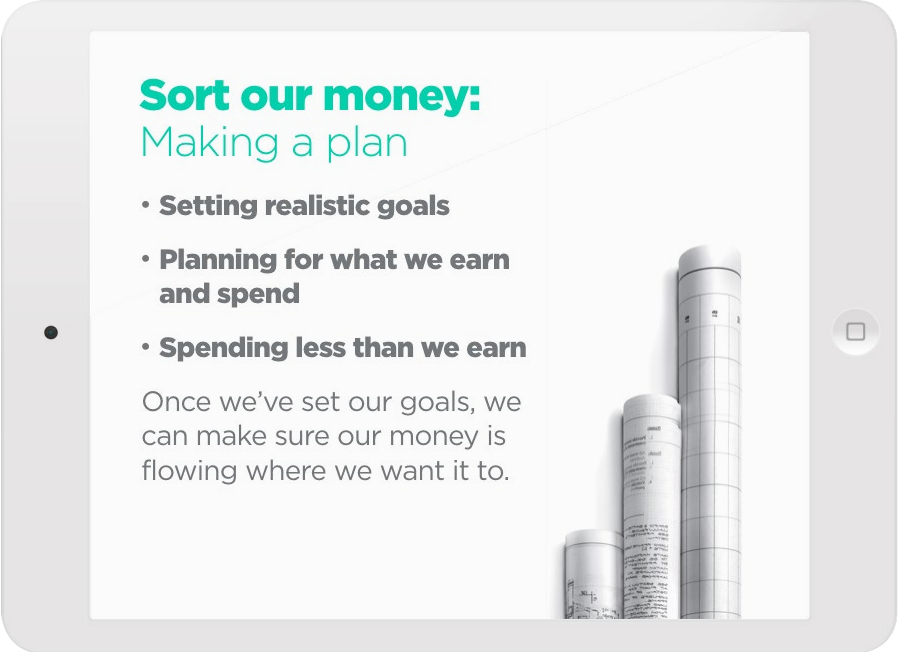
Getting rid of high-interest debt quickly. There are two types of debt: dumb debt, which we want to avoid, and smart debt like a mortgage.

See our future

What do we think this involves?

Saving regularly to reach goals and investing for the future. Has anyone worked on one of these things before? Could you tell the group about what you did and how you got on? **Hand out the Sorted booklets to each participant.**

Slide 3



Key points

- To get sorted, we need to set realistic goals.
- We need to spend less than we earn.
- Discuss the worksheet inside the Budgeting booklet.
- Introduce the budgeting tool on **sorted.org.nz**.
- Tell participants about 0508 BUDGET (283 438) or your local budgeting service

Activity – Whole group

Ask participants why they think it's important to set goals as part of getting sorted.

Goals for the short, medium and long terms

Why is goal-setting so important to getting sorted?

To get sorted we need to set realistic goals. We need to work out where we want to be financially, and by when.

Short-term goals are goals we'd like to achieve within the next 6–12 months. Does anyone have an example? (E.g. paying off a credit card or saving for a holiday.)

Medium-term goals are those that we'd like to see happen within the next five years. What could an example of these be? (E.g. saving a house deposit.)

Long-term goals are goals that take more than five years. Does anyone have an example? (E.g. saving for children's education or retirement.)

Slide 3 (continued)

Activity – Whole group

Ask if anyone already has a budget or has ever tried to make one. What happened?

Who's this for?

Who should do a budget?

Everyone can benefit from a budget. It's one of the best ways to get sorted.

It's vital to spend less than we earn – and a money plan helps us do this.

For our plan to work it needs to be accurate. It's important to include all the details about our income and spending.

Activity – Whole group

Have participants look at the budgeting booklet. Show them the list under 'Things you need' and discuss getting this information.

If you have time (and a fast Internet connection), introduce the budgeting tool on sorted.org.nz.

Slide 3 (continued)

How to make a money plan

The budgeting booklet has a list of the things we need when making a plan. It may take time to get this information together, but it's very important to get it right.

Is there anyone else we should involve when making our plan?

Are there any hurdles to overcome in order to get everything needed? What are some ways we can get past these?

Once we have everything we can complete a weekly money plan using the worksheet in the budgeting booklet or the budgeting tool on **sorted.org.nz**.

