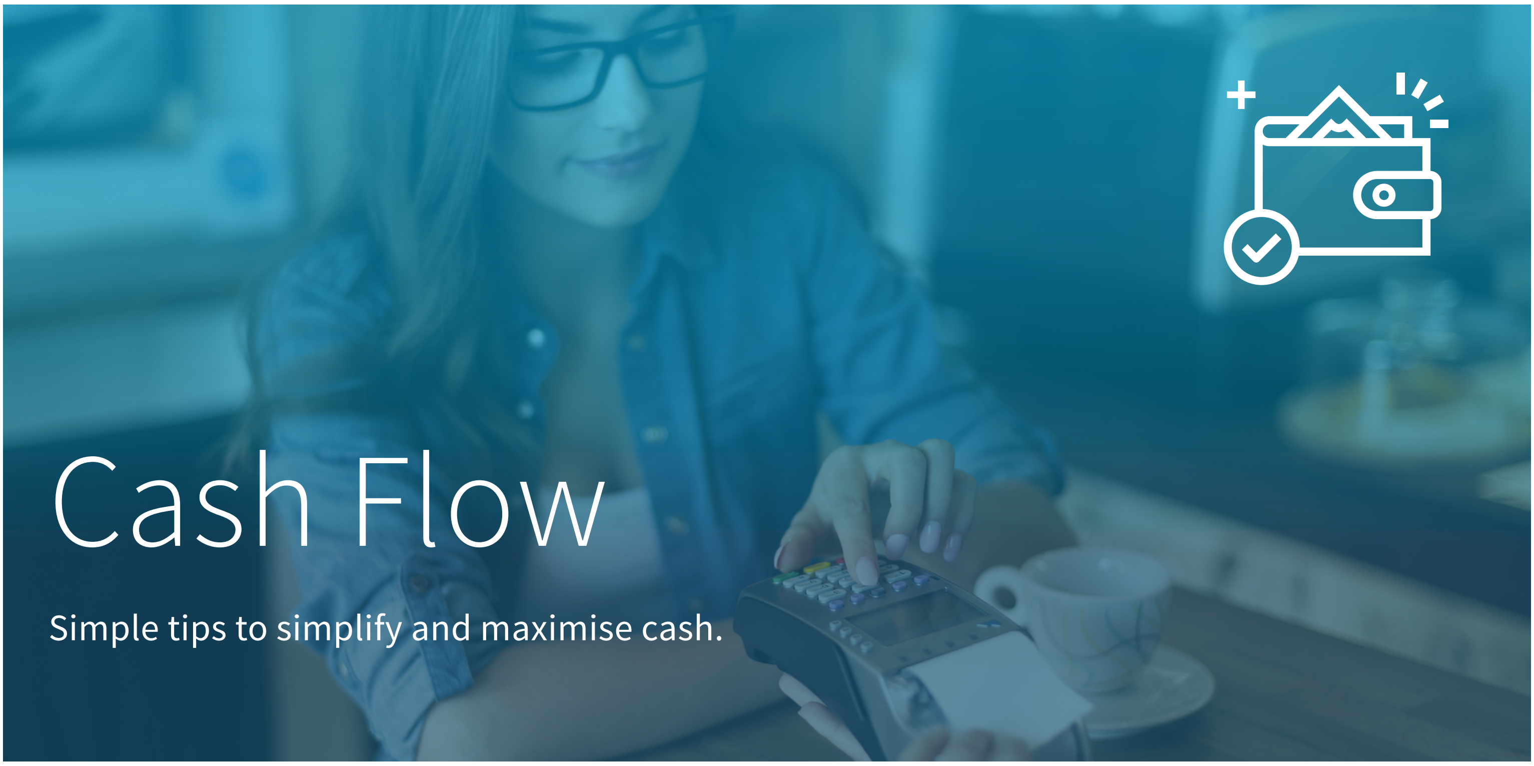

Cash Flow

Simple tips to simplify and maximise cash.

We get it. Handling money isn't easy. There's always that trip to book, those shoes to buy or suddenly Christmas rolls around again.

When you think of all the practical things you are taught through school, managing money just isn't one of them.

