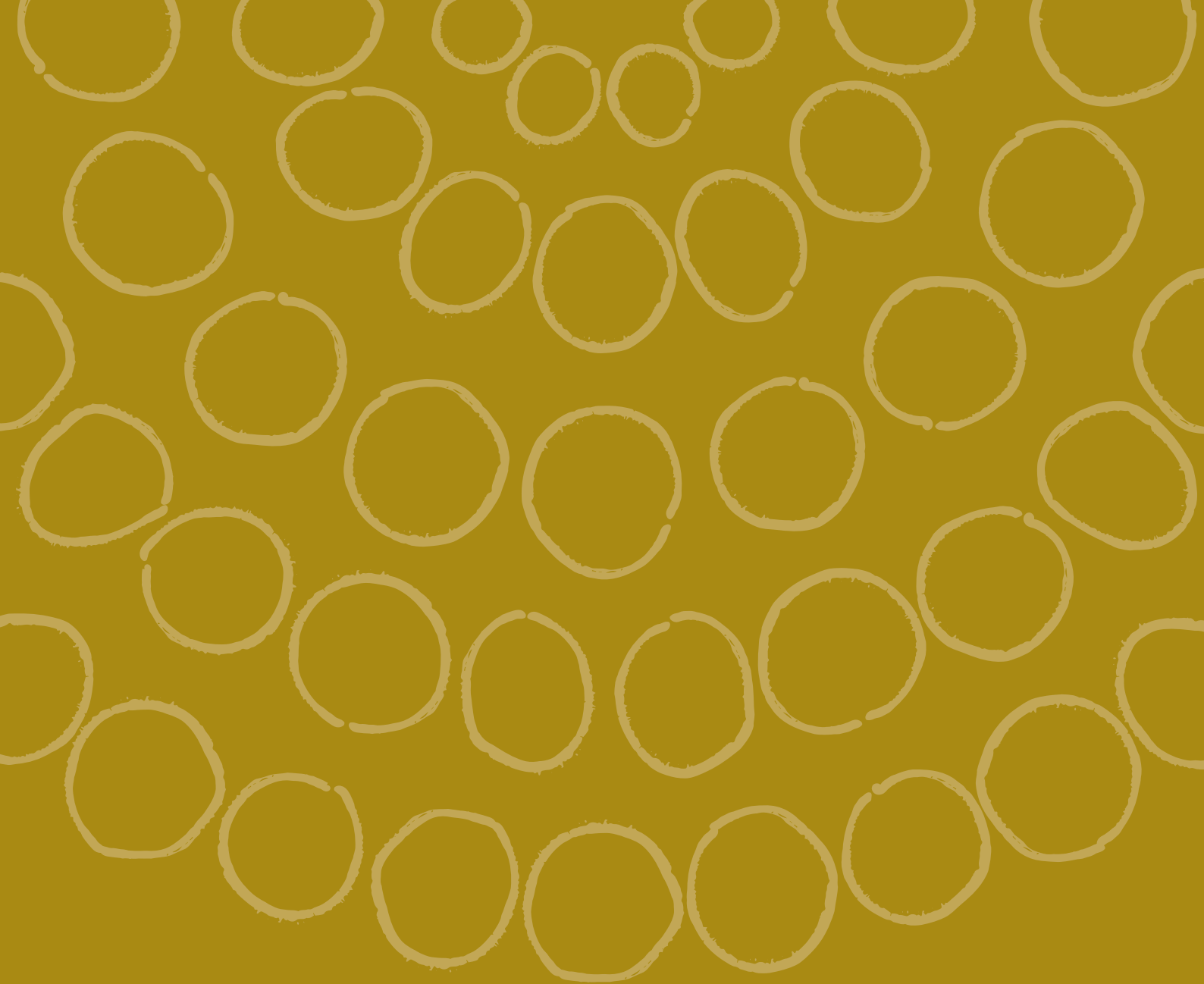




MoneyMates

A guide for facilitators



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Resource modules

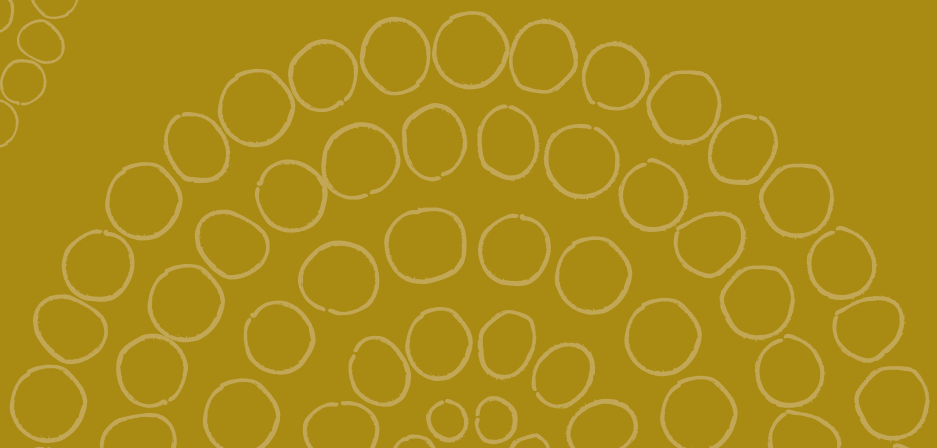
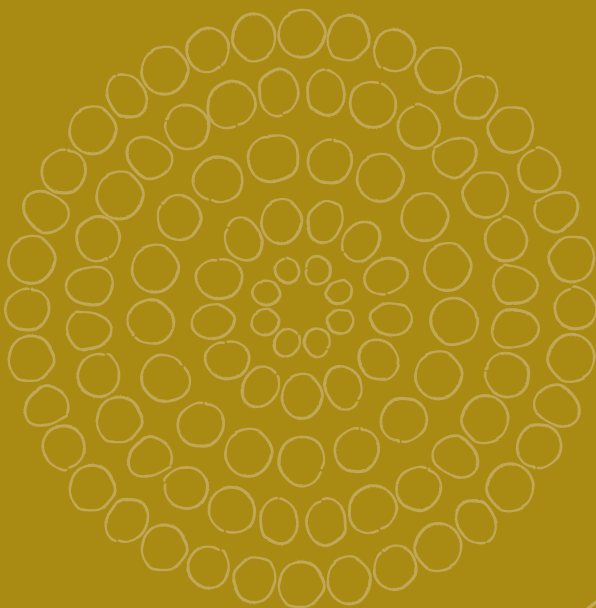
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MoneyMates

MoneyMates is the new Building Financial Capability peer-led support option that incorporates structured group programmes.

MoneyMates clients learn from others, talk about and de-stigmatise financial hardship, and gain control over their financial lives to make longer-term behaviour changes for the better.

As a MoneyMates facilitator, you help clients as they meet together to talk openly about attitudes and behaviours around money and finances. It is not necessary for them to talk about specific details of their own financial position and debt (although they may wish to). Rather, it's an opportunity to examine choices, options and behaviours.





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Introduction

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This guide is for facilitators working with the MoneyMates groups
– this guide is a living document

10 Welcome to the Building Financial Capability services

Who are the services targeted to?

Who is involved?

Why have services changed?

What is our approach to engaging with clients?

What are the outcomes we want to achieve?



Introduction

As a MoneyMates facilitator, you are participating in a journey, walking alongside your clients to help them develop their financial capability and resilience.

We know that people experiencing financial hardship are often living with stress, as families struggle on low incomes and lack the material resources to meet their basic needs in New Zealand. For families and whānau living in poverty, it can be time-consuming, demeaning and stressful.

MoneyMates peer-led support is an important component of the new Building Financial Capability ecosystem that works to improve this situation.

This guide is for facilitators working with the MoneyMates groups.

The four key aims of the guide are to:

1. Provide a brief introduction to the Building Financial Capability ecosystem, the reasons for change and our aspirations for the new programmes.
2. Cover the main principles and key concepts of MoneyMates and frameworks and give an overview of how a facilitator will work with people, their families and whānau, and to discuss the changes we want to see it spark.
3. Provide a foundation for the training and development of the community of MoneyMates facilitators, sharing principles and best practice.
4. Provide a library of resources for facilitators so they can respond to groups' direction and their information needs.

This guide is a living document

This is the second issue of the MoneyMates guide, and it is unlikely to be the last. As the Building Financial Capability sector develops we expect that further updates will follow.

MoneyMates groups and facilitators are the people best placed to identify the support and information that works for them and contribute to MoneyMates best practice. As a member of the MoneyMates community of practice, your observations and additions are welcome – please see the feedback information inside the back cover.

“Talking to other people who were in a similar situation really helped.”



Welcome to the Building Financial Capability services

A range of new Building Financial Capability services are now developing for New Zealanders in hardship.

These aim to provide support that is responsive, adaptive and consistent.

They include:

- MoneyMates peer-led support
- financial mentors – reframing and building on existing budget advisor services.

These services are supported by:

- a Financial Plan of Action
- a strengthened and consistent referral and communication practice with Work and Income.

The changes are focused on ensuring we have a consistent service that can be adapted to reflect the needs of clients accessing services and support.

Who are the services targeted to?

Services are targeted to people, their families and whānau in New Zealand who are experiencing financial hardship and need help with their financial situation. The focus is on household finances rather than business or commercial.

The services take into account the nature of financial hardship – that it is a situation in time, that people can slip in and out of hardship at different stages of their lives, and that they are part of a whole system of influences.

Who is involved?

The client

The client is at the centre of all services. The client is defined as a person within the context of their family, whānau and community.

We recognise that clients are the experts in their own lives and that their expertise should be recognised and valued to help make long-term sustainable behaviour change.

We aim to go where clients are, to engage and incentivise them, and inspire them to take leadership roles in future MoneyMates programmes.

The provider

The role of the provider is to:

- employ and support competent facilitators
- ensure appropriate community collaboration and networking links are made to support clients
- actively participate in any regional networking, information sharing, and knowledge-building activities
- consider sharing best practice and evidence with the MoneyMates development community
- develop and maintain effective collaborative working relationships with local Work and Income sites
- participate in training and upskilling activities to keep up to date with financial capability information
- operate a viable service that is able to support all staff and professional development, in line with Ministry of Social Development accreditation standards and guidelines.

Providers must use a strengths-based approach that is both client – and whānau-centred.

The Ministry of Social Development

The role of the Ministry is to:

- approve providers
- monitor the service delivery and financial management of the provider
- make referrals and provide information where the service is specifically contracted for referrals from the Ministry
- seek continuous improvement of service delivery, which includes updating this guide.

Why have services changed?

The Ministry previously funded services that were focused on budgeting which is only one component of financial capability.

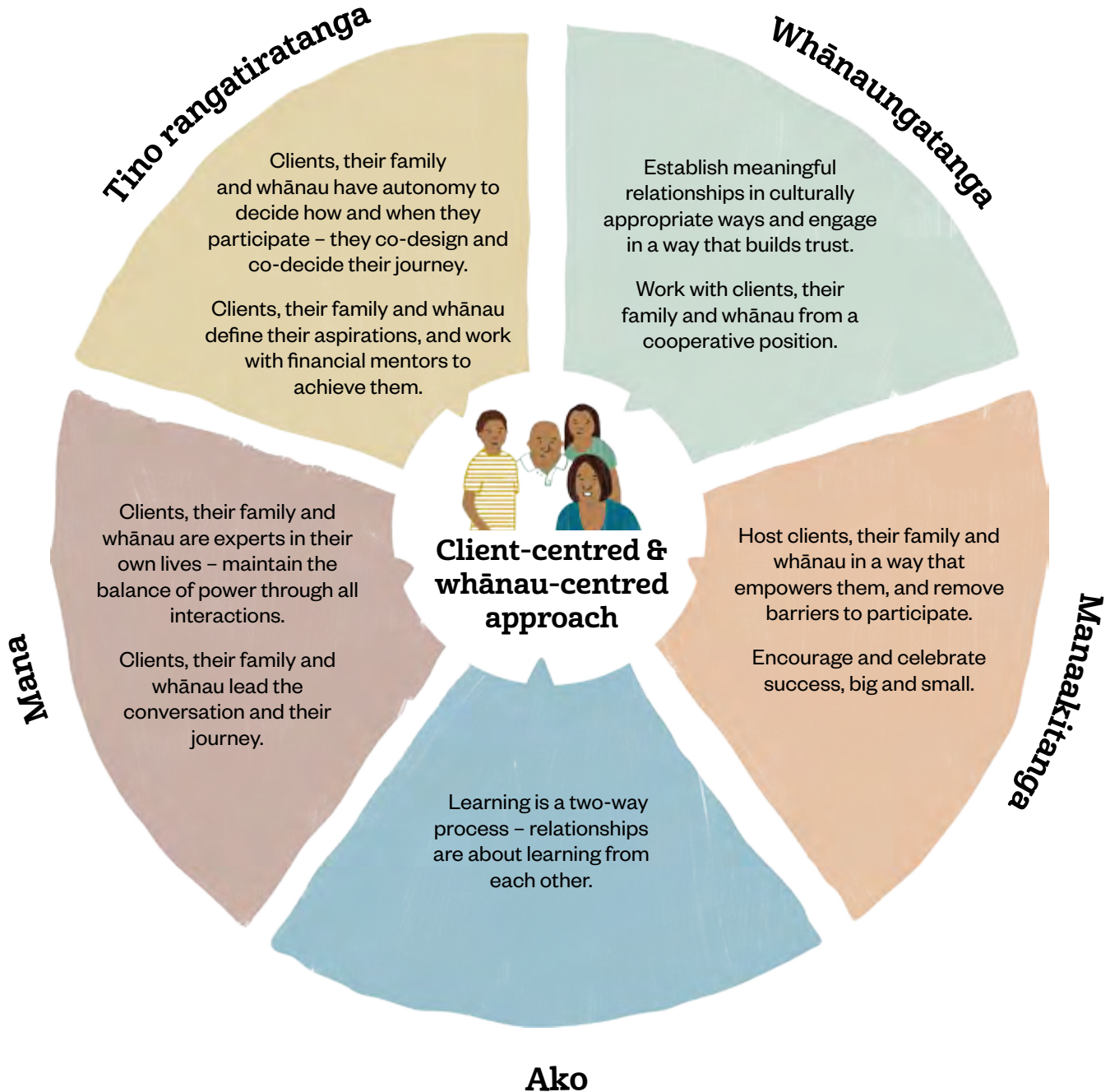
We received a clear message – from clients and providers – that services need to be more client-focused and flexible to take into account complex needs, and a client's place within their whānau and community.

We engaged with over 450 people, from clients to those providing services, to support us in developing the new services. From these conversations, we've developed a new way of working, and made the shift from budgeting services to Building Financial Capability.

Building Financial Capability in New Zealand is a priority for the Government. The *National Strategy for Financial Capability* (June 2015) aims to improve the wellbeing of people, their families and whānau, to reduce hardship, increase investment, and grow the economy. The Ministry supports this strategy by focusing on New Zealanders experiencing financial hardship.



What is our approach to engaging with clients?



What are the outcomes we want to achieve?

In funding the overall Building Financial Capability ecosystem, the Ministry wants to see the following outcomes.