To make a money plan, we:

1. Add up our income (after tax) – the money coming into our household
2. Add up our spending – the money going out of our household
3. Subtract our spending from our income

We'll either have a surplus or a deficit. What do each of these terms mean?

Surplus means money left over. The aim of a budget is to spend less than we earn and have a surplus – so that we can use the money left over to reach our goals.

Deficit means a shortfall – when we don't have money left over. We're spending more than we're earning.

The aim is to make a surplus that we can use to achieve the goals we wrote down just a moment ago.

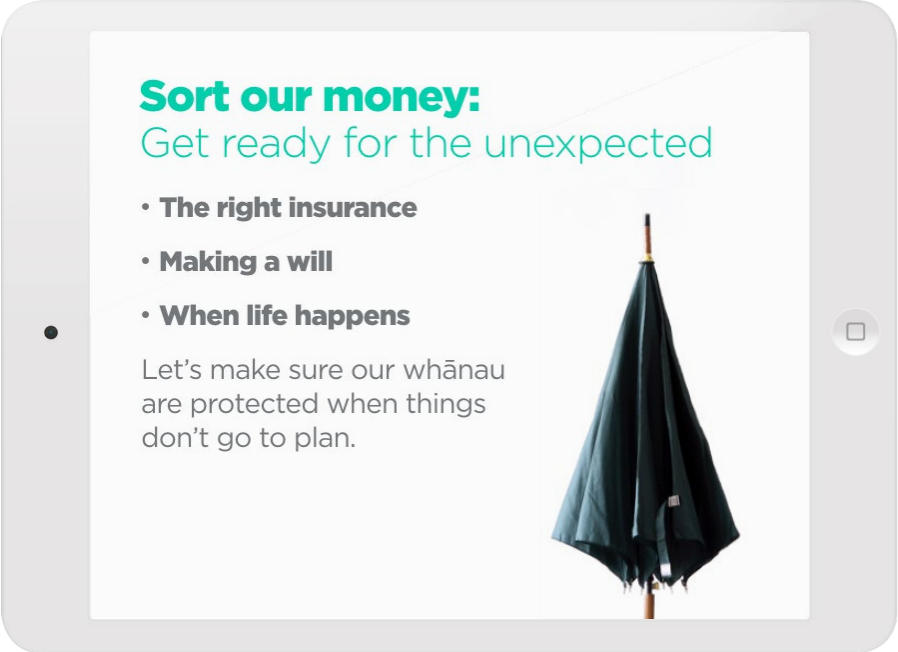
If we need personalised help with our money plan, free advice is available from Family Budgeting Services on 0508 BUDGET (283 438).

To explain

Surplus: Money left over. The aim of a budget is to spend less than we earn and have a surplus – so that we can use the money left over to reach our goals.

Deficit: This is a shortfall – when we don't have money left over. We're spending more than we're earning.

Slide 4



Key points

- Explain that it's important to protect the things we own.
- Introduce the insurance booklet.
- Insurance, wills and enduring power of attorney all provide protection.

Activity – Whole group

Show participants the insurance booklet.

Protecting what's important

If the worst happens, few people can afford to replace their home, car or possessions without insurance cover. Insurance takes away some of the risks of unexpected events. If we have a family, we may also need life insurance or income replacement insurance – so they are protected if we die or are unable to work due to illness.

While we all need insurance, we don't necessarily need the same types – our needs for insurance change over time. Whenever we have a life event, we need to check our coverage. We may need more insurance for some things and less for others. The insurance booklet lists the different types of insurance and what they cover.

What is a will? Does anyone have one?

A will is something that clearly states what should happen to our money and property if we die. It's important to keep it up to date. We may have new family members that you wish to include, or more assets that we need to consider.

Slide 4 (continued)

Activity – Whole group

Ask participants to brainstorm a list of life changes that could affect their will (or insurance). These could include things like marriage, divorce, having a child. Ask participants what they know about enduring power of attorney.

