

Managing your ^{**} money in hard times

New Zealand is going through an *economic recession* at the moment. We cannot change the economy, but we can do some things to *manage our finances*.

Most people get into *financial* trouble because they borrow money to pay for things they want **now**. Here are some things you can do to manage your money.

First of all, you should try to keep your *debt* as small as possible. The presenter of a popular money programme on television often gives people this advice: "Separate your **needs** from your **wants**." So before you buy something, ask yourself if you really need it. Do not borrow money for things you want but do not need now, such as new shoes when you already have three pairs, or a new lounge suite when the old one is still comfortable. Many people get into debt simply because they want to *keep up with fashion*.

Secondly, avoid *hire purchase* to buy things you want. Most people get into trouble because the goods they are buying seem very cheap and the *repayments* seem very *affordable*. Often people end up buying several items on hire purchase, forgetting that the repayments all *add up*. It may seem cheap to buy something on hire purchase and pay it off at only \$20 a week. However, if you buy five items this way, your weekly repayments will add up to a \$100 a week.

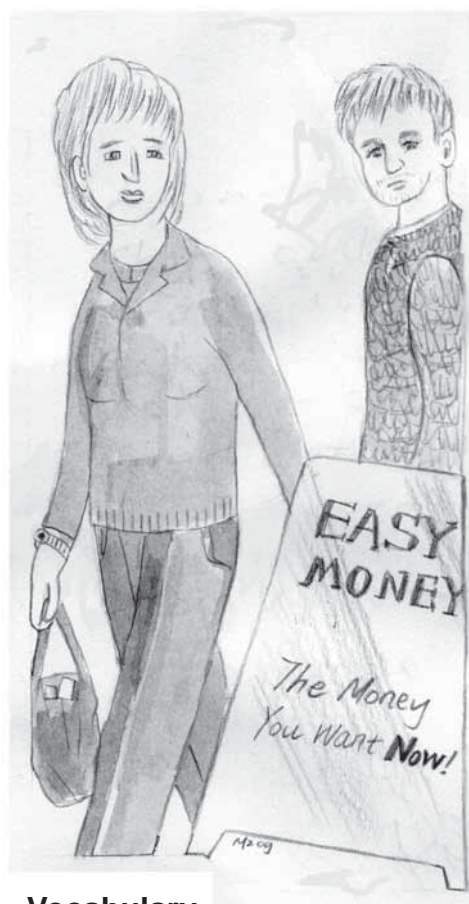
Thirdly, if you do borrow money, make sure you do not pay high interest. As an example, if you need a new car, you can buy one from a car dealer. Most

car dealers offer high-interest repayment plans, but these can be very expensive. It may be better to talk to your bank manager and then use a bank loan to buy a good used car at a car *auction*.

Avoid *loan sharks*. Loan sharks often set up offices in poor areas, with signs offering 'the money you want NOW'. What they don't say is that the interest repayments are so high that a person borrowing \$500 very quickly ends up owing \$800. When clients are unable to repay the money they have borrowed, loan sharks can become very unpleasant.

If you have a credit card make sure you pay it off each month. If you don't pay off the whole amount, the credit card company will charge you so much interest that everything you 'put on the credit card' ends up costing you a lot more.

Lastly, it is really important to make a *budget* and plan your monthly spending. You can use a simple exercise book and make two columns. In one column you can write up how much money you will have going in every month. In the next column you can write how much money you will need to spend on essentials such as rent, electricity, food and transport. A very useful website for people who want to plan their expenses or *outgoings* is www.sorted.org.nz. If you need special advice or if you want help to work out your budget, you can visit your local CAB. They can refer you to special budgeting services. You can also visit the following useful website: www.familybudgeting.org.nz.



Vocabulary

- economic recession* — when the economy is not doing well
- manage our finances* — manage our money
- financial* — about money
- debt* — money you owe
- keep up with fashion* — follow what everyone else is doing
- hire purchase* — buying something now but paying it off weekly, fortnightly or monthly
- repayments* — amounts of money needed to pay back a debt
- affordable* — easy to pay for on your income
- add up* — get bigger and bigger
- auction* — when something is sold to the person who offers the most money
- loan sharks* — people who lend money to others at very high interest rates
- budget* — tells you how much money is coming in and going out
- outgoings* — expenses, what you pay out