- Clients, their family and whānau have their basic needs protected; for example, access to power, rent, and food.
- Clients, their family and whānau are connected to the right services and support that they need, when they need them.
- Clients' longer-term financial capability is improved. This includes:
 - the ability to set goals
 - increased confidence, competence, and coping skills
 - robust financial decision-making skills
 - effective management of finances including savings (within their income level)
 - smart use of debt and financial products
 - involvement in resource and/or income-generation activities
 - knowledge of the support that is available.
- Clients are enabled to access appropriate financial products and services when and how they need them.
- Clients in debt will be supported to reduce debt when they are able.

In turn, these outcomes will contribute to the longer-term outcomes for New Zealanders experiencing hardship, including:

- reduced unproductive debt
- reduced stress caused by financial problems
- increased short – and long-term savings
- improved financial confidence and capability
- improved resilience to cope with financial shocks
- improved financial and material wellbeing.

The ultimate goal is:

- improved wellbeing of people, their family and whānau
- improved opportunities and life outcomes for tamariki
- improved social and economic inclusion.

"It's important that I'm a strong role model for my tamariki. We've been through so much but we're moving forward together."





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MoneyMates peer-led support

MoneyMates is aimed at specific groups of people who:

- are repeatedly experiencing financial hardship
- may be more likely to encounter financial difficulty
- simply want to learn good financial management and budgeting skills.

Some clients may be transitioning from a one-on-one service to building networks and better financial independence.

What happens in a MoneyMates session?

Clients talk openly about money and finances (not necessarily specific details of their own debt, rather choices, options and behaviours).

You will encourage people to learn from others, talk about and de-stigmatise financial hardship, and help them gain control over their financial lives to make longer-term behavioural changes.

With your support, clients participating in groups can:

- learn more about money, debt, financial products, loans, and developing their resources
- learn from other clients who are in similar situations to them, share their own insights and knowledge with others, and build support networks with people going through the same experiences
- build their networks with whānau and their community
- engage with activities that will suit them and their situation as they work towards financial capability, including brainstorming ways to generate additional income or resources
- access other information and support such as online forums, helplines, the Sorted website, or other tools that can help clients improve their knowledge and manage their finances.

Why MoneyMates?

The MoneyMates approach recognises that clients are more likely to gain control over their financial lives, and to make longer-term behaviour changes when working in a facilitated way with their peers, guided by a facilitator.

MoneyMates recognises that social supports often influence behaviour and decision-making, particularly around money (Arnold and Rhyne, 2016). It also draws on evidence from the health and wellbeing sector that peer support can “help people feel more knowledgeable, confident and happy and less isolated and alone” (Nesta-National Voices, date unknown, p.2).

“Peer support is a well-tested part of social care, mental health, physical health and, at an everyday level, it forms the basic structures of our families, friendships and communities.” (Temperley et al., 2013, p.6).

The concept of sharing and learning together at a group level has proven successful in both large and small communities, as seen with group programmes such as Weight Watchers.

MoneyMates builds on other approaches

Previously, group programmes offered through the budgeting advice system used a variety of approaches; many were focused on the provision of structured group financial education.

We are now wanting to work with the sector to incorporate support from peers facing similar financial and personal situations with financial education – the result being improved financial decision making.

The Families Commission (2012) advise that for “those living in a state of severe hardship, which is often paired with emotional instability, low self-worth and living with a high level of unpredictability ... [the result can be their] feeling powerless to ‘make decisions’ any other way than what they ‘need’ in their immediate circumstances.”

The Families Commission also notes that an individual cannot be empowered to improve their outcomes through education and guidance, if their opportunity to do so is constrained by broader conditions.

Building for the future

Over time, our aim is to build the capability of clients to work as the next generation of peer-led facilitators.



See the Section *Know your Clients* for more information on your clients and their journeys.

“I thought I was on my own then I met people on my MoneyMates group who know what I’m going through. We talk about our challenges and they are helping me make plans.”



MoneyMates service specifications

In the Building Financial Capability co-design we received a clear message – from clients and providers – that services need to be more client-focused and flexible. We’ve responded with a framework for a flexible MoneyMates service across the country, underpinned by core principles. MoneyMates specifications and funding are designed to be enabling and open, to encourage innovation as we develop peer-led services together.

MoneyMates features

	Must have	Optional	Number
Trained facilitator	✓		One or two, decided by provider
Peer facilitator		✓	
Work and Income referral		✓	
Self-referral		✓	
Group size, clients per facilitator			Average of four to eight clients – whatever works for you
Group duration			Average of eight sessions*

* Group programme with one facilitator running for 8 weeks = 8 sessions

MoneyMates funding

MoneyMates is funded with a ‘session’ as the purchase unit.

A session is made up of approximately three hours of staff time applied to MoneyMates. These three hours can be split between face-to-face group meetings and non-contact time for research, preparation, or recruiting participants. The ratio will be around one-third contact time to two-thirds non-contact time – whatever works for you.

Each MoneyMates meeting is counted as one session.

If the number of clients in the group grows so that two facilitators are needed, this can be counted as two sessions.



Additional information about MoneyMates funding will be added to the Building Financial Capability section of our website as it comes available: www.msd.govt.nz/what-we-can-do/providers/building-financial-capability

How you support and work with your clients

MoneyMates peer-led support sessions are led by the providers or volunteers (eg financial mentors) who have been trained as facilitators.

Over time, this facilitation role may include building up the capability of clients to work as peer facilitators.

Peer-led support sessions encourage clients to talk openly about money and finances, particularly options and behaviours, not necessarily specific details of their own debt.

Content delivered in the sessions may include, for example: identifying goals, sorting needs and wants, budgeting, managing debt and savings, future planning, credit and consumer rights, opportunities to increase income or resources, and community support.

The Financial Plan of Action

MoneyMates clients may ask for assistance developing a Financial Plan of Action to achieve their goals. Or they may share their experience of using a Financial Plan of Action and discuss options and solutions for difficulties they have experienced.

The Financial Plan of Action is an easy-to-use resource to help clients, their families and whānau to build their financial capability and resilience to changing economic circumstances.

The Financial Plan of Action is developed with a financial mentor and is easy for a client to use and update as needed. The Financial Plan of Action is client-owned and used to support and record strengths-based conversations with their financial mentor. These conversations might cover a range of topics, including the broader support the client may need to achieve their goals.

Clients without a Financial Plan of Action may be inspired to develop one of their own, or work with a financial mentor to do so.

How people access MoneyMates

Clients can self-refer or be referred – clients may be encouraged to come with their friends or family. Referrals may come from other community organisations, government agencies, or anywhere else.

Work and Income will play a role as they will discuss financial mentoring and MoneyMates opportunities with clients, particularly those being asked to do budgeting activities.



Incentivising clients

It's important that providers and facilitators also think about strategies to recruit additional MoneyMates clients. While referrals will play a part, communicating with clients and encouraging them to refer themselves onto the programme should be part of your planning.

Cast your net widely for potential clients. Evidence has shown that people facing extreme hardship, social exclusion and other challenges derive particular benefit from peer-led support.

Consider the barriers to attending MoneyMates that clients may face, and how you can help overcome these. We have received feedback that a range of incentives can provide effective responses:

Barrier	Incentive
Inflexible work	Evening courses or flexible meeting times
Childcare responsibilities	Free childcare
Language difficulty	Special instruction
Extreme hardship; social exclusion	Provide refreshments or 'care packs'
	Assist with transport

Forming successful groups

Recruiting existing 'natural groups' united by kinship, common interests or friendship can be a win-win strategy: you fill a course quickly, the existing group can work together to achieve the change they seek, and in the way they want.

It is important to tell them that they do not have to share any personal financial information with their group – it's about learning and sharing knowledge.

You may want to consider customising the course to suit their preferred learning styles, needs and the time they have available.

Recruiting 'natural groups'

Groups of clients who already know each other will require fewer group formation and icebreaker activities and may be ready for financial capability building work sooner.

Providers should form links with community groups and organisations that are likely to have concerns about some of their members' financial welfare. These can include:

- church groups
- workplace social clubs, especially diverse or low-wage workplaces
- iwi and hapū
- ethnic and cultural associations
- sports clubs
- support groups
- trades unions.

MoneyMates Fund

A supporting fund will be available, providing small grants to community groups and providers. It will be aimed at innovative and exciting new ideas targeted at the most vulnerable communities and delivered through MoneyMates.

Financial mentors and MoneyMates

Clients may transition to a financial mentor service after they have participated in MoneyMates, or vice versa.

Providers can provide one or both of the financial mentor and MoneyMates services.

Clients can receive both services simultaneously. Depending on which service best meets a client's needs, either a financial mentor and/or MoneyMates will be provided.

For clients receiving both services, providers (if more than one) delivering the two services are expected to work closely together.

MoneyMates and other products

Within the overarching MoneyMates service, facilitators are free to use a range of approaches and financial education products, or select components from these products (subject to the products being open-source, or providers having appropriate agreements).

In short, if you have a facilitation approach or product that you have found effective, continue using it while we work to develop MoneyMates – and consider sharing your best practice and evidence with the MoneyMates development community.

Community resources

Facilitators need to understand the resources in their communities that are available to support the group. Over time they should build links with these resource providers. Ultimately, group members may be ready to add their support to further build up these resources.

Community groups and resources which may assist the growth of financial capability and resilience can include:

- co-operatives (for buying, resource sharing or car pooling)
- community gardens
- time banks
- social enterprises; small business development support
- savings schemes (iwi, community, workplace etc.)
- interest-free loans, and ethical lending / microfinance providers (eg google Community Finance; Kingdom Resources; Ngā Tāngata Microfinance)
- SuperGrans, elders, kaumatua and kuia
- marae and churches
- general cultural, sport, support, and recreation groups.



Use the Family Services Directory to research resources in your community:
www.familyservices.govt.nz

Requirements

The Ministry of Social Development will continue to work with MoneyMates providers to create a flexible but consistent MoneyMates service across the country.

Providers should be guided by this *Facilitators Guide*. Training for facilitators will be available as part of the MoneyMates development.

Providing facilitators support

Providers will ensure all facilitators hold essential core skills and knowledge relevant to their clients and provide mentoring, supervision and training to people leading peer-led support sessions.

Charging for services or materials

Providers will not charge MoneyMates clients fees or expenses.





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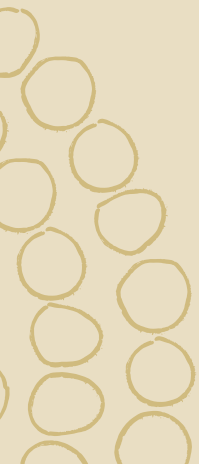
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Key elements of practice

Underpinning the approach to delivering services is the belief that clients, their family and whānau are the experts in their own lives and have control over their own journey to becoming financially capable.

This approach to service delivery includes:

- evidence-based, good-practice approaches
- the social and cultural context of the community
- engaging in a client-led and whānau-focused way, including:
 - people, families and whānau co-deciding the delivery of the support they receive
 - recognising the importance of cultural responsiveness in service delivery
 - designing accessible services.
- working with other services and agencies for a collaborative, integrated and holistic approach
- regular review, reflection and monitoring of practice and service, including client, facilitators and external feedback, and changing and modifying practice in response
- formal feedback processes for reporting purposes and so that clients know how information they provide will be used
- relevant training, professional development and (where appropriate) supervision, and appropriate resources and support
- encouraging a 'community of practice' to share ideas, information, and build professional practice knowledge.

Case study

W is a great example of how budgeting can transform lives. She first visited us in January 2014 looking for help. At that stage W and her two pre-teen boys were in a house that had no power supply. Alcohol-fuelled violence often drove them out, so they would go and sleep under a local bridge.

She had no car or furniture and a lot of debt. She had been in the budgeting advice system for many years but advisers hadn't connected her with any education to learn better habits. Putting them on Total Money Management – again with no education – had kept them surviving but without building any money skills.

W was basically camping out at the ATM machine every Tuesday night to withdraw all her money as soon as it hit the bank, leaving all her direct debits to bounce. She was averaging over \$60 a week in bank fees and all her debts were escalating while she and her children were barely surviving.

High intensity engagement with twice-weekly appointments and proactive work with her financial mentor helped W learn what she needed to know. She got stable housing, furniture from an opportunity shop, and started working through the mountain of debt (much of which was actually the result of illegal contracts).

When she left our service, she was down to one \$1600 debt left to pay. More importantly she could now prioritise the basics, say no to the retail trucks and to save for the things she needed.

Today's clients can be the next generation of peer facilitators

She rang me last week to ask if she could come see me again. I was worried: what would I find? How much trouble was she in?

In fact, I was pleasantly surprised. W's financial habits have been completely transformed and her life is very different now. She has accumulated no new truck or loan shark debt and reduced existing debt to almost nothing. She has stuck to the plan, using all the financial capability techniques she had learnt. Both her boys are in school regularly and she has a zero tolerance for violence policy in her home – her older kids have learned to expect a visit from the police if they break that rule!

When I talked to her about coming on board as a peer facilitator she was really surprised as she doesn't see her achievement as being that great – I am totally blown away by what she has learned and how she has turned her life around.

We are hoping that W will take a leadership role in our MoneyMates programme. If she can also recruit her whānau and friends and get them talking about money issues it could be a really positive cultural change. This family is quite large and very influential locally so the flow-on effect could be awesome.

I'm really looking forward to the new services rolling out – there is so much potential in having more flexibility around what we deliver.

Thank you to Kathryn Burton, a Senior Adviser at the Waahi Whaanui Trust in Huntly, for providing this case study*.

* Client W's story is published with her full involvement and permission. Her details have been lightly disguised.

Know your client

Everyone is an individual and will bring their unique contribution to the group.

However, a broad understanding of the differing ranges of experience, vulnerabilities and financial capability that clients bring with them will contribute to group dynamics and facilitators' understanding, so that appropriate support and resources can be offered.

Grouping clients into broadly similar types of shared experience is one way for facilitators to begin getting to know their clients.

The financial capability continuum

The approaches and services our clients may need is different according to where they sit along a continuum that ranges from low financial capability and literacy towards higher levels of financial capability.

Through our research we identified that a client's position on this continuum has implications for their likelihood of falling into financial hardship, their ability to escape from it, the severity of that hardship, and how long they will experience it.