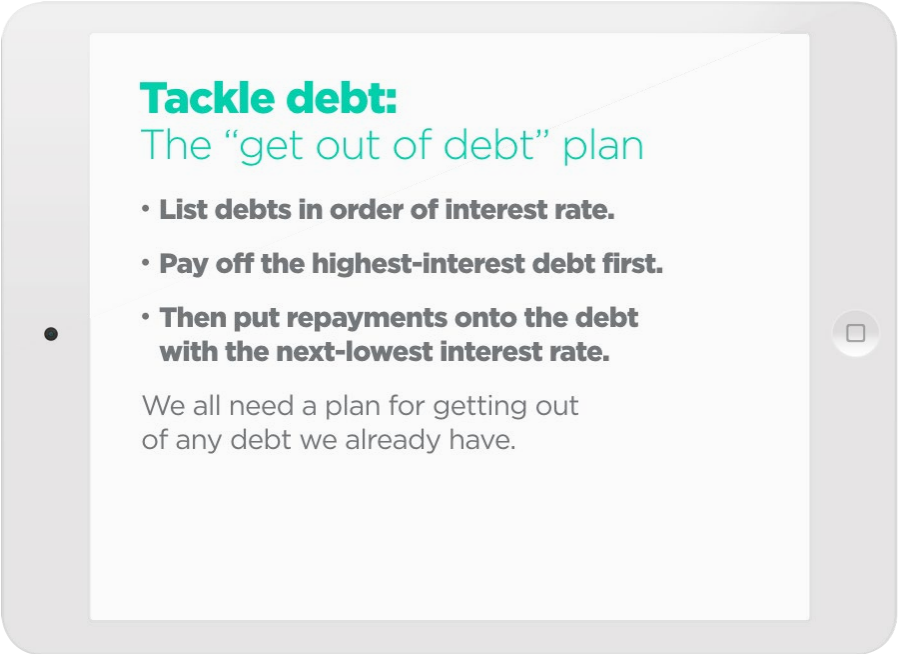
Enduring powers of attorney

Does anyone know what an enduring power of attorney is?

Does anyone have an experience they would like to share?

An enduring power of attorney is a formal document that gives someone the power to act for us if we lose the capacity to make decisions ourselves. There are two types of enduring power of attorney – one for our money and property affairs, the other for our personal care and welfare.

Slide 5



Key points

- Pay off the highest-interest debt first.
- Demonstrate the debt calculator on **sorted.org.nz**.

Activity – Whole group/small groups

Ask participants to make a quick note of the different debts they have in the debt booklet and rank them according to their interest rate. This will help people think about whether they know the interest rates they're being charged.

To help with this activity, here's a general guide to interest rates:

- Student loans: 0% if we live in New Zealand
- Credit cards, store cards: Around 12–24% a year
- Car loans: Around 12–21% a year
- Hire purchase: Around 17–24% a year
- Personal loans: Banks charge around 12–19% a year. Non-bank lenders can charge much higher than this.

For more information about the latest interest rates, visit **interest.co.nz**.

Slide 5 (continued)

Time to tackle debt

We're now moving to the "tackling debt" part of this seminar. Why might we want to get rid of debt as soon as possible?

For example, if we owe $2,500 on a credit card and only pay the minimum required each month, it will end up costing us more than $4,700 – and take nearly 15 years to pay off!

The get-out-of-debt plan in the debt booklet helps prioritise our debts so we can pay them off as quickly as possible. The quicker we pay off our debts, the faster we'll free up money to save for our goals.

How should we decide which debts to pay off first?

It helps to always pay the highest-interest debts off first because these are costing us the most. These will be things like hire purchase debt that's gone beyond the interest-free period and credit card debt.

Activity – Whole group

If you have time (and a fast internet connection), demonstrate the debt calculator on sorted.org.nz. Participants can also try it out on their mobile phones if possible.

Sorted's debt calculator

The debt calculator on **sorted.org.nz** shows how long it will take to pay off credit card, hire purchase, car loan and other loan debt, and the total amount of interest we will pay.

Remind people about 0508 BUDGET and local budget.

If we have lots of debt, Family Budgeting Services, 0508 BUDGET (283 438), can help.

