

MHJC Financial Literacy

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TOGETHER WE CAN HELP NZERS GET AHEAD BY MAKING BANKING REALLY EASY. EVERY TIME. EVERYWHERE.

PEOPLE FIRST.

KEEP IT SIMPLE.

INTEGRITY.

INNOVATION.

ONE TEAM.

Saving, borrowing & Managing Accounts

- ***Why save***
- ***How to save***
- ***Dumb debt***
- ***Account conduct***
- ***Kiwisaver***
- ***Loans***
- ***Interest***
- ***Buying a home***



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Items we Buy



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Why save?



Or



Or



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How to save

- Open a separate savings account
- Have a goal - remember it when tempted!
- Savings 'Account hold'; can't touch them online
- Only touch savings when needed or reach goals
- Don't 'over save' - then have to dip into them (good habits)

Avoid dumb debt

- What is dumb debt?
- Why should we avoid buying on credit?
- How to avoid using credit cards to buy things?
- Be smart now & know the dangers of debt
(has big impact on your financial position later)

Dumb debt - an example

Borrow \$10,000 for a trip to Europe

Pay \$250 application fee & interest rate 15%)

Now pay back \$115 every week for 2 years

The \$10,000 trip actually costs you \$11,873.

What else could you have spent the \$1873 on?!

Dumb debt - real life examples

Good account conduct

- Healthy bank accounts keep your finances in order
- Strong habits keep you on track with savings goals
- Pay on time to avoid fees & to show you're responsible
- Put money into your savings - and **leave it there**
- Don't use silly descriptions for account payments
- Good savings history, no dumb debt & good account conduct helps personal or home loan applications

Kiwisaver Knowledge

- Heard of Kiwisaver?
- What do you already know?



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Where'd you want to live?



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How Kiwisaver Works

- Start contributing at any age
- Automatic when you start a job
- Every \$1 you contribute, Government adds 50c (max \$521 a year & entitled to it when 18 yrs old)
- Employees can contribute 3%, 4% or 8% of salary.
- Employers must add 3% of your pre-tax pay. (entitled to it when 18 yrs old)
- Invested in conservative, balanced or growth funds.
- Used for deposit on first homes, hardship & retirement.
- Withdraw deposit on first home after 3yrs, except \$1000.
- Kiwisaver Homestart Grant
\$5000 (existing home) or \$10,000 (new home)

Sooner you start contributing the better

Every little bit adds up.

And remember . . .



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Personal and Home LOANS

- Heard of borrowing money, loans, mortgages?
- What do you already know?



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How can borrowing help you?

- To help with life stages, events & changes
- Buy a car so you can get to your job
- Re-consolidate debt to repay it quicker
- Cope with unforeseen events
- Buying a house



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What's needed to get a loan?

- **Income**
Enough for living expenses, savings & loan repayments
- **Good savings history**
Shows good money habits & commitment
- **Good account conduct**
Make payments on time and save regularly
- **Good credit score**

Types of lending products

- **Overdraft**
a limit on overspending on a current account
- **Credit Card**
allows you to spend up to an approved amount
- **Personal Loan**
for one-off items eg car, phone, holiday (unsecured)
- **Home Loan**
to help you purchase property (secured)

Paying Interest?

- Who here knows what interest on a loan is?
- Why do we charge interest
 - Banks charge interest to cover the cost of the money that they are lending.
- Unsecured Interest rates – These rates are generally higher due to the fact that it is a higher risk to the bank with no security being held.
- Secured Interest rates – rates are generally lower due to lower risk as banks hold security against the debt.

Earning (receiving) Interest

- When you lend or deposit funds in a savings account.
- Banks use your savings to offer loans to other people. They pass some of their revenue to you as interest.
- Example: You deposit \$1,000 in a savings account that pays a five percent interest rate. With simple interest, you'd earn \$50 over one year. To calculate:
 - Multiply \$1,000 in savings by five percent interest.
 $\$1,000 \times .05 = \50 in earnings
 - Account balance after one year = \$1,050.
- However, most banks calculate your interest earnings every day – not just after one year. This works out in your favor because you take advantage of compounding. Assuming your bank compounds interest

Earning Interest - an example

Deposit \$1,000 in a savings account at 5% pa.

$$\$1,000 \times 5\% = \$1,000 \times 0.05 = \$50$$

With *simple interest*, you earn \$50 in 1 year.

Savings account balance at yr end = \$1,050

But, banks calculate *daily (compound) interest*.

Savings account balance at yr end = \$1,051.16

Basics of buying a house

1. Work out your weekly budget & save
2. Work out how much deposit you have
3. Get pre-approval on a loan
So you know your price limit & repayments
4. Look for houses. Real estate agents can help.
5. Find a house that ticks the boxes & make an offer
6. Get builder's reports, LIM, & other information
7. If the offer's accepted, prepare to move in 😊 😊 😊

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Questions?



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