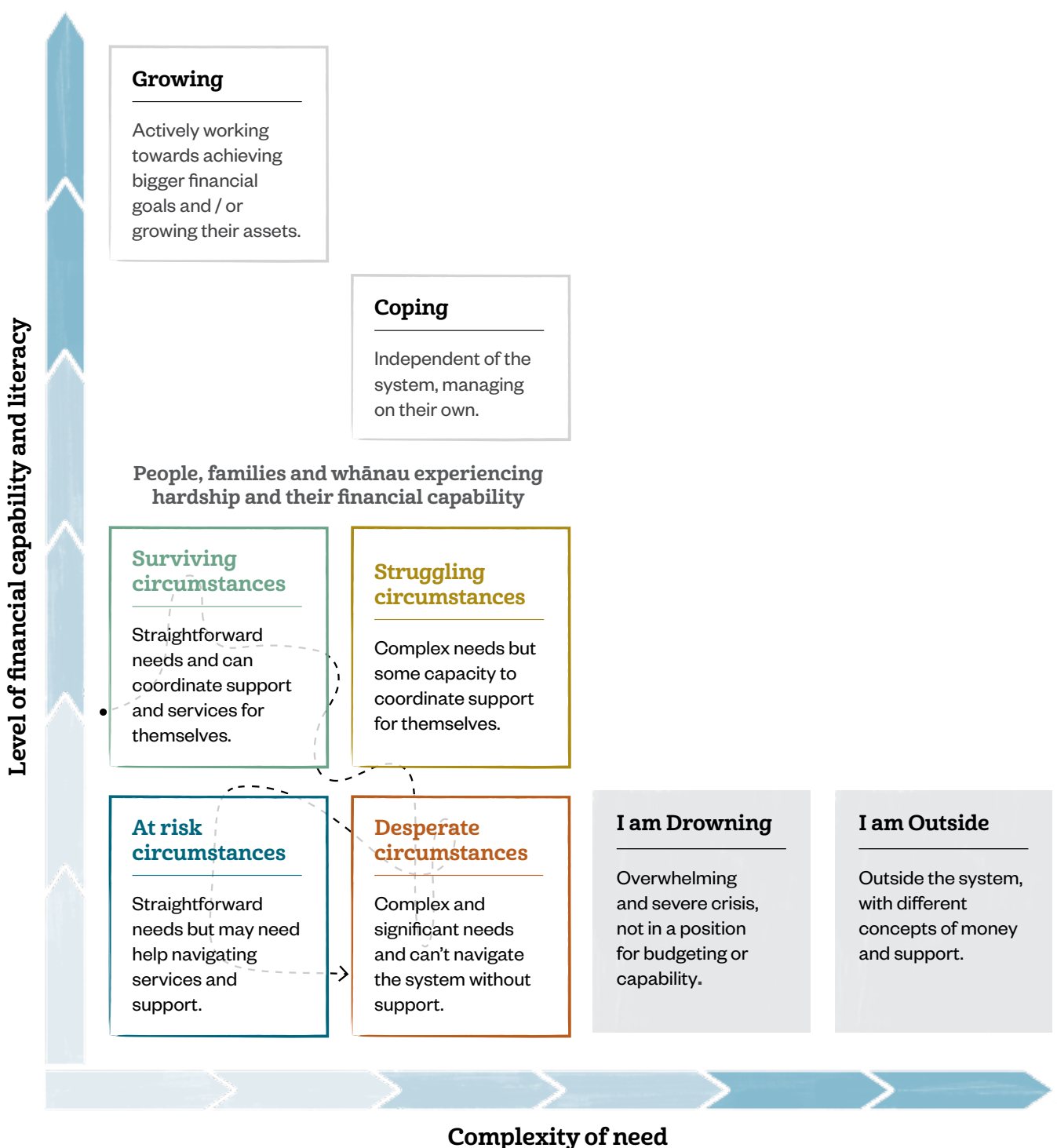
The ability for clients to move up the financial continuum, by changing behaviours and recognising their own financial truth, is the challenge that facilitators face.

When we identify that clients also have varying complexity of need and ability to navigate through the financial capability system themselves, clients can often be broadly identified and supported.



Our companion publication *The Voices of People – families and whānau experiencing hardship* offers more detailed information on this model, including client journeys experienced by a range of people using Building Financial Capability services.

The financial capability continuum



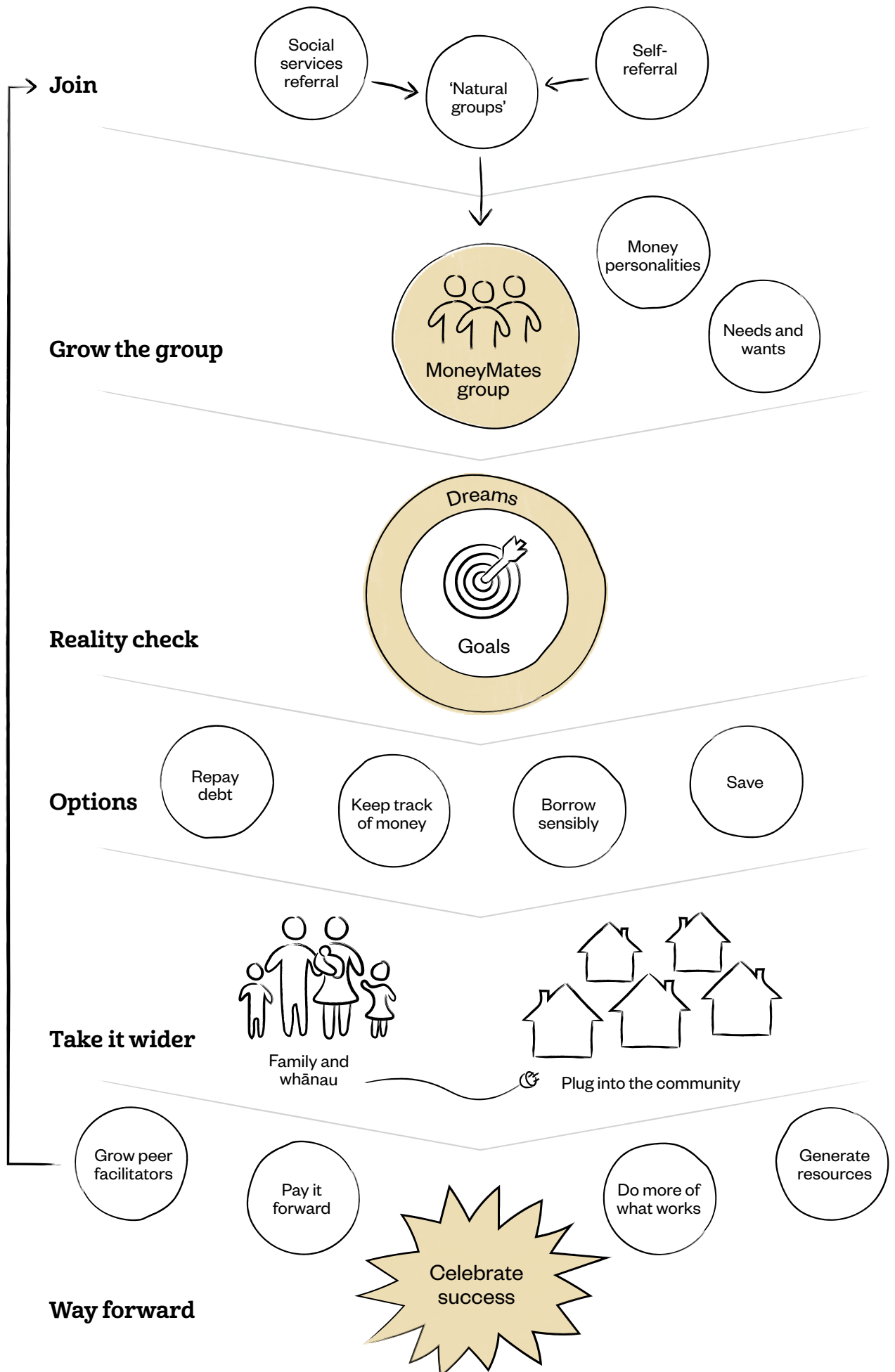
A group's journey

The expectations for MoneyMates facilitators working with clients, families and whānau are similar to those for financial mentors.

MoneyMates facilitators will:

1. receive referrals from different channels
2. build relationships over time, starting from session one and building on that foundation over the sessions
3. help to reduce immediate pressure as a priority and introduce planning in follow – up sessions
4. work with clients and their families and whānau
5. help clients identify their aspirations and develop plans for change
6. think widely about community resources and opportunities for clients to improve their connection with their communities and income-generating opportunities
7. encourage the celebration of success
8. grow the next generation of peer facilitators.





Building Financial Capability principles

Building Financial Capability services, including MoneyMates, are underpinned by a set of principles to deliver the optimum client experience. The principles are:



Client-centric and embedded with learning

Empowering clients works best when processes and services are meaningful and actively help clients connect to what they need to build their own financial capability and resilience.



Integrated and connected

Services are integrated across the social sector, easy to navigate, continuously improved, and focused on client outcomes. Clients get the right support, when and how they need it.



Culturally responsive and relevant

Services and initiatives recognise that there are differing approaches and understandings of financial capability and resilience. Delivery is meaningful across a range of cultures.

**Accessible when needed**

Services are easily accessible, appropriate, and can respond to clients' cultural context, language, diversity, and personal situation, including any impairments or disabilities

**Strengths-based and aspirational**

Clients are inherently capable and resourceful. We value skills, knowledge, connections, and potential in people and communities. Our language and approaches are future-focused and support clients to focus on their strengths to build financial capability and resilience.

**Whānau-centred**

We work with clients' natural supports including family, whānau, peers, local communities, and social and health navigators for behaviour change through and with these relationships.

Whānau-centred approach

Facilitators work with people's natural supports including family, whānau, peers, local communities, and social and health navigators for behaviour change through and with these relationships.

Client-centred and whānau-centred approaches

Aligned with strengths-based approaches, Building Financial Capability services are client- and whānau-centred. This means that the needs of clients, their family and whānau are at the centre of services to ensure they receive the right support.

Being client-centred allows clients to drive their journey, learning and change. This recognises that clients are capable and responsible for determining their own lives.

A whānau-centred approach refers to a culturally grounded, holistic approach in which providers are focused on improving the wellbeing of whānau and address individual needs within a whānau context. It recognises the complexities of families and whānau and the importance of creating an environment where whānau strengths are endorsed, whānau ownership of solutions and actions are encouraged, and authentic relationships between whānau and providers are the norm. Whānau should have the opportunity to extend their own resources and expertise while also addressing the needs of individual members.

By placing clients, their family and whānau at the centre of services, and building on the strengths and capabilities already present, whānau will build the capability to prevent crises, be resilient, respond to challenges, and invest in their futures.

Strengths-based practice

Strengths-based practice focuses on working collaboratively with people to exercise choice and control over any support they may need. Relationships and rapport are the cornerstone of this approach.

The facilitator's role is to co-facilitate solutions through strengths-based conversations. This recognises that facilitators do not always have the answers, but focus on the things that are working well to create positive experiences driven by the client's intrinsic goals and aspirations. These conversations will help people develop and drive their strengths-based financial plan.

The approach

A strengths-based approach values the capacity, skills, knowledge, connections, and potential in people and communities, emphasising people's determination and strengths. This approach views people as resourceful and resilient in the face of adversity, and as the experts of their own lives. It is client-led and client-owned with a focus on future outcomes and strengths that people bring to overcome their challenges.

Acknowledging the client's strengths and working with these is the starting point for positive change. It also reminds the client that they have the inherent capability, and helps to build on their strengths. It allows the client the opportunity to see solutions rather than just problems. It builds the client's capability and resilience to respond to on-going changes and challenges.

A strengths-based approach offers genuine support for clients to control their own lives by:

- building a positive and collaborative relationship, recognising that the client is the expert in their own life
- empowering them to take a lead in their achievements in ways that work for them
- working collaboratively to achieve their goals.

Principles of a strengths-based approach

1. Every client has potential and it is their unique strengths and capabilities that determine their journey, not their limitations.
2. Focus on strengths and abilities, not labels – see challenges as opportunities.
3. Change is inevitable – everyone wants to succeed in some way.
4. Positive change occurs through trusted and authentic relationships. All clients need to feel and be appreciated – it is a transactional and facilitating process of supporting change and capability-building.
5. A client's perspective of their reality is central. Valuing and starting the change process with what's important to that person is integral.
6. Clients will have more confidence to achieve their goals when they start with things they are familiar with, and ways that have already worked for them.
7. Capability-building is a dynamic, life-long journey so it takes time.



04

Resource modules

36 Resources for facilitators

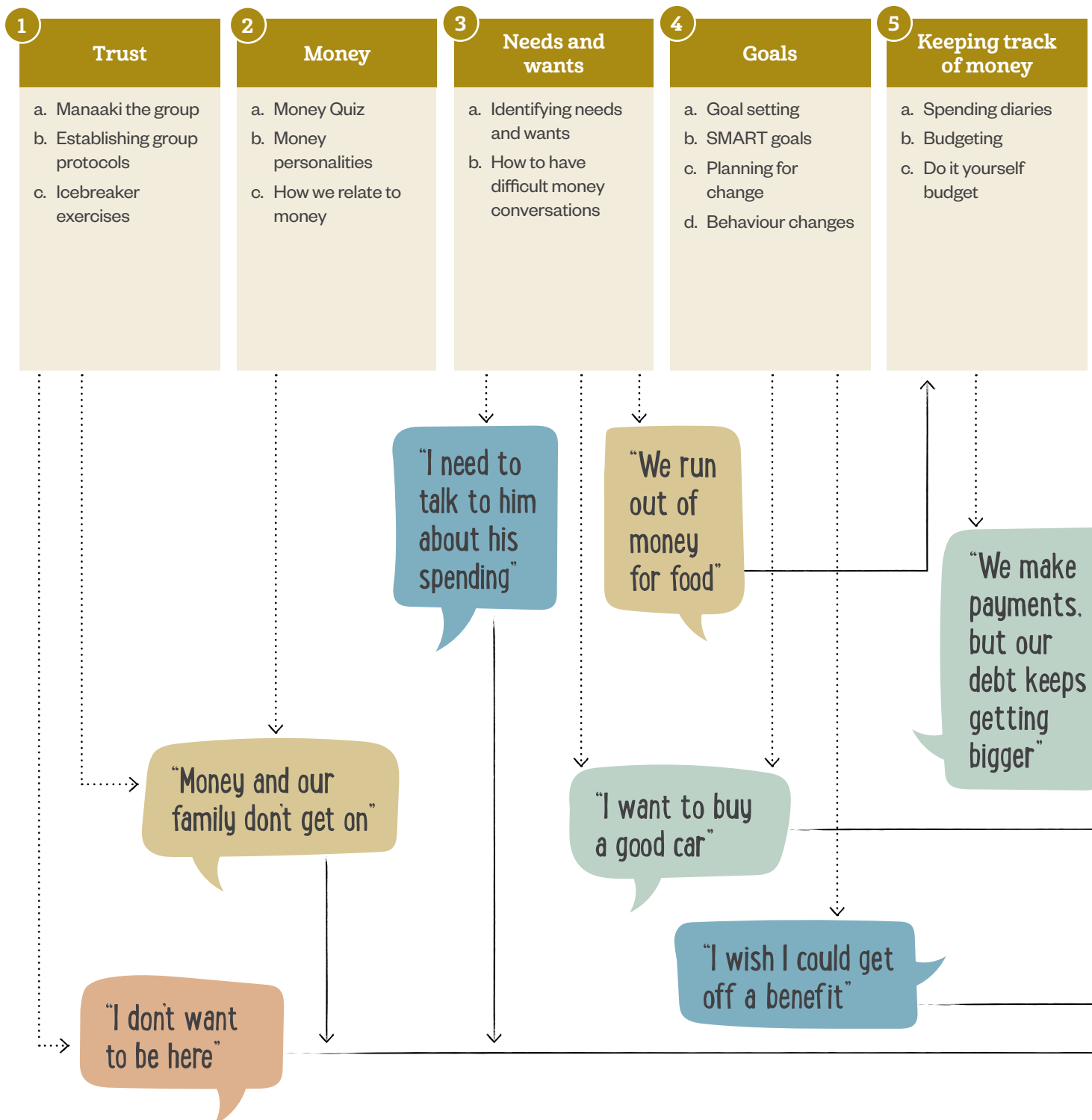
- 01 Trust
- 02 Money
- 03 Needs and wants
- 04 Goals
- 05 Keeping track of money
- 06 Paying off your debt
- 07 Borrowing sensibly
- 08 Save
- 09 Get a fair share
- 10 Pay it forward



MoneyMates resource modules 1–8 are adapted from material developed by the Westpac Massey Fin-Ed Centre.