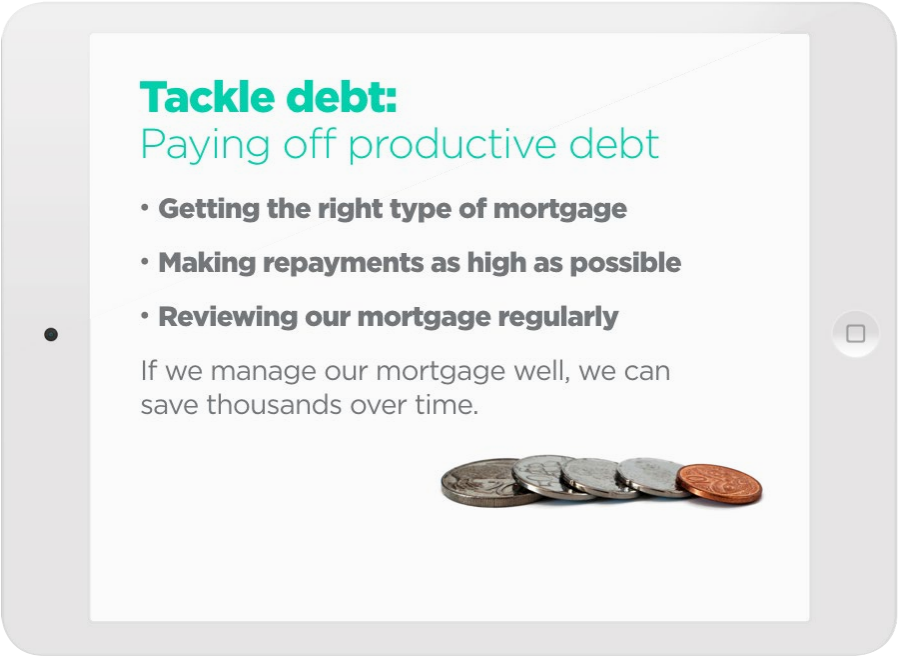
To explain

Interest: Money paid in return for the use of money.

- When we borrow money, we pay interest to the bank (or other lender).
- When we have money in a savings account, the banks pay us interest.

Dumb debt: High-interest debt that could be avoided.

Slide 6



Savvy borrowing

Not all debt is dumb – borrowing for things like housing and education can be smart. It not only gives people a way to reach their goals, it's about borrowing to buy things that should be worth more over time. For example, property values can increase and education can be an investment in our ability to earn.

But even smart debt needs to be managed well. On a mortgage, after we've paid back any dumb debt we might have, it's best to make repayments as high as possible. We can save tens of thousands in interest over the life of a mortgage this way.

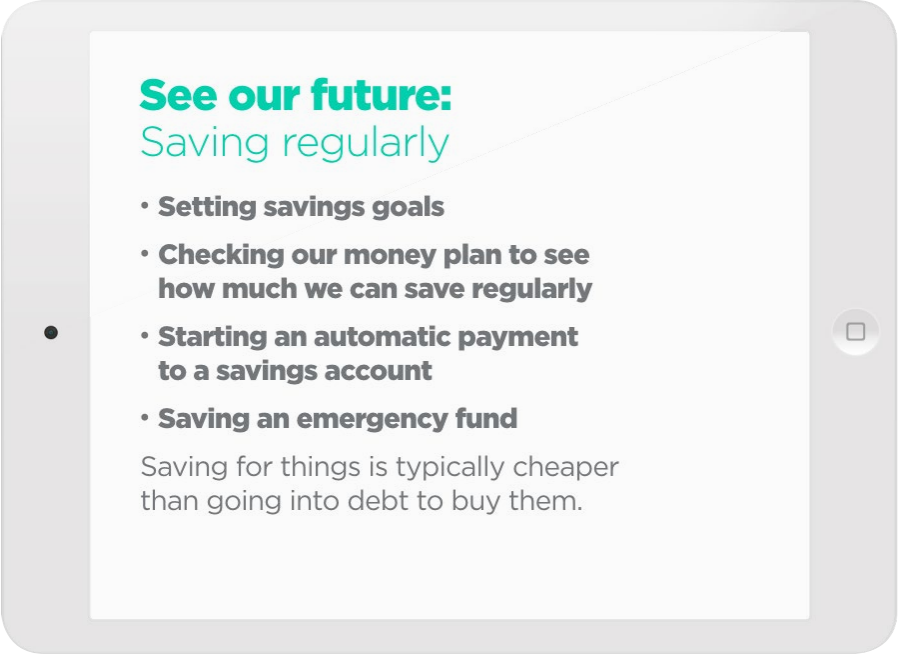
To manage a mortgage, we could:

- Look for the lowest interest rate – we may be paying more than we should.
- Make our repayments as high as we can afford. The quickest way to repay is to pay more than we need to.
- Change to fortnightly payments. If we pay our mortgage monthly, changing to fortnightly repayments of at least half the amount we were paying each month can make a big difference. Since there are 26 fortnights in a year, this gives us additional payments that we otherwise would not have made, allowing us to pay off our mortgage faster and save on interest.