1 Make some sort of plan

Think about where you are heading currently and what life you want to live. Hard right? Now, just remember, that some small conscious decisions to put you on a path are better than no decisions at all. So don't sweat it all out, life will happen, but at least think about some of the bigger stuff that is important to you (and your family). This might include trip overseas, buying a house, buying an investment property, working less, or getting rid of some nagging debt. Oh, and these are highly likely to change so it's important to check in on them.

Remember, if you want something bad enough, you're more likely to work your butt off to get it.

2 Write that down

For some people this will be a detailed spreadsheet with everything laid out. For my wife and I, this was on the back of a napkin at our favourite dumplings restaurant. Whatever works.

If the family trip is $20,000 in 18 months time, then you need to save about $1,100 per month – that's easy! The harder part is making this into an actionable plan.

A. Start with your Living Expenses, list out everything that makes up this and the cost.

B. Projects – what's your current project? In this case travel, it could easily be that bathroom renovation, or paying additional mortgage payments. This might be fixed because it's time bound, if that's the case and it's too much, it's going to mean cutting back in other areas. The further out you plan, the less likely this is to happen.

C. Spending, this is your money to spend each week or month on whatever you want, aim for around 10%-15% of your income.

D. Savings, some longer term savings to pay for that new car in the future, a house deposit etc.

Now you've got your list of expenses and costs, write down your income, hopefully it balances! If not, you've got two options:

1. Cut back on some expenses – is it time for Sky TV to go?

2. Increase your income – more hours, Uber driver, small online business, there are a lot of options.

3

Review those living expenses

You've got your list above, make sure it has everything in it. This shouldn't be any more than 60% of your income. We recommend an annual review of the plans your on – power, mobile, how many TV subscriptions you have, internet. Have a look and make sure you're on the right plan for you, and then put them away for another year.

4

Review your insurances

Yes, you want to make sure you're not overpaying. But you also should make sure it's going to do what you need it to do if you need to claim. They should cover everything you need, and nothing you don't. Look at all of them, house, contents, car (can you bundle them for a discount?), medical, and most importantly, income replacement. Get rid of those insurance policies on credit cards etc and get proper income replacement that you can use to repay those if you couldn't work.

Why is income so important? What would happen to those bills and savings plans above if you didn't have income?

5

Automate everything

Setup multiple accounts, just as we laid out in Step Two. Now you've worked out the amounts to be in which accounts and by what date, setup automatic payments each week or month and you can get back your time. By having a separate spending account, once it's gone it's gone, there's no dipping into the money to be used for living expenses. All your bills should be on direct debit or automatic payments.

Setup your savings to a different bank (find an online, high interest account) – out of sight, out of mind!

6

Snowball your debts

List out all of your personal debts. Now rearrange them from the highest interest rate to the lowest, or the lowest balance to the highest. Attack either the highest interest rate or lowest balance first with as much funds as possible (from your projects account), while the rest are meeting their minimum payments. Once that balance is paid off, celebrate it (not too big!) and then reallocate all of those funds to the next debt on the list. Stick to the plan, and you'll see those debts disappear!

7

Have A Mortgage – Make It Right For You, Not The Bank.

When's the last time you actually looked at your mortgage, or talked to someone about how it's structured and if there is a better way? Rather than having a big, dirty revolving credit, or all fixed on one term, we believe there is a more appropriate way by using multiple fixed periods and a small floating balance – this way you are not completely over exposed all at once if rates increase.

And you can use your projects account along the way to pop some extra funds into the floating balance to get rid of the 30 year term.

8

Check Your Kiwisaver Fund

Does it match what you are planning to do with it? Are you 30 years old, already own a home and are still in a conservative or default fund?

Check your Prescribed Investor Rate (PIR) and make sure you're not overpaying tax – there are no refunds.

Are you planning on using your KiwiSaver to buy a home or is it there until retirement now?

We believe that checking on your cash flow plans at least annually is really important, just to make sure you're on top of things and they align with what you're doing. By using multiple accounts and having it all automated, it removes the biggest road block to you achieving what you want – YOU! You just need to follow the plan that you've laid out, and by making a few conscious decisions, you'll get there.

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