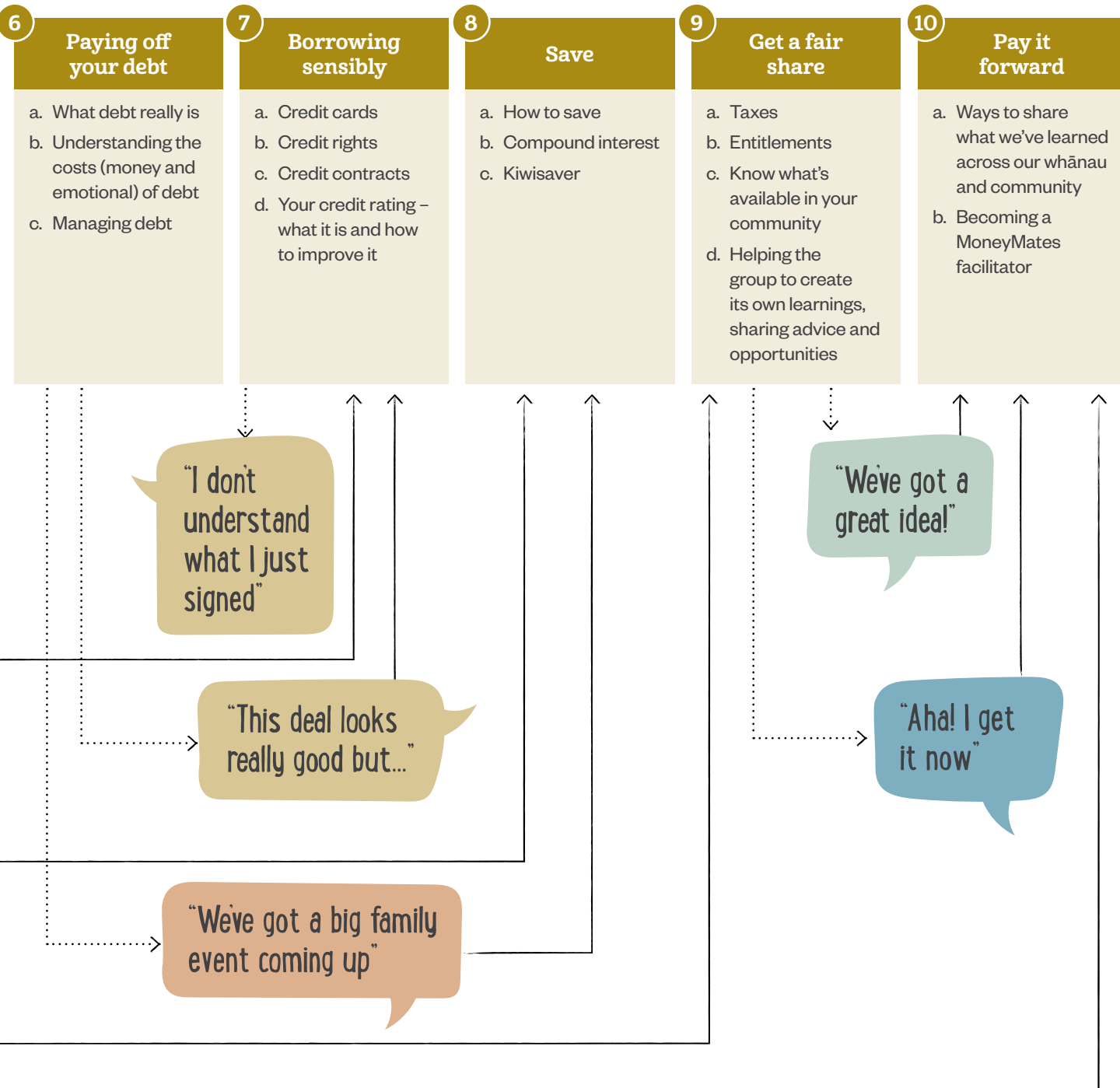
Resources for facilitators

- The group decides what they need – listen to what they're saying
- These ten modules contain resources you can use to inform the discussion
- The group influences when these modules are used.
- Not everything needs to be covered.



You should also

- add local resources (expert speakers, local champions)
- build on the community
- tap into the 'gold of the group'





Module one - Trust

The first goal is to establish the MoneyMates group and build trust within it.

Choose any one of these or a combination depending on the group's needs.

- Manaakitanga - provide opportunities for everyone to share personal stories within a welcoming, comfortable and safe environment (*see page 12*).
- Start the meeting with an appropriate opening (karakia / statement of welcome).
- Begin forming the group using whānaungatanga (relationships, kinship - relationship through shared experience) principles, i.e. Mihimihi, introductions (name and aims).
- Provide a sense of safety.

Modules and other resources

MoneyMates provides an entry to Building Financial Capability.

If group members ask for in-depth information, this can be accessed through Sorted – which we recommend – and other resources.

In this guide, we use icons to suggest different content types:



for group discussion



an exercise or quiz



answers

(you may need to cover these up while the group works)



information / resource link

Most of the module material is written for group participants and can be shared with the group.

Instructions or tips for facilitators are written in italics.

This is a library of resources, not a curriculum, and the group should have input into the modules they use (see page 35 for more discussion about this.)

Establish a MoneyMates group agreement

Once the welcoming has been done - agree group protocols using these guidelines.

- Health and safety requirements.
- How the group will operate.
- Agree break times.
- Confidentiality of information discussed.
- Respect for all clients and all ideas presented.
- Behaviours - no talking over each other, and no judging, putting people down or making fun of each other.
- Cellphone rules and, if needed, a smoking policy.
- Questions are good - no question is a stupid question. Every question is an opportunity to learn something new.
- Everyone can choose what and how much they want to share.

A Groupbook (workbook for participants) is available as a supporting resource.

The workbook includes space for a group agreement on page 4.

Agreed protocols depend on the people in the group - some people may be more comfortable with clear rules.



Your facilitator's role in the group

At each meeting, you and your facilitator should work together to:

- identify and deal with any urgent issues
- share what everyone wants to get out of the meeting
- agree the meeting objectives
- agree the group's expectations of the facilitator, and the facilitator's expectations of the group
- ask for assistance or information as needed.

Eyes and ears

To be a successful MoneyMates facilitator, it is important that you keep your 'eyes' and 'ears' open at all times.

*The principles of **listening with intent** include listening to gain understanding, placing your full focus on hearing and comprehending what is being said.*

This can include so-called 'Type A' listening to the group member:

- *encouraging*
- *clarifying*
- *summarising*
- *reflecting*
- *empathising.*

Using 'Type B' listening you'll also focus on the deeper information being conveyed:

- *the energy the person is showing and how it changes*
- *the beliefs they hold about themselves*
- *the values they are displaying*
- *the emotion that surrounds the content*
- *the information that their body is offering*
- *clues to their personality.*

If you have two or three facilitators working with the group, you can share these responsibilities.

There will be moments when you will run into a wall of silence despite your efforts to engage all the group members. You might also hear comments like 'I don't want to be here ...'

You can see these as teachable moments. Refer to your facilitators' training for possible support strategies. A Tool Kit of responses to blockers will be available on our website from late-2017.

Clarify your role

You are not there to 'fix' their problem as an expert.

Your role as MoneyMates facilitator(s) is to:

- *use strengths-based practice (see page 33) to help them to identify what resources they already have and what they may need*
- *help them find appropriate tools (resources, strategies and tactics) to help themselves*
- *work with clients (and the group if appropriate) to answer any questions*
- *refer them to a financial mentor or other appropriate people if they need further help.*

Learning outcomes

If you have structured requirements, this will be a good time to agree with the group:

- *what will and won't be covered*
- *the timeframe of each meeting*
- *if there are 'homework' tasks that need to be completed between meetings*
- *how you and the group could conduct the meeting to achieve the outcome(s) in the time you have available.*

Client check-in form

The BFC Client Outcomes Measurement Tool (known to clients as the client check-in form) should be used with all MoneyMates participants. Information for facilitators is available on page 44, or search for "Guidance and resources for BFC providers" on the Ministry of Social Development website:

www.msd.govt.nz

Icebreakers

Icebreaker activities are useful to help bring together a successful MoneyMates group.

See one example on the next page. You can substitute some of your own that you have used successfully.



Sample icebreaker activity

Human treasure hunt

Your task is to find someone who:

	Tick
Was born outside New Zealand	
Was born in the South Island	
Looks after grandchildren	
Has two or more brothers or sisters	
Is not scared of spiders	
Has three or more children	
Plays a musical instrument	
Enjoys reggae	
Regularly reviews their budget	
Has something for sale on TradeMe	
Has more than 200 Facebook friends or Twitter followers	
Has won a medal	
Likes tramping / hiking	
Has grandparents still alive	
Has family / whānau living overseas	

The goal is to tick as many of these 15 things as possible.

You can work together or individually to find people with these characteristics.



The Client Outcomes Measurement Tool*

****Known to clients as the Client Check-in Form***

- *Developed by the Ministry of Social Development specifically for BFC providers, the Client Outcome Measurement Tool is designed to:*
- *provide a simple measurement tool for providers to use with their clients, so they can provide feedback about their progress and outcomes, and their satisfaction with services*
- *enable standardised and consistent tracking and measurement of client results at a provider level, so that providers and MSD can continuously improve BFC services to clients*
- *be aligned to the result measures in providers' contracts, and with databases in common use by BFC providers.*

[*Download the Client Outcomes Measurement Tool from the MSD website*](#)

Provider Guide

A Provider Guide gives comprehensive guidance on how to use the tool. It includes answers to frequently asked questions and suggested scripts for using the tool in sessions with clients.

Privacy issues between the client, the provider and MSD are explicitly addressed in both the tools and the guide for providers.

[*Download the Provider Guide from the MSD website*](#)

Module two - Money

Now that you have worked to establish trust in the group, you may like to start the meeting by asking one question:

If your money could talk right now, what would it say about its relationship with you?



You can run this activity in two ways. You can either:

- 1. Give the group a list or cards with statements that you have prepared and ask them to select all that apply to them (and to add anything not covered), OR*
- 2. Ask group members to write on post-it notes and to share them with the group or the person sitting next to them.*

Are people saying comments like:

- money and our family don't get along
- we keep running out of money
- I was never good with money
- I wish I was better with money?



Extra activity

*You could also ask each group member to write down **one thing that they are good at when it comes to money** (using post-it notes), and put them on an A2 sheet on the wall.*

These activities can give us (the MoneyMates group) a better understanding of any problems we are having with money, the strengths we have already, our attitudes to money and how we view money.

Discussing money personalities may help with these insights.

You and money



Money means different things to us all.

For some people money is a great way of getting what they want and they don't really worry about it.

For others, money can mean stress and concern as they try to make ends meet.

Money personalities

The exercise on the next page is written to help you find out what kind of money person you are.

- Have a think about what you are like with money.
- Read all the statements and tick the ones you think sound like you.
- **The box with the most ticks (Free spirit, Spender, Shopper, Struggler, Borrower, Saver, Investor) indicates your strongest money personality feature.**

The quiz is designed to help you to become aware of how you relate to money.

It is not a test, and there are no wrong answers – each personality has positive and negative aspects.



Quiz: your money personality

(tick as many as you want)

YES

Free spirit	Do you think there are more things in life than being rich?	
	Are you always helping people in need?	
	Is how much you earn or spend not a priority for you?	
Spender	Do you need the latest phone and want to wear famous-brand clothes?	
	Are you comfortable taking risks with money?	
	Do you think if you <i>look</i> like you are well-off, that will help you to <i>become</i> well-off?	
Shopper	Do you spend a lot of your time shopping, or buying online?	
	Do you feel good when you get a bargain, even if you don't really need the items?	
	Do you think buying in bulk when things are cheap is an effective type of saving?	
Struggler	Do unexpected emergencies or sickness/accidents cause a money crisis for you (and your family and whānau)?	
	Have you developed skills that help you survive on almost no money?	
	Do you find sometimes that you (and your family and whānau) have to go without important things like food or warmth?	
Borrower	Do you have to borrow to buy food, pay the rent/mortgage or power/water bills?	
	Is it hard to keep track of your income and spending?	
	Do you think careful borrowing now is a good way to have a better life in future?	
Saver	Do you spend money only when you absolutely need to?	
	Do you know which banks and finance companies pay the best interest rates?	
	Does watching your savings grow make you feel happy?	
Investor	Are you often looking for new ways to increase your money?	
	Do you feel comfortable about your financial position?	
	Do people ask you for advice on how to make money grow?	

Now go to the next page for tips for each personality . . .



Tips for your money personality



Free spirit

It's great there are open-hearted people like you

BUT you also need to focus on your future 🍀4



Spender

It's good to have style and nice things

BUT wait a moment before choosing— is this really a Need? 🍀3



Shopper

You're a skilled bargain hunter

BUT don't spend all your pay, save some for another day 🍀3,5



Struggler

You have strong skills in making ends meet

BUT find ways to improve your real income 🍀5,6,9



Borrower

A loan can help you move forward

BUT ask is it a safe loan, can you afford it, is it for growth? 🍀6,7



Saver

A savings cushion reduces stress and gives you options

BUT don't get so focused on your savings balance that you miss opportunities 🍀8,9



Investor

You have built your financial skills

BUT research ways to do more with your money - time to pay something back? 🍀9,10



This symbol means there's more information or discussion in MoneyMates modules on these tips. The group or your facilitator could put up a reminder to return to these tips in later meetings.

Adapted from Smith, L. (2013). *Test Your Money Personality*. Retrieved from

<http://www.investopedia.com/articles/basics/07/money-personality.asp>



My Action Plan

Based on our discussion and insights, here are three changes we will make.

We will:

1 _____

2 _____

3 _____



Alternative activity

Our relationship with money - Quiz

- We are all good at some things to do with money.
Answers to these questions will help us find the areas that we want to strengthen.

The aim of this quiz is to help with money management. It is not a test, and there are no wrong answers.		1	2	3	4	5
		Need to work on this	Could be better	I'm OK	I agree	That's me totally!
1	I am in control of my money					
2	I know the difference between spending on essential things (Needs) and non-essential things (Wants)					
3	I prioritise my spending, making sure that I buy must-have things first					
4	I keep a record of money coming in and going out					
5	I pay regular bill payments when they're due e.g. the rent, phone bills, debt repayments					
6	I have money put aside so I can pay for something unexpected without having to borrow					
7	I know there are different ways of saving and where I can get the best growth of my savings					
8	I can stay out of debt					
9	I have a plan of actions to improve my financial position in the future					
10	I know where to go for information and advice on money issues, including ways to manage debt					
11	<i>And one for young people</i> – I know the cost involved in living away from home/flatting					
Total up the ticks (if there are lots of 1s and 2s, we could do more work in those areas).						

Module three - Needs and Wants

What do we see as a Need and what do we see as a Want

Essential spending and discretionary (optional) spending can be redefined as **Needs** and **Wants**.

- We **Need** to pay our bills to stay in our houses, have water, power and food.
- We may **Want** to eat dinner in restaurants, go to a pub with friends or buy a Lotto ticket.

The trick to good habits with money is to know the difference.

- Look at this table to see examples of **Needs** and **Wants**.
- A key difference between the two is that cheaper alternatives can often be found to achieve Wants.

Need	Want
We need food	We want to get takeaways for friends
We need clothes to wear	We want to buy designer label jeans
We need transport	We want a car that will impress people
We need to stay fit	We want to book sessions in the downtown gym
We need some time out	We want to book ourselves on a holiday

How do we pay for the things we Want?