Key points

- Look for the lowest interest rate.
- Make repayments as high as we can afford.
- If we pay our mortgage monthly, change to fortnightly repayments.

Slide 7



Key points

- Saving is a great way to meet our goals.
- Show participants the saving booklet.
- The longer we leave the money, the more powerful the compound interest.
- Acknowledge that if we have lots of debt or a tight budget, saving may not be a priority right now.
- Discuss emergency funds.

Activity – Whole group

Show participants the saving booklet.

Paying ourselves first

So up to this point we've been planning ahead and tackling our debt. Now it's time to look forward – saving regularly and investing for the future.

Why would we want to become regular savers?

Becoming a regular saver is a giant leap towards getting ahead financially. It's also a great way to reach our goals – it's cheaper than going into debt, because we aren't paying interest or set-up fees.

What could we do to make saving easier?

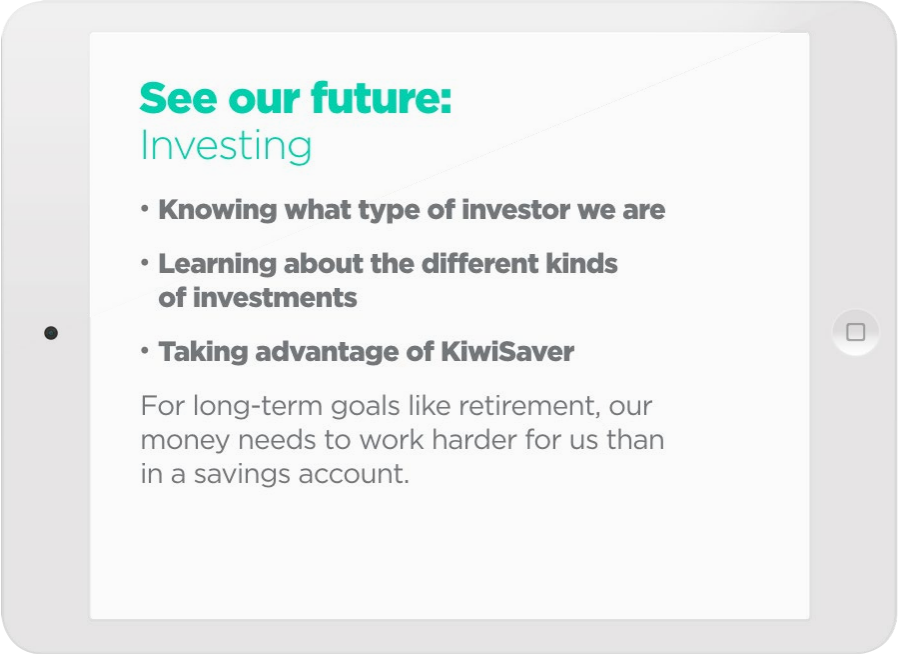
It will help to set up an automatic payment so a savings amount is taken directly out of our pay as soon as we get paid. In this way we "pay ourselves first" before all the other things that fill up our budgets.

And whenever we get a pay rise or extra money, we can add it to our savings rather than spending it. However, if we've got lots of debt or our budget is very tight, saving may not be the best option for us right now.

How much would we say people should have in an emergency fund?

Saving three months' worth of expenses can help our whānau if we run into difficulties. It's a good idea to have this fund in a savings account separate from your normal everyday bank account.

Slide 8



Key points

- Investing is a way to make money grow faster than in a regular savings account.
- Show participants the investing and KiwiSaver booklets.
- Are we taking enough advantage of KiwiSaver?

Activity – Whole group

Ask participants how many belong to a retirement scheme or KiwiSaver. Remind them that these are investments.

Show participants the KiwiSaver booklet.

About KiwiSaver

What is KiwiSaver?

Hands up who has it. Why did you decide to sign up?

These days we'd need a really good reason not to be in KiwiSaver. One reason might be if we're in another savings scheme already, but if we're in KiwiSaver, we need to make sure we've dialled it up to get the most out of it.

How many people know what fund they are in?

How did you decide which fund?

