

Success

Work Less Earn More

According to recent news reports, New Zealanders are working too many hours. And while this is true, it might seem hard to cut back on the hours when there are bills to pay, right? But there is a way.

I am amazed at how many people sacrifice their financial position. That's right – while you are busting your butt trying to create wealth through growing a business or bringing home the pay cheque, you are NOT spending the appropriate time looking into your current financial position and finding ways to improve it.

If you took just two to three hours out and reviewed your financial position, it is likely that the exercise would more than pay for itself. Then when you are working long hours, you can sleep easier knowing you are not wasting your money at the other end. Over time, it actually may mean that you can reduce your hours and enjoy life more!

A review of your mortgage, your debt management programme or setting a debt management programme and reviewing when to purchase could save you thousands.

The Money Flow

If you are like the majority of the population, your money goes into one account and you spend it until there is nothing left and you use your credit card to top up your spending, all the while waiting for the next pay cheque. With a little time and knowledge, you could actually do a simple change to the flow of money and begin to save.

Here's an example: If you get paid monthly, you can have a great first couple of weeks and then be the poor relation for the last two weeks. The solution: Why not have your pay go into one account that you cannot access through ATM or Eftpos and transfer each week to an account your spending money – this account will have ATM and Eftpos access. This way, if you run out of funds, you only need to wait a short while until more funds are deposited. What's more, if your spending money is less than your pay cheque at the end of each month, you could have a surplus for other things, like savings, debt reduction or investment.

Saving for a House Deposit

If you had a five percent deposit for a house purchase but decided to wait and save for a ten percent deposit because you thought it would be cheaper, the chances are the house price is going up in value at a greater pace than you are saving and cost you more. To illustrate:

Purchase Price	Deposit 5%	Loan 95%
\$400,000	\$20,000	\$380,000
10% increase	Deposit 10%	Loan 90%
\$440,000	\$44,000	\$396,000
Increase	\$24,000	\$16,000

By waiting, not only would you need to save a further \$24,000 but also the loan would still be a further \$16,000 even though you are borrowing 90 percent instead of 95 percent.

If you have no deposit and suddenly see the merits in purchasing – don't despair. There are some very good options for 100 percent finance available in the market from a range of lenders.

Interest Savings on Your Mortgage

When we think of interest savings, we automatically think cheapest rate and yes, the interest rate is very important but what about the debt structure? If you have a \$350,000 loan at a rate of nine percent, the interest per annum would be \$31,500 so if you could get a cheaper rate of 8.9 percent, this would reduce the interest payable to \$31,150; a saving of \$350 per annum. The reality is that this is not that big a saving – so maybe you could challenge yourself to spend a little more time sourcing the right loan structure rather than getting the cheapest rate.

On a loan of \$350,000 at a rate of nine percent over a 30-year term, you would not only pay \$350,000 back but a massive \$664,000 in interest as well. So if you managed to pay an additional \$50 per week off the loan, you could save a massive \$189,000 in interest and reduce the term by seven years. Isn't this a better saving?

Minimise Your Risk

Congratulations if you have now decided to follow through with a review; here is one last item to look into: What would the consequences be to your financial position if you or your partner lost their income?

Remember, the key to all of this is you; minimise your risk, insure yourself. If you don't, no matter how much you change and improve your position, or how hard you work to create wealth, something as small as an illness or accident could set you back months or years on your quest for financial freedom and wealth.

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