We are likely to share answers like:

- we just buy it when we want it
- we try to save for the things we want but it's not enough so we borrow the money
- sometimes we have to go without things.



Do we have enough money to do these things? (*You can keep this list private if you want.*)

Tick:

Yes if we have enough money to do it or

No if we do not have enough money to do it

What do we use money for?	YES we have enough	NO we don't have enough
Pay the bills		
Buy new things		
Pay off debt		
Save for later		
Help friends and family, whānau		
Go out with friends		
Donate to church / charity		
Buy cigarettes		
Buy groceries		
Save for an emergency		

Discussion

The answers to these questions in the activity will generate discussion.

*You can lead the discussion about what are the **Need** items and what are the **Want** items.*



- What does the group see as a Need and what do we see as Want?

The activity on the next page (page 53) will give us some insights and an opportunity for further discussion. In the group we will:



- Decide if a range of everyday household spending is a Need or a Want
- Come up with our own definition for 'essential' and 'non-essential' spending
- Identify essential and non-essential items in our own spending
- Add to the list.



Essential or not - is it a Need or a Want?

Buying or paying	Essential (Need)	Non-essential (Want)
Rent		
Loan payment		
Fines		
Credit / store cards		
Tax		
Electricity / gas charges		
Mobile phone		
Internet / broadband (Wi-Fi)		
Food / groceries		
Lunches / snacks		
TV / Sky		
Pubs / bar visits		
Music streams / CDs / DVDs		
Other sports / recreation		
Magazines / books		
Prescriptions / sanitary products		
Travel - bus / train fare		
Clothes		
Child care		
Savings / emergency fund		
Donations / payments to family		
Personal hygiene		
Car - petrol		
Car - repayments		
Car - repairs		
Lotto tickets		



Additional activities - a Need or a Want?

Case studies can be used as an activity sheet and also to generate some group discussion. Activity sheets are just as useful for working with one person as they are for groups.

Choose the one most appropriate for your group.

Case study one

Sophie received \$750 from her grandparents as a combined birthday and Christmas gift. She has been longing to buy a new pair of shoes and update her wardrobe as she is starting her first full time job in two weeks' time. However, next month she is also moving into a flat on her own and will need to pay two weeks' rent in advance, bond money and shifting cost – this totals \$1250. Sophie thinks that if she spends the money from her grandparents to buy shoes and clothes now, she will still be able to save up enough money from her job to pay for the flat. She is **not** very sure! Can you help?

In our view, what are the Wants and why?

What are the **Needs** and why?

If we were in this position, what decisions would we make and why?

Case study two

Rami has been invited to an out-of-town New Year's Eve party and festival by his friends. They have all decided to share the costs and drive to the venue. The travel will take around 8 - 10 hours. His share of petrol, food, tickets and accommodation is likely to be around \$400. He also knows that he has a car loan payment of \$150 due soon, and he has to pay \$95 for his phone by the end of this month (November). With Christmas coming up, he also needs to buy presents for his whānau. He thinks all the presents will come to \$100. He currently has \$800 in his savings account.

In our view, what are the Wants and why?

What are the **Needs** and why?

If we were in this position, what decisions would we make and why?

Case study three

Huia is preparing to leave for university. She lives in Rotorua, but will be studying in Wellington. She is planning to buy a car to get her there and help her to travel between the two cities. As she plans to rely a lot on her car, she wants to buy something reliable and is torn between buying a new car for \$22,000 and a good car costing her \$10,000. So far she has saved \$8,000 which she plans to use to buy a car and take out a loan for the remaining amount. Can you help her decide which car to buy?

In our view, what are the Wants and why?

What are the **Needs** and why?

If we were in this position, what decisions would we make and why?

Having difficult conversations about money



Discussion

Your teenager comes to you and says -'I need a pair of \$290 Nike shoes'.

- How would you respond to this request?
 - *Once you have explored their responses then you can summarise by giving some suggestions of your own - for example the conversation could ask: "do you need a new pair of shoes or do you need a new pair of Nikes?"*
 - Agree what is needed, then work out what is wanted.
- How could we pay for it?
 - *Have a conversation about - what if we don't / can't buy this now? What will happen? Can you live without it?*
- What sort of methods do we have for deciding what gets paid for first?
 - *Talk about ways of prioritising / allocating money to different items.*
 - *Discuss how to decide what to buy now and what to buy later.*

Module four - Goals

In this module you may like to explain the difference between a dream and a goal. You can do this by introducing the following activity (page 60) and / or play the video first and then start the discussion. Introduce the individual activity and encourage clients to list their dreams.

Dreams and goals



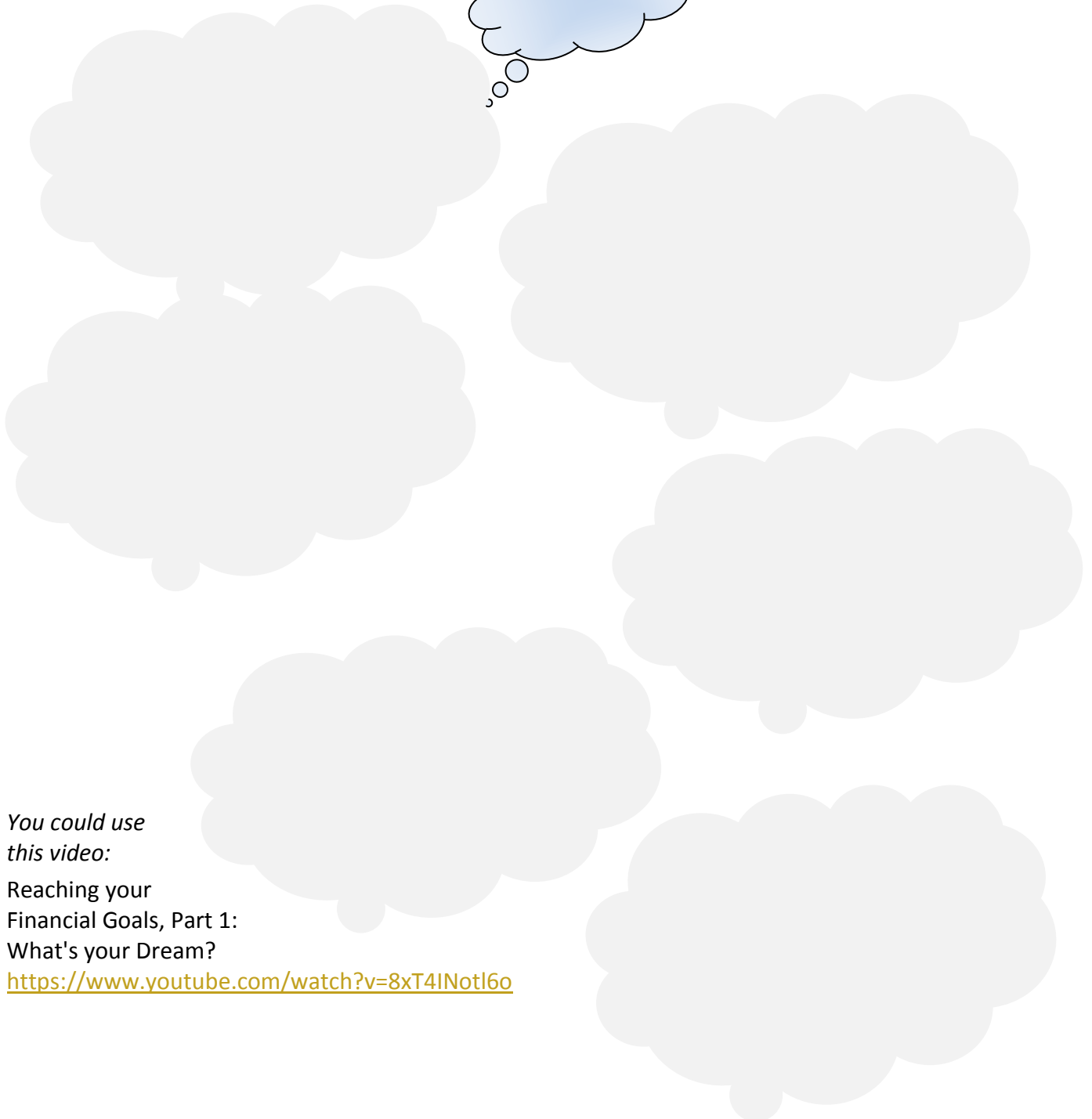
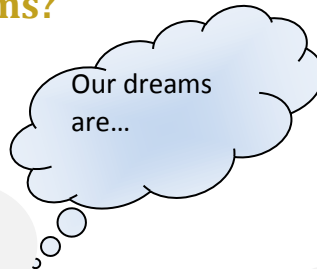
Goals help us stay focused with our money and use it wisely.

A goal is simply a dream with a plan and a deadline attached to it.





What are our dreams?



*You could use
this video:*

Reaching your
Financial Goals, Part 1:
What's your Dream?

<https://www.youtube.com/watch?v=8xT4lNotl6o>



Why do we need goals?

Brainstorm on the importance of goals using the table below.

What is good about having goals?	What happens if you don't have goals?



Describing SMART goals

You may want to introduce the topic by showing this video -

Reaching Your Financial Goals, Part 2: Creating a Plan,

<https://www.youtube.com/watch?v=E3dKkFcFfwc>

This video will help you to start the discussion.

You may have your own resources that you would like to use to get the group involved.

Understanding your financial situation

The first step to setting SMART goals is to understand your financial situation. This consists of knowing where your money is going and where you can make savings. It's important to understand what spending is essential spending and what is discretionary.

Essential spending is what you have to spend to live

Discretionary spending is spending that you can do without if you have to.

Good goals are SMART

What does this stand for?

Specific	Is the goal clear?	
Measurable	How will I know when I have achieved it?	
Attainable	Can I do it if I try – is it achievable?	
Realistic	Hoping to win Lotto is not realistic!	
Timely	How long will it take?	

Let's start to turn our dreams into SMART goals.



Turning dreams into SMART goals

Turn at least two dreams into SMART goals using the table:

My dream	Specific	Measurable	Attainable	Realistic	Timely
Put a dream in below	Is it specific? e.g. We want to buy a newer car	How will we know when we have achieved it? We will have saved the \$4,000 we need	Can we do it? Yes, if we save \$200 per week	Can we <i>really</i> do it? But that would leave us only \$100 to live on	Deadline We need it for next Christmas holidays
Dream 1					
Dream 2					
Dream 3					



How do we stick to our goals?

Brainstorm the ways we can stick to our goals when we set them.

What **actions**
do we need to
plan?

You may like to use a video for this exercise:

*Reaching your Financial Goals, Part 3:
Helpful Tips for Sticking to your Plan.*

<https://www.youtube.com/watch?v=BICLJcZ4PYs>



What can we do to ensure we achieve our money goals?

Think about the **SMART** Goals you set earlier.

Think about and write down three ways you can stay on track with these.

1	
2	
3	

Introduce the activity: Goals we have achieved

In the next activity (over the page) you'll ask group members to think about a time when they, their family and whānau achieved something they really wanted.

Answers might include:

- describing what was achieved e.g. a project at home or learning something new*
- pride or happiness at what was achieved*
- the steps taken to get there*
- the reason why the goal was achieved e.g. plan, focus, desire.*



Goals we have achieved

Think of a time you, your family and whānau achieved something you really wanted.

We achieved our goal	Answers
What did we achieve?	
How did it make us feel?	
What did we have to do to achieve it?	
How did we achieve it?	



Discussion: We did it once –we can do it again!

Talk about what you learned about achieving a goal and how that learning can be applied to other goals.

- Is there a way of thinking or a process that you can use again to help you to achieve other things?
- Can that be shared with other people to help them too?



Information

Reaching your Financial Goals, Part 3: Helpful Tips for Sticking to your Plan

<https://www.youtube.com/watch?v=BICLJcZ4PYs>

Additional videos that will help you to make goals and keep to them are:

How to turn your Dreams and Goals into success and money

<https://www.youtube.com/watch?v=VCMX2XOEzIA>

Why Should I Have Dreams and Goals?

<https://www.youtube.com/watch?v=4qxKMetfpF8>

How to Set Goals and Create a Vision for Your Life

<https://www.youtube.com/watch?v=xbpbjMKfuMQ>

Module five - Keeping track

You can have a plan for your money - knowing what you want to spend and on what items.

What would you buy, and what would you try to not spend money on?

Keeping a family spending diary for a few weeks can give a good idea of your spending.

Introducing the Simpson family

- They are a one-income family and they have a big mortgage.
- They are a family of four.
- There are two children - Daniel is 12 years old and Nat is 9 years old.
- They get \$1,800 in the hand (after tax) each fortnight.



Spending, plans and budgets

If you were the Simpson family, what would your spending look like for this week? See the next page for a sample Spending Diary for the Simpson family.

Your first job is to sort out their Needs and Wants.

- Go through this diary and make a decision about each item. Does it fall into a Need or Want category?
- Then add all the spending under the Need column and all the spending under Want column.

Instructions for facilitators

- *This exercise is good for pairs or groups as it will generate some discussion.*
- *Ask the group members to justify their decisions about Need and Want columns.*
- *You can facilitate the discussion by asking how they keep track of their spending. You can ask questions like - do you know how much money you spent last week and on what items? Group members could also write a list of items they spent their money on and whether it was on Needs or Wants.*
- *You can introduce proportion / percent concepts here if they want to strengthen their numeracy skills.*

The Simpson Family Spending Diary

Date of purchase	What was the item?	How much spent	Reason for buying the item	Who bought it?	Need	Want
Sun 9	Takeaway coffee	\$ 4.50	Morning tea	Mum		
Sun 9	Supermarket	\$ 285.50	Weekly grocery shopping	Dad		
Mon 10	Lunch	\$ 11.50	Went with workmates	Dad		
Mon 10	Petrol	\$ 87.50	Petrol for car	Dad		
Mon 10	Takeaway coffee	\$ 4.50	Morning tea	Dad		
Tues 11	School trip	\$ 15.00	Fees for Nat's trip	Mum & Dad		
Tues 11	Bakery food	\$ 4.75	Felt like a change	Mum		
Wed 12	School shoes	\$ 65.00	Replacement shoes for Daniel (he lost his shoes in the playground)	Mum & Daniel		
Wed 12	Coffee and scone	\$ 6.50	Special deal at the café	Mum		
Wed 12	New pair of trousers	\$ 45.00	On sale half-price	Dad		
Thurs 13	New dress	\$ 32.25	To wear at a party	Mum		
Thurs 13	Coffee and muffin	\$ 6.50	Special treat for Mum	Dad		
Thurs 13	Sushi	\$ 7.50	Forgot lunch	Dad		
Fri 14	Magazine	\$ 4.50	Treat	Mum		
Fri 14	Pocket money for Nat & Daniel	\$ 30.00	\$15 each child for a week	Mum & Dad		
Fri 14	Lotto	\$ 12.00	Weekly gamble	Dad		
Fri 14	New cardigan	\$ 62.00	On special (to match the dress)	Mum		
Sat 15	Donation to church	\$ 50.00	Weekly donation	Mum & Dad		
Sat 15	Newspaper	\$ 3.00	Weekend reading	Dad		
Sat 15	Present for Hemi	\$ 25.00	Nat's friend's birthday	Dad & Nat		



Our spending diary

To work, spending diaries need to be **complete** and **honest**.