Everyone needs to select the fund that suits them best-one that has the right level of risk for them and the investments they prefer. Sorted's free KiwiSaver booklet has information to help us get the most out the scheme.

Slide 8 (continued)

On sorted.org.nz, there are three KiwiSaver tools to help:

- KiwiSaver savings calculator: this helps estimate how much we'll be able to achieve in the scheme and how much savings we can build up.
- KiwiSaver fund finder: when we're looking to compare funds and make our choice, the finder helps us see what's out there and find the best fund for our needs.
- KiwiSaver fees calculator: the amount we pay for providers to invest our savings can vary widely, so we need to make a call on what we're prepared to pay. This fees calculator shows how fees add up over time.

About investing

What is investing?

The goal of investing is to grow our money faster than it would in a regular savings account. There are risks involved, so investing is generally used for long-term goals like retirement. If we've already joined KiwiSaver, then we're already an investor – so investing is for everyone. When we're investing, our money works for us (instead of us just working for it!), and it earns us returns. Then, through the power of compounding returns, our money will grow the longer we leave it. Even a little adds up over time.

Does anyone know what compounding is?

If we don't touch the interest but let it add to our savings, then we start to earn interest on our interest, as well as on the original amount we had saved. The longer we leave the money, the more powerful the compound interest.

How do we start investing?

There are three things we can start with when considering investing:

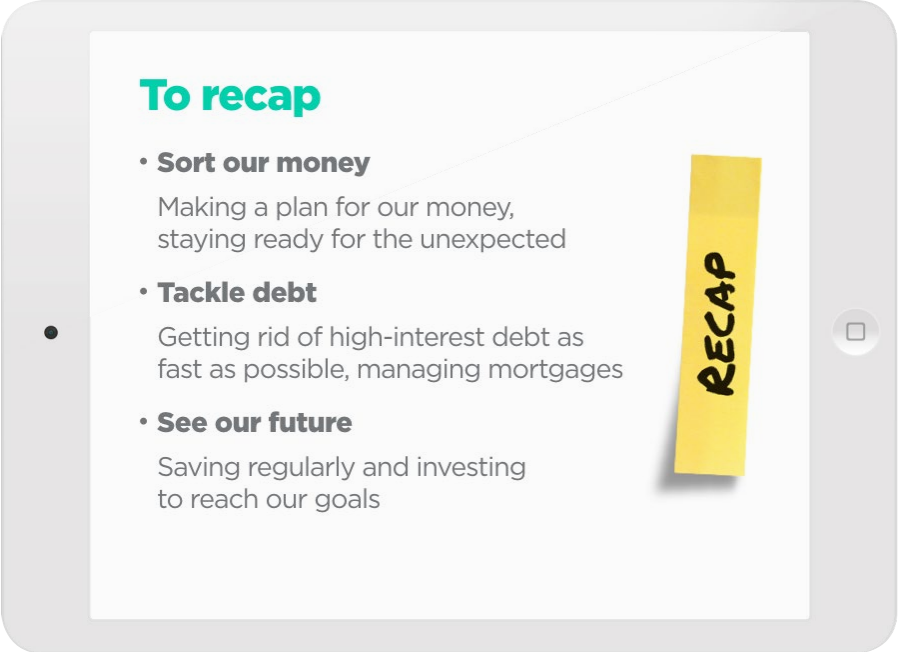
- **How ready are you to invest?**
  (i.e. job security, income, savings, how much debt you're carrying)
- **How soon do you need the money back?**
  (i.e. your life stage, the time you have to reach your goal, whether you need to get your money out quickly)
- **How do you feel about taking risks with your money?**
  (i.e. will you panic if you lose money or the value of your investments goes up and down?)

These things are covered off in detail in the free Sorted investing booklet, along with information about the different kinds of investments, getting the right advice and tips for safer investing. There are also information and tools on **sorted.org.nz**, including the investor kickstarter. The kickstarter helps us work out our investor type, the right mix of investments for us and the sorts of results we can expect.

To explain

Compound interest: When interest earns even more interest. Over time, this supercharges savings and investments.

Slide 9



Key points

- Remind participants about the three steps to get ahead.
- Highlight the key points for each step.