You can keep track of your money and check whether you are spending money on Needs or Wants. This information will help you to prioritise your spending on Needs.

It will help you to:

- keep records of all your spending
- see how much you spend, and on what items
- identify if you have any spending leaks
- make any necessary changes to your personal money plan.

You can create your own format that works for you. To get the most benefit out of keeping the spending diary, it is best to do it for at least four weeks.

You can use a notebook or an old diary or your workbook.

Over the page there is a format that may help you to keep record of your spending.

Feel free to make changes.



It's important to keep a record!

What is the difference between a Spending Diary and a Budget?

- **A spending diary** is a record of your spending on a daily / weekly / monthly basis.
- **A budget** is a PLAN for your money - how much do you want to spend on particular items.

[illegible]

BigBank Ltd. Bank Statement

Mrs Sina Sua Cheque Account

June 2017

Overdraft Limit	-\$ 500.00	OD
Opening Balance	\$ 310.00	

Date	Transaction	Withdrawal	Deposit	Balance	OD
2-Jun	IRD Family Tax Credit (weekly)		\$ 74.00	\$ 384.00	
3-Jun	AP - RENT (weekly)	-\$ 480.00		-\$ 96.00	OD
	Western Union transfer - Mum	-\$ 100.00		-\$ 196.00	OD
4-Jun	Petrol Station	-\$ 60.00		-\$ 256.00	OD
5-Jun	Sina Sua's Wages (weekly)		\$ 200.00	-\$ 56.00	OD
	P&S Supermarket	-\$ 155.00		-\$ 211.00	OD
	Western Union transfer - Uncle's Funeral	-\$ 200.00		-\$ 411.00	OD
	TAB - horse betting	-\$ 40.00		-\$ 451.00	OD
	Lucky's Takeaways	-\$ 29.00		-\$ 480.00	OD
	Lotto	-\$ 20.00		-\$ 500.00	OD
9-Jun	IRD Family Tax Credit (weekly)		\$ 74.00	-\$ 426.00	OD
	Siasi's Salary (for a fortnight)		\$ 1,325.00	\$ 899.00	
10-Jun	AP - RENT (weekly)	-\$ 480.00		\$ 419.00	
12-Jun	ATM Withdrawal - Distant Cousin's Wedding	-\$ 100.00		\$ 319.00	
	AP - Instant Finance (monthly)	-\$ 200.00		\$ 119.00	
	AT Hop - Top Up Kids' Bus Fares (per fortnight)	-\$ 20.00		\$ 99.00	
13-Jun	AP - Church Donation (per month)	-\$ 100.00		-\$ 1.00	
12-Jun	Sina Sua Wages (weekly)		\$ 200.00	\$ 199.00	
	AP - School Fees (monthly)	-\$ 30.00		\$ 169.00	
	Kids Sports Fees	-\$ 20.00		\$ 149.00	
16-Jun	IRD Family Tax Credit (weekly)		\$ 74.00	\$ 223.00	
	Insurance - life, contents and car (monthly)	-\$ 150.00		\$ 73.00	
	Savings transfer	-\$ 50.00		\$ 23.00	
	The Warehouse - new dress I liked	-\$ 60.00		-\$ 37.00	OD
17-Jun	AP - RENT per week	-\$ 480.00		-\$ 517.00	OD overlimit
	Car payment - monthly	-\$ 215.00		-\$ 732.00	OD overlimit
	Bank Fee - Over Limit Fee	-\$ 10.00		-\$ 742.00	OD overlimit
	Reversal: Car payment - monthly NOT PAID		\$ 215.00	-\$ 527.00	OD overlimit
	Bank Dishonour Fee - car payment	-\$ 16.00		-\$ 543.00	OD overlimit
19-Jun	Siasi's Salary (for a fortnight)		\$ 1,325.00	\$ 782.00	
	AP - Electricity (monthly)	-\$ 180.00		\$ 602.00	
	Sina Sua's Wages (weekly)		\$ 200.00	\$ 802.00	
	Doctor visit and prescription	-\$ 35.00		\$ 767.00	
	Internet/mobile phone (monthly)	-\$ 120.00		\$ 647.00	
23-Jun	IRD Family Tax Credit (weekly)		\$ 74.00	\$ 721.00	
24-Jun	AP - RENT (weekly)	-\$ 480.00		\$ 241.00	
26-Jun	Sina Sua's Wages (weekly)		\$ 200.00	\$ 441.00	
	P&S Supermarket	-\$ 280.00		\$ 161.00	
	KFC - family feast	-\$ 39.00		\$ 122.00	
29-Jun	SkyTV - monthly	-\$ 115.00		\$ 7.00	
	Cigarettes	-\$ 25.00		-\$ 18.00	OD
	Party supplies and beer	-\$ 43.50		-\$ 61.50	OD
30-Jun	Interest	-\$ 10.50		-\$ 72.00	OD
	June Bank Fee: overdraft facility	-\$ 12.00		-\$ 84.00	OD
		-\$ 4,355.00	\$ 3,961.00		
		Closing Balance	-\$ 84.00	OD	



Needs and Wants from the bank statement

By checking whether the family's expenses are essential or not, we are able to identify their Needs and Wants over a month as shown below. These can be used to prepare a budget.

Needs	Amount	Wants	Amount
P&S Supermarket x 2	\$435.00	TAB	\$40.00
Church Donation	\$100.00	Lucky's Takeaways	\$29.00
Electricity	\$180.00	Lotto	\$20.00
Rent x 4 weeks	\$1,920.00	Gym membership	\$120.00
Money to Mum	\$100.00	Kids' Sports Fees	\$20.00
Petrol	\$60.00	Warehouse dress	\$60.00
School Fees	\$30.00	KFC Family Feast	\$39.00
Uncle's Funeral	\$200.00	Sky TV	\$115.00
Instant Finance payment	\$200.00	Cigarettes	\$25.00
Hop Fares	\$25.00	Party supplies / beer	\$43.50
Insurance - life and car	\$150.00	Cousin's Wedding	\$100.00
Savings	\$50.00		
Doctor and prescription	\$35.00		
Internet and phone	\$120.00		
Car payment	\$215.00		
	\$3,820.00		\$611.50

Do you agree with these Needs/Wants decisions?
What could be changed?

Budgeting

A budget is a way of keeping track of the money that comes in and goes out of our lives.

We can set goals on what amount of money we want to come in and go out and then compare this to what is actually happening with our money.



What is the secret to budgeting?

It is to prioritise (rank in order) the expenses and then focus on what is essential for today, what needs to be prepared for tomorrow and what happens if things don't go as planned.

The table below explains how to create a budget.

Step 1	Step 2	Step 3	Step 4
Work out your weekly income	Write down what you need to pay weekly	Find out what's left for	Allocate what is left for your wants or emergencies
For example: Wages Work and Income Tax credit	For example: Rent	For example: Food	For example: Emergencies
Family help	Debts	Personal items	Coffee
Wages	Power	Savings	Going out

Weekly, fortnightly or monthly?

Sia's bank statement has things that happen once a month, things that happen each fortnight (two weeks) and things that happen weekly, all mixed together. There may also be things like car licences that can be paid once a year.

These all need to be divided into weekly costs (if you are doing a weekly budget) or multiplied to find monthly costs (for a monthly budget).

A way to convert monthly payments to weekly is to **multiply x12** then **divide by 52**. For example the car payment of \$215 times 12 is \$2580 a year. Divide that by 52 = \$49.62 a week.

To convert fortnightly payments to weekly, halve them (divide by 2). For example Siasi is paid \$1,325 a fortnight, halved that is \$662.50 a week.



Template for preparing a budget

You can organise the information from Steps 1 - 3 by using a table like the one below.
You may need to add more rows to fit in all your income and expenses.

Item in the budget	Planned Amount (per week)
Put in all your income (sources of money you receive)	
	\$
	\$
	\$
	\$
Total that you get (A)	\$
Put in all your expenses (the ways you spend your money)	
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total of your expenses (B)	\$
How much you have left over for emergencies and wants (A – B)	\$



Preparing a budget for Sina

Using Sina's bank statement and their Needs and Wants you have already worked out for the family, make a weekly budget for them. Use the template from the previous page and the advice about weekly/fortnightly/monthly on page 75 to help you.

Sina's budget items (per week)	Planned Amount (per week)
The family income	
	\$
	\$
	\$
	\$
Total that the family gets (A)	\$
The family's expenses	
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total of the family's expenses (B)	\$
How much do they have left over for emergencies and wants (A – B)	\$



Does your budget look like this one?

Sina and family's weekly budget			
	Expenses	Income	Totals
Income			
Sina's wages		\$ 200.00	
Siasi's salary		\$ 662.50	
Family Tax Credit		\$ 74.00	
Total income			\$ 936.50
Expenses			
Rent	\$ 480.00		
Power	\$ 41.54		
Supermarket	\$ 100.38		
Other shopping	\$ 13.85		
Takeaway foods	\$ 17.00		
Petrol	\$ 13.85		
Phone/Internet	\$ 27.69		
Sky TV	\$ 26.54		
Insurance	\$ 34.62		
School fees	\$ 6.92		
Kids' transport	\$ 10.00		
Cigarettes / Liquor / Lotto	\$ 20.42		
Total living expenses			\$ 792.81
Gifts/obligations			
Mum	\$ 23.08		
Funeral	\$ 3.84		
Church	\$ 23.08		
Total gifts and obligations			\$ 50.00
Loans			
Instant Finance	\$ 46.15		
Car	\$ 49.62		
Bank overdraft fee	\$ 2.77		
Total loans			\$ 98.54
Emergency Fund			
Doctor etc.	\$ 17.50		
Savings	\$ 11.54		
Total emergencies			\$ 29.04
Total expenses			\$970.39
Balance			-\$ 33.89

Look at the budget you did for Sina and family. How does it compare to the one at left?

What balance (the amount they have left over, or they are short of money, per week) did you get?

Their weekly income is **\$936.50**

Weekly expenses are **\$970.39**

That's a shortfall of **\$33.89**

Do you think that is realistic, or is their real position worse or better?

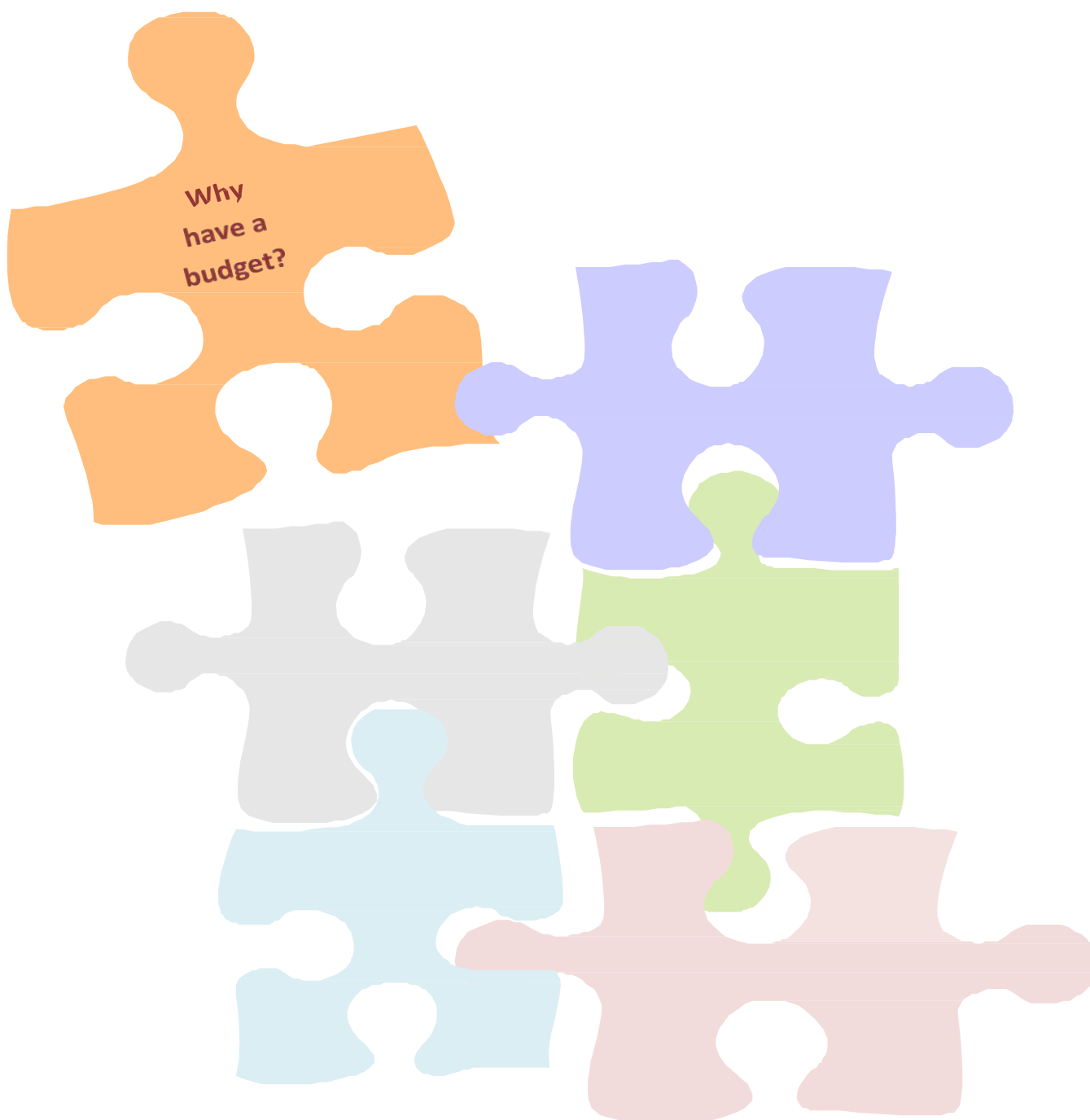
How could they improve the balance? See the Needs and Wants table on page 74.

To help show our working, we show most items in exact cents (e.g. \$41.54). For your budget, it is OK to round the numbers to whole dollars (e.g. \$42).



Why do we need a budget?

Brainstorm why we need a budget and write the reasons in the jigsaw pieces below



What's in a budget?

Below is a basic example of a budget. Consider this and answer the questions in the quiz on the next page.

Item in the budget	Planned Amount (per week)
Sources of money	
Benefit	
Wages or salary	
Other wages or salary	
Working for Families	
Allowances	
Family help	
Other	
Total that we get (A)	\$
Ways we spend the money	
Rent/board or mortgage	
Food	
Power/gas	
Phone	
Car	
Debt repayments	
Helping family and whānau	
Donations / tithe	
Other	
Total that we spend (B)	\$
How much we have left over (A – B)	\$

Or see budgeting tools at <https://www.sorted.org.nz/tools/budgeting-tool/welcome>



Quiz - What's in a budget?

- **Circle the best answers.**

1. What is the first part of a budget?
 - A. Money coming in
 - B. Money going out
 - C. How much is left over
2. How do we decide how much we have left?
 - A. It is the total amount of everything that comes in
 - B. It is the total amount of everything I spend
 - C. It is the total amount coming in less the total amount going out
3. What have we done if we have money left over?
 - A. Underspent
 - B. Overspent
 - C. Have an equal amount between money in and money out
4. What is the difference between planned and actual?
 - A. Planned is the amount we wanted to spend and actual is the amount we really spent
 - B. Planned is the amount we really spent
 - C. Actual is the amount we wanted to spend



Answers

1A; 2C; 3A; 4A



Checklist for budgeting

On a separate sheet of paper, create a table similar to the example below and list all the things that you need to create a budget.