Recap

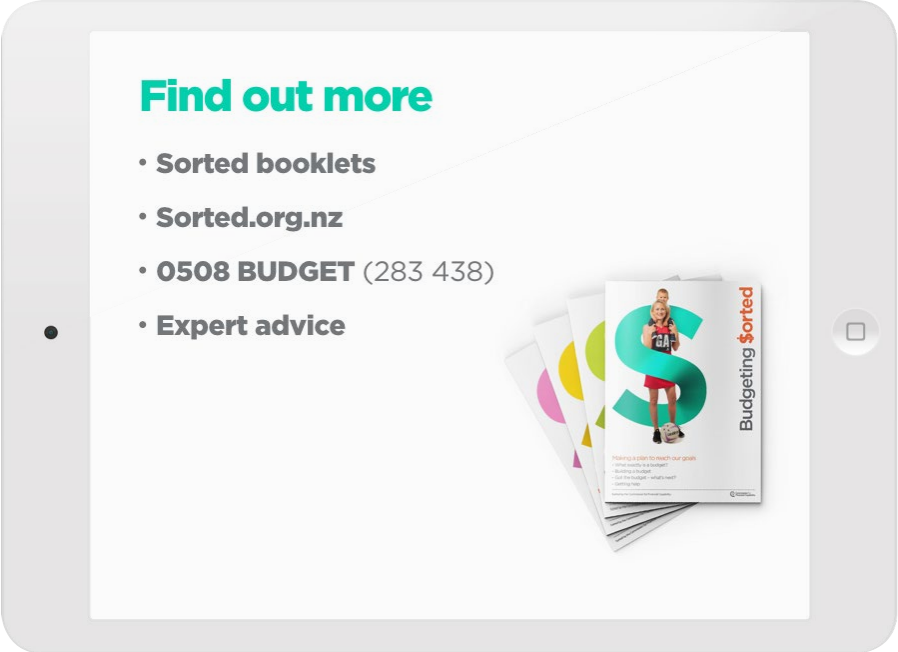
Would anyone like to have a go at summarising what we have covered today?

To recap, we've been exploring three main things we can all do to get our finances sorted: sorting our money, tackling debt and seeing our future. It helps to have worked out realistic goals before we make a money plan. Then we can work out whether we have extra money to pay off debt or save. It's good to have some long-term goals, like planning for retirement. And also for our plan to be accurate and not too tight – otherwise it won't work.

Having the right insurance and an emergency fund are key ways to protect the things we've worked hard for. If we're carrying debt, the most important thing is to pay it off as quickly as possible – starting with the high-interest debts.

Saving and "paying ourselves first" is the best way to get ahead, and the cheapest way to meet our goals. And it's worth investing to reach those longer-term goals like retirement. For KiwiSaver, it's important to make sure we're in the fund that has the right investments and level of risk for our circumstances.

Slide 10



Key points

- Encourage participants to take the first step and complete the goals worksheet in the goals booklet. A money plan comes next.
- Ask participants to write down three key points that they've found valuable, then share them.
- Remind participants about where they can get help.

Activity – Whole group

Ask participants to write down two key points from the seminar that they've found valuable, and one thing they are going to change or put into practice. Then go around the room and ask each participant to share their key points with the others.

Ask participants what barriers they think they may come up against that would prevent or make it harder for them to make the changes they plan to. Ask them how they can get around those barriers.

Once everyone has contributed, conclude the seminar by thanking them for their participation.

Looking forward

Let's try to complete our goals worksheet in the goals booklet within the next couple of days. The Sorted booklets have a lot of the information we covered today, including where we can go to get more help. We've also talked about some of the calculators and tools on **sorted.org.nz**.

Anyone needing some personalised support can call 0508 BUDGET (283 438) or look up nearby budget advice services. We can also get advice from banks, insurance companies, financial advisers and financial planners. Before seeing an investment adviser, it's worth making sure we read the investment tips in the investment advice guide on **sorted.org.nz**. Then the Financial Markets Authority website, fma.govt.nz, can help us find the right adviser for our situation.

Commission for Financial Capability
Building wealthy lives

The Commission helps New Zealanders prepare financially for retirement, through education, information and promotion. Our Sorted information programme helps Kiwis of all ages to understand money matters and manage their personal finances throughout life. The Sorted programme is made up of the website sorted.org.nz, a range of Sorted booklets and Sorted seminars.

If you have any feedback on this seminar material we would like to hear from you. Please email the Sorted team at **office@sorted.org.nz.**

Commission for Financial Capability

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