These will differ. Some people, families, whānau will have many sources of information, and some will have only a few. Some items are daily, some are weekly, and some are monthly or yearly. Regardless of the time that the item spans, it should go on the list.

Some items have been listed below as an example.

Things for creating my budget	Time period this covers
Pay slip	Fortnight or week
Electricity bill	Month
Phone bill	Month
Car license receipt	Year
Supermarket receipts	Week
Bank statement	Month
Credit card statement	Month



Things you need when making a household budget:

1. List of money coming into the household such as your pay, the pay of any other income earners, and benefits or allowances.
2. A note of each person's day-to-day spending - collect the family's receipts to help you do this; this will include supermarket dockets, bus tickets, parking receipts, and a list of personal money used by each family member.
3. Your bank statements and bills such as payments for rent, mortgage, hire purchase, credit cards, telephone, power and insurance - these will help show where your money is going.
4. A list of annual costs, such as car license, medical expenses, gifts and holidays.
5. Details of the family savings.

Do you have all of this information available, or in a handy place?

Budgeting templates are available that you can use. You can also use online templates if you like. We have provided a basic template on the next page.

Do it yourself budget

If you have the information you need, complete the table below and start creating your own budget. You can use actual numbers from your pay slip, benefit statement or bank statements or spending diary if you have them. If you do not, just list the items you will put in the budget and finish the budget at home.

Item in the budget	Planned Amount (per week)
Put in all your income (sources of money you receive)	
	\$
	\$
Total that you get (A)	\$
Put in all your expenses (the ways you spend your money)	
	\$
	\$
	\$
	\$
	\$
	\$
Total that your expenses (B)	\$
How much you have left over for emergencies and wants (A – B)	\$

Module six – Dealing with debt

Debt, and especially not being able to pay off debt, is not an easy subject to discuss and not everyone feels comfortable talking about it.

Debt comes with a range of cultural, religious and social attitudes and obligations so this topic will need to be handled carefully. A general discussion around debt is all that's needed, however clients may want to contribute their own examples as you go. You may need to work with the group so everyone knows that some debt is more expensive than other debt (you might need to introduce the idea of percentages). Help keep the focus on the importance of paying off high-fee high-interest debt as fast as possible. They may want to discuss if there is a place for using lower-interest debt to help them reach goals.

Where do you stand with debt?

	Yes/No
Do you only pay the minimum amount due on your credit card(s) each month?	
Are you unsure exactly how much you owe?	
Do you borrow from friends or family without knowing when or how you can pay them back?	

If you answered 'yes' to any of the questions then it's time to stand up to debt.



Don't ignore debts - they don't go away without your attention!



How to deal with debt

We understand that you might not be comfortable with some of these suggestions yet.

- Talk to the people you owe money to
- Set realistic goals for being debt free
- Think about consolidating your debts into an easier loan
- Talk to someone with debt know-how
- Consider using any savings as a way to repay debt
- Pay off the most expensive debts (the ones with the highest interest and fees) first.



The cost of borrowing

- Working together, list the types of costs that you would pay when borrowing.
- Separate these into the costs that you would only pay once and those that are ongoing.

One-time costs	Ongoing costs



Quiz - The ongoing cost of borrowing

Circle the answer you think is correct. Use an online calculator or app if you can, otherwise take a guess.

1. If we borrow \$10,000 at 20% per year over 3 years and pay it back monthly, how much in total will we have paid to the lender at the end of the 3 years?
 - A. \$10,000
 - B. \$13,379
 - C. \$30,079
2. If we take 5 years rather than 3 years to repay the same \$10,000, about how much more than the original \$10,000 will we have to pay?
 - A. About \$10,000 more
 - B. About \$3,400 more
 - C. About \$5,900 more



Answers
1B; 2C



The debt snowball

Tipene buys a second hand Xbox console for \$400 and pays for it with a credit card. The credit card charges 20% interest per year. He only has to pay a minimum payment of \$20 a month, so to Tipene that seems like a bargain deal. This means he can use the Xbox straight away while he is paying it off over time.

Original purchase cost	Monthly repayments	Months it will take to pay off debt	Amount paid in interest (@20%)	Final cost
\$400	\$20 (minimum payment required)	25	\$91	\$491

If Tipene could choose between any of the following payments, which option would you suggest, and why?

Monthly repayments	Months it will take to pay off debt	Amount paid in interest	Final cost
\$27	18	\$63	\$463
\$30	16	\$56	\$456
\$35	13	\$47	\$447

Using debt calculators

Using a laptop, tablet, or smartphone go to the Sorted debt calculator

<https://www.sorted.org.nz/calculators/debt>, and complete the following exercise in your group.

Loretta is invited to go to the Gold Coast with friends. She doesn't have enough cash so she uses her credit card to pay for all her holiday. Two weeks after she arrives home, she receives her credit card bill: she owes **\$7,000** and the credit card company will charge her 20% interest per year. She still does not have much money in her savings account and decides to only pay the minimum amount required by the credit card company. Fill in the table below to see what the true cost of Loretta's holiday was.

Original purchase cost	Monthly repayments	Months it will take to pay off debt	Amount paid in interest (@20%)	Final cost
\$7,000	\$		\$	\$



Compound interest makes debts bigger

The picture at right shows the parts of a loan: principal, fees and interest.

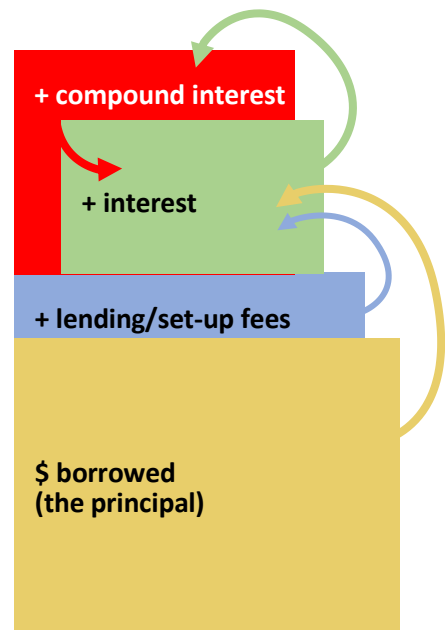
If the lender charges lending fees, these are usually added into the loan rather than paid up-front. With many loans (such as credit cards) the interest owed is also added back into the debt.

That means borrowers pay interest on the interest, and their interest bill gets bigger every month unless they can repay more.

This is called compound interest.

If you are paying compound interest and decide to take longer to pay a loan back (by extending the term) it can make the debt much bigger. If borrowers only pay the minimum repayment asked by the lender, the debt can go on for many years.

The picture on page 110 (in the module about Saving) shows the way compound interest builds up the totals owed or saved over time.



Paying off borrowing

The secret to managing borrowing is to pay it off as quickly as we can.

Go to the Sorted website <https://www.sorted.org.nz/calculators/debt> and test what happens if you are able to repay loans earlier. Try some different options. Write your answers in the boxes below.

Option	Amount owing on our loan	Monthly repayments	Months it will take to pay off debt	Amount paid in interest	Final cost
What we are doing now					
Option 1					
Option 2					
Option 3					



Which option is the most realistic?

Why?

Which option is a stretch but might be achievable?

Why?

Which option should we choose?

How much will we have to increase loan repayments in our chosen option?

Our repayment option: \$ _____

Existing repayments: \$ _____

Increase in loan repayments: \$ _____

How much quicker will we repay our debt if we go through with that option?

Possible repayment option: _____ months

Existing repayments: _____ months

Reduction in time taken to repay: _____ months

How much will we reduce our interest costs?

Our repayment option costs: \$ _____

Existing interest costs: \$ _____

Saving in interest: \$ _____



Three actions that can help to reduce debt

1. Deal with the worst debt first

Rank your debt and set priorities – work out which debt repayments are the most urgent and which can be repaid later.

This does not mean ignore the less urgent ones though; you or your financial mentor should keep all creditors informed that you intend to pay them as soon as you can.

Make a plan to reduce your debt

List all your debts and the interest rate you're paying on each one (you'll find interest rates written in your loan agreements or credit card bill). See which debt charges the highest interest. Can you make bigger repayments to pay off this debt faster?

When it's paid off, start paying more off the debt with the next highest interest rate.

Source: *Sorted* Managing debt. Retrieved from <https://www.sorted.org.nz/a-z-guides/debt>

In your own time, complete a debt ranking plan by completing the table below:

[illegible]

2. Roll all the debt into one debt

If you have several different high-interest loans, talk to a bank /credit union about rolling them into one lower-interest loan. This is called debt consolidation and it can make your monthly repayments easier to manage - but there are risks. If you end up repaying the new loan over a longer period than your original debts, you could pay more interest overall. If think your credit rating may stop you from getting a loan, see the next page.

Source: *Sorted* Managing debt. <https://www.sorted.org.nz/a-z-guides/debt>



You also need to be careful you don't take on any fresh debt (especially high-interest debt) as you will also be paying off the consolidated debt.

3. Get your credit card under control

Credit cards are a convenient way of making purchases **but**:

- credit cards are not free money
- credit cards must be repaid, together with any interest charges.

To make the interest charged as small as possible:

- shop around for the best credit card deals; many offer interest free periods to get you to switch to them. This provides a breathing space, but it's important to pay off as much of the card debt as possible before the interest-free period ends.
- pay off your card in full during the interest free period to minimise your total repayment (many people cannot afford to do this and are faced with interest bills on top of what they owe)
- pay off more than the minimum repayment of 2% of the balance if you can. If you only pay the minimum repayment each month it could take years to pay off a relatively small debt, as interest will keep being added.

A reality check on paying off your credit card - some facts

If you have a credit card with a balance of \$5,000 that is being charged for at 17 percent per year, and you're paying \$100 per month, it would take you around 7 years and 4 months to pay it off.

Along the way you will have paid \$8,759 in total, including interest of \$3,759. If you are also adding new debts onto the card, the repayment time will be longer.

But, by paying extra – say \$200 per month more – it would take just under 3 years to get rid of the debt and you would pay \$6,216 in total.

Credit rating

Almost everyone has a credit rating. Your credit rating provides a view on creditworthiness and willingness to pay back debt, based on your payment history. It has a direct bearing on whether and how much you can borrow and how much you will have to pay for it.

Your credit rating could be the basis for:



Accepting or rejecting a loan application

Charging you a higher interest rate, adding fees and/or tougher conditions



You may not want to see your credit rating, but knowing what's in there is the first step to changing it. It can often be improved using the Dealing with Debt tools you've learned and financial mentor help if needed (and history disappears after five years.)



Check out the credit reporting agencies

- Equifax (formerly Veda): <https://www.equifax.co.nz/personal/products/my-credit-file>
- Dun and Bradstreet: <https://www.checkyourcredit.co.nz/MyAccount/Order/StandardService>
- Centrix: <http://www.centrix.co.nz/request-for-personal-information.html>

In your own time, contact one of the credit agencies listed above and check the credit history held about you (this is FREE as long as you can wait a week or so while the agency does this).

If you are doing this online, be careful to click the free options. If you need urgent access to your credit history, they may charge a fee.

Your rights

Credit agencies do not have all the power. You have rights. The laws that apply to them say that:

- they have to keep records on the payments you make on time, not just your problems
- if you are disputing a debt and you tell them, they have to note this against the debt
- if you tell them information they have about you is wrong they have to investigate and note this on your file.



For more information on your rights go to : <https://www.privacy.org.nz/the-privacy-act-and-codes/codes-of-practice/credit-reporting-privacy-code/credit-reporting-consumer-rights/>

Module seven - Borrowing sensibly

Is it possible to live without borrowing in today's world?

This is a big question. Attitudes to borrowing are shaped by a range of cultural, religious and social attitudes and obligations so this topic will need to be handled in an open and mindful way.

So, should the questions actually be:

- *are there things that it is sensible to borrow to get?*
- *is it possible to borrow that money safely and sensibly?*

These activities will help you and the group explore this topic.



When we buy new things, we have two ways we can pay for them – we can use money that we have (cash) or borrow to pay for them (debt).

CASH



**Cash includes EFTPOS
and debit cards**

DEBT



**Debt includes loans from
family members, student loans,
hire purchase, loans from a financial
institution, credit cards, etc.**



Know before you owe

So what you do have to know?

- **What your options are.** Thinking about borrowing? Before you do that, explore all the possible ways you can get what you need or want without having to borrow.
- **How much the total cost will be** and what your regular repayments are.
Knowing the total cost can help you make the right decision about your purchase if you decide to buy it on credit.
- **What will happen if you can't meet your commitments?**
This is important because life doesn't always go to plan!
Don't get buried under an avalanche of fees and extra interest. Choose your lender carefully.
- **What else is the lender trying to sell you?**
Do you really need extra insurance or warranties they are adding to your loan?
These add-ons cost extra money and they are optional.
- **Check the fees and interest rates**, especially the default fees and interest.
This is what can send debt out of control if you miss a payment.
- **What is at risk?** Is the lender asking for a lot of your things as security for a \$1500 loan?
Make sure you know what the risks are if you have problems repaying the loan.



Brainstorm

Think about all the things that people in New Zealand borrow money to get.

Think about the people and organisations / companies they can borrow from.

Buying a new phone and paying for it

Imagine you want to buy a smartphone. It costs \$400. How can you pay for it? Discuss and fill in the spaces below with your answers

o o O



0

Good debt / bad debt

It is not always possible to avoid debt and there are times when debt can actually be helpful. Getting into debt in the short-term could be good if it leads to longer-term gain.

One example is getting a no-interest loan for a laptop which will help to study for a qualification.

You need to be able to tell the difference between good debt and bad debt as this will allow you to know when it is a good idea to borrow money and when you should look into other options.



Good or bad?

List some of the debts that you have or might have in the future. For each type of debt write down if you think the debt is a good debt or a bad debt and why.

Type of debt	Good debt or bad debt?	Why is this debt good or bad?



Where can I go to borrow?

Think about where you can go to borrow money and list your ideas in the column "Places to borrow" in the table below. List at least one advantage and one disadvantage of borrowing from them. When you're finished, tick the one you would use if you needed to.

Places to borrow	Advantages	Disadvantages	Tick



Credit laws can help you

New laws mean there is more protection for you, your family, whānau

New Zealand's reformed credit laws say that lenders have to comply with 'responsible lending principles'. The law is designed to protect borrowers from lenders who lend irresponsibly.

Lenders need to ask a lot more questions to make sure you are able to repay them. You will have to give them a fairly accurate budget including all the other debt you owe.

They also have to talk with you and help you to understand your loan agreement. Beware of a lender who fails to do this. You can end up in the debt trap (see page 99).

If you think a lender might be breaking the law in any way let the Commerce Commission know. They are the "credit police" and their job is to protect the community from harmful lending practices. You can call them on **0800 943 600** or Report a Business through their website www.comcom.govt.nz. A financial mentor can help you do this.



Quiz – Decoding a real contract

The next page shows a real credit contract for a payday loan for just a month. Imagine you are the borrower signing this agreement with a Lender.

Look through the contract and find the answers to these questions. We have made some of the print bigger to help you.

1. How much is the loan for - how much money will you get?
2. How much is the loan really for? How much will you have to repay in total (including fees and interest) if everything goes OK?
3. What interest rate are you paying (hint: percent per year, orpercent per day)
4. If I can't make a payment what can the Lender do?
 - a. They will talk to my work and get it taken out of my next pay unless I tell my employer not to
 - b. They will charge extra fees and the loan will take longer to pay off
 - c. They will report me to credit checking companies
 - d. All of these things
5. What fees would I be charged if things don't go OK?



See page 103
for answers

CREDIT AGREEMENT
(Incorporating Disclosure Statement)

Borrower

Name:	Mobile:
Address:	Email:

("Borrower")

Lender

Name:			
Trading Name:	Email:	.nz	
Address:	Street, New Zealand	Fax:	+64

("Lender")

IMPORTANT – The Lender is required to provide you with a disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003 and the disclosure details are provided below. This document sets out the key information about your consumer credit contract. You should read it thoroughly. **If you do not understand anything in this document, you should seek independent advice.** You should keep this information and a copy of your consumer credit contract in a safe place.

1 General Terms and Interpretation

- 1.1 By accepting this Credit Agreement the Borrower agrees to be bound by the terms of this agreement and the general terms and conditions 09/16 (the "General Terms").
- 1.2 Terms not otherwise defined in this Credit Agreement have the meaning given to them in the General Terms.

2 Loan Details

2.1	The full amount the Borrower will owe the Lender, including the net advance fees, and unpaid interest to the Expiry Date is:	\$441.14
	The above amount is made up of:	
	Net Advance:	\$310.00
	Application Fee:	\$25.00
	Loan (this is the initial unpaid balance you owe on the date of this statement):	\$441.14
	Total interest charges at 1.50% per day (see clause 2.5 and 3.2):	\$76.14
	Direct debit fees will be payable by the Borrower depending on the number of payment instalments set out in clause 2.3 (see clause 3.1):	\$30.00
The credit limit under this Credit Agreement and the total of advances made or to be made under this Credit Agreement is the same as the initial unpaid balance above. The total interest charges above are the total interest charges payable under this Credit Agreement provided the Loan is repaid on the Expiry Date. The Borrower only receives the Net Advance described above. Subject to this Credit Agreement and the General Terms, the Loan shall be disbursed to the Borrower into the bank account specified in clause 2.4.		
2.2	Expiry Date (if repayment not demanded)	7 December 2016

\$441.14

\$310.00

\$25.00

\$441.14

\$76.14

\$30.00

Amount

\$147.04

\$147.04

\$147.06

\$441.14

Repayment

The Loan shall be repaid in full immediately upon demand by the Lender or, if no demand is made, immediately on the Expiry Date, together with all accrued interest to the date of repayment. If repayment instalments are listed and the Lender has not made demand, the Loan and applicable interest shall be paid on the relevant instalment date.

The repayment schedule (if repayment of the Loan is not demanded earlier by the Lender), including the frequency of the required interest payments, as at the date of this Credit Agreement is as follows:

Instalment	Due Date	Amount
1	23 Nov 2016	\$147.04
2	30 Nov 2016	\$147.04
3	7 Dec 2016	\$147.06
Total Amount:		\$441.14

3**Credit Fees and Charges and Default Interest Charges and Default Fees**

All Loan repayments must be made by direct debit. The Lender will set up the direct debit arrangements with the Borrower's Bank. If the Borrower makes an early repayment the interest amount and debit fees will be reduced accordingly. There is no penalty for early repayment.

2.4 Borrower's Bank Account details

0

2.5 Interest Rate and Method of Calculation

Fixed at 1.50% per day. The annual interest rate is 547.50% per annum. Interest is calculated by multiplying the amount of the unpaid balance at the end of each day of the credit limit under this Credit Agreement by the daily Interest Rate for the relevant number of days, and accrues in accordance with the General Terms. The relevant amount of interest is to be paid on the dates set out in clause 2.3.

3 Credit Fees and Charges and Default Interest Charges and Default Fees

- 3.1 The following credit fee(s) and charge(s) (which are not included in the initial unpaid balance) are, or may become, payable by the Borrower under, or in connection with, the Credit Agreement.

\$30.00	Loan extension fee, payable on the Lender agreeing to extend the Loan.
\$10.00	Manual payment fee, payable on the Lender agreeing to accept a payment manually rather than by direct debit.
\$10.00	Fee for each direct debit.
\$20.00	Cancelling a direct debit, payable if the Lender agrees to cancel a direct debit.
\$20.00	Statement fee, payable if the Lender requests a statement for the Loan.
\$1.00	SMS, payable for each SMS message the Lender makes to the Borrower.
\$5.00	Phone call, payable for each telephone call the Lender makes to the Borrower.

3.2

In the event of a default in payment, and while the default continues interest on the amount in default (which could be principal, interest, fees or costs) will be capitalised each day the default continues and form part of the Loan. The amount that is capitalised will bear interest at 1.50% per day. The Borrower may repay the capitalised amount in accordance with clause 2.3. In the event of a breach of this Credit Agreement or on the enforcement of this Credit Agreement, the default fees specified below are also payable by the Borrower immediately after the default occurs.

Default Fees:

\$60.00	Default Fee
\$20.00	Baycorp/Veda
\$60.00	Wage Deduction Fee
\$500.00	Court Fee

4 Continuing Disclosure

- 4.1 The statements of your account will be available on our website [redacted]. The Borrower consents to the Lender making any type of disclosure by electronic means, including by email or by reference to a page on the Lender's website. The Lender consents to receiving notices or other communications from the Borrower in electronic form.

5 What Could Happen if you fail to meet your Commitments and Security Interest

- 5.1 The Lender will charge default fees of \$60.00 for every missed payment and interest will be payable and will continue to be capitalised under clause 3.2.
- 5.2 The Lender will approach your Employer to make a wage deduction from your next payrun unless you advise your employer in writing that you do not consent to a wage deduction. Please refer to clause 6 of the General Terms for further information.
- 5.3 The Lender may issue Court Proceedings which will result in the Borrower incurring the \$500.00 Court Fee.
- 5.4 The Lender will register defaults against your name with Veda and other collection houses or agency.
- 5.5 The Lender will exercise its rights and remedies under this Credit Agreement.

6 What to do if you Suffer Unforeseen Hardship

- 6.1 If you are unable reasonably to keep up your payment or other obligations because of illness, injury, loss of employment, the end of a relationship, or other reasonable cause, you may be able to apply to the Lender for a hardship variation.
- 6.2 To apply for a hardship variation, you need to:
- make an application in writing;
 - explain your reason(s) for the application; and
 - request one of the following:
 - an extension of the term of this Credit Agreement (which will reduce the amount of each payment due under this Credit Agreement); or
 - a postponement of the dates on which payments are due under this Credit Agreement (specify the period for which you want this to apply); or
 - both of the above; and
 - give the application to the Lender.

Do this as soon as possible. If you leave it for too long, the Lender may not have to consider your application.

The contract also has another four pages of "General Terms and Conditions." These can help you to understand the contract. We've not included these, but only because we don't have room!

The full contract is available on the MSD website.



7 Dispute Resolution

- 7.1 Name of Dispute Resolution Scheme: Financial Services Complaints Limited
- You are free to make a complaint to this independent dispute resolution scheme. This scheme can help you to resolve any disagreements you have with the Lender.
- 7.2 Contact details for dispute resolution scheme:
- Phone: 0800 347 257 (freephone) or (04) 472 3725
- Website: <http://www.fscl.org.nz/>
- Business address: Level 4, 101 Lambton Quay, Wellington

8 Registration on Financial Service Provider

- 8.1 Lender registration number [redacted]
- 8.2 Registration number [redacted]

9 Right to Cancel

You are entitled to cancel the consumer credit contract by giving notice to the Lender. The Lender accepts your right to cancel even if the term of the Loan is less than 2 months.

Time limits for cancellation

You must give notice that you intend to cancel the contract within 5 working days of the statement date on the front of this document.

Saturdays, Sundays, and national public holidays are not counted as working days.

How to cancel

To cancel, you must give the Lender written notice that you intend to cancel the contract by—

- giving notice to the Lender or an employee or agent of the Lender; or
- posting the notice to the Lender or an agent of the Lender; or
- emailing the notice to the Lender's email address (if specified on the front of this disclosure statement); or
- sending the notice to the Lender's fax number (if specified on the front of this disclosure statement).

What you may have to pay if you cancel

If you cancel the contract, the Lender can charge you

- the amount of any reasonable expenses the Lender had to pay in connection with the contract and its cancellation (including legal fees and fees for credit reports, etc); and
- interest for the period from the day you received the Loan until the day you repay the Loan.

I hereby confirm that I have read and understood the terms of this Credit Agreement, the General Terms and agree to be bound by this Credit Agreement and the General Terms.

Date: 16 November 2016

Signed by: [redacted]

(Borrower)

Inside the debt trap

Here is a real payment statement for a person like the one who signed the loan that you saw on the last page. A \$400 loan quickly turned into more than \$1200 of debt – that's frightening.

One payment missed led to many fees being charged, and they were all added to the loan:

- The loan started on 7 December with \$425 owed, and interest of around \$6 a day charged.
- ← \$60 was charged each time a payment didn't happen (plus a \$10 manual payment fee).
- When a payment didn't happen, \$147 of interest was charged all at once
- ✱ Just after New Year, the Lender started taking money directly from the borrower's wages
- 🌱 Two months later (7 February), \$1217 was owed and interest was costing around \$18 a day, even though the borrower was making extra payments and trying to pay the loan off.
- 👍 A financial advisor was able to help the borrower so that some of the interest and fees were reduced.



What can someone in the debt trap do?

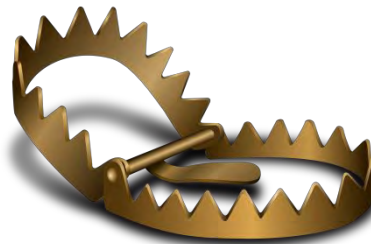
Talk together in the group about what happened and what steps people in a trap like this could take.



See Page 103
for some answers

Statement of Account			
		LOAN NUM CUSTOMER DATED	
Date	Description	Amount	Balance
2016-12-07 14:12	Established	\$25.00	\$25.00
2016-12-07 14:12	Opening Balance	\$400.00	\$425.00
2016-12-07 18:00	Interest	\$6.38	\$431.38
2016-12-08 18:00	Interest	\$6.47	\$437.85
2016-12-09 18:00	Interest	\$6.57	\$444.42
2016-12-10 18:00	Interest	\$6.67	\$451.09
2016-12-11 18:00	Interest	\$6.77	\$457.86
2016-12-12 18:00	Interest	\$6.87	\$464.73
2016-12-13 18:00	Interest	\$6.97	\$471.70
2016-12-13 23:00	Direct Debit	\$10.00	\$481.70
2016-12-14 01:04	Installment	-\$147.86	\$333.84
2016-12-14 18:00	Interest	\$5.01	\$338.85
2016-12-15 12:02	Defaulted Fee	\$60.00	\$398.85
2016-12-15 12:02	Bank Dishonour	\$147.86	\$546.71
2016-12-15 13:34	Manual Interest	\$147.06	\$693.77
2016-12-15 18:00	Interest	\$10.41	\$704.18
2016-12-16 18:00	Interest	\$10.56	\$714.74
2016-12-17 18:00	Interest	\$10.72	\$725.46
2016-12-18 18:00	Interest	\$10.88	\$736.34
2016-12-19 18:00	Interest	\$11.05	\$747.39
2016-12-20 18:00	Interest	\$11.21	\$758.60
2016-12-21 12:00	Defaulted Fee	\$60.00	\$818.60
2016-12-21 18:00	Interest	\$12.28	\$830.88
2016-12-22 18:00	Interest	\$12.46	\$843.34
2016-12-23 18:00	Interest	\$12.65	\$855.99
2016-12-24 18:00	Interest	\$12.84	\$868.83
2016-12-25 18:00	Interest	\$13.03	\$881.86
2016-12-26 18:00	Interest	\$13.23	\$895.09
2016-12-27 18:00	Interest	\$13.43	\$908.52
2016-12-28 18:00	Interest	\$13.63	\$922.15
2016-12-29 12:00	Defaulted Fee	\$60.00	\$982.15
2016-12-29 18:00	Interest	\$14.73	\$996.88
2016-12-30 18:00	Interest	\$14.95	\$1,011.83
2016-12-31 18:00	Interest	\$15.18	\$1,027.01
2017-01-01 18:00	Interest	\$15.41	\$1,042.42
2017-01-02 18:00	Interest	\$15.64	\$1,058.06
2017-01-03 18:00	Interest	\$15.87	\$1,073.93
2017-01-04 18:00	Interest	\$16.11	\$1,090.04
2017-01-05 12:00	Defaulted Fee	\$60.00	\$1,150.04
2017-01-05 18:00	Interest	\$17.25	\$1,167.29

2017-01-06 10:59	Default Fee Waived	-\$60.00	\$1,107.29
2017-01-06 10:59	Wage Deduction Authority	\$60.00	\$1,167.29 🌱
2017-01-06 18:00	Interest	\$17.51	\$1,184.80
2017-01-07 18:00	Interest	\$17.77	\$1,202.57
2017-01-08 18:00	Interest	\$18.04	\$1,220.61
2017-01-09 18:00	Interest	\$18.31	\$1,238.92
2017-01-10 18:00	Interest	\$18.58	\$1,257.50
2017-01-11 09:10	Rescheduled	\$0.00	\$1,257.50
2017-01-11 09:18	Manual payment	-\$140.21	\$1,117.29
2017-01-11 09:18	Manual payment fee	\$10.00	\$1,127.29
2017-01-11 18:00	Interest	\$16.91	\$1,144.20
2017-01-12 18:00	Interest	\$17.16	\$1,161.36
2017-01-13 18:00	Interest	\$17.42	\$1,178.78
2017-01-14 18:00	Interest	\$17.68	\$1,196.46
2017-01-15 18:00	Interest	\$17.95	\$1,214.41
2017-01-16 18:00	Interest	\$18.22	\$1,232.63
2017-01-17 18:00	Interest	\$18.49	\$1,251.12
2017-01-18 18:00	Interest	\$16.81	\$1,267.93
2017-01-19 09:22	Manual Payment	-\$140.21	\$1,127.72
2017-01-19 09:22	Manual payment fee	\$10.00	\$1,137.72
2017-01-19 18:00	Interest	\$17.07	\$1,154.79
2017-01-20 18:00	Interest	\$17.32	\$1,172.11
2017-01-21 18:00	Interest	\$17.58	\$1,189.69
2017-01-22 18:00	Interest	\$17.85	\$1,207.54
2017-01-23 18:00	Interest	\$18.11	\$1,225.65
2017-01-24 18:00	Interest	\$18.38	\$1,244.03
2017-01-25 08:44	Manual Payment	-\$140.21	\$1,103.82
2017-01-25 18:00	Interest	\$16.71	\$1,120.53
2017-01-26 18:00	Interest	\$16.96	\$1,137.49
2017-01-27 18:00	Interest	\$17.21	\$1,154.70
2017-01-28 18:00	Interest	\$17.47	\$1,172.17
2017-01-29 18:00	Interest	\$17.73	\$1,189.90
2017-01-30 18:00	Interest	\$18.00	\$1,207.90
2017-01-31 18:00	Interest	\$18.27	\$1,226.17
2017-02-01 09:02	Manual Payment	-\$140.21	\$1,085.96
2017-02-01 09:02	Manual payment fee	\$10.00	\$1,095.96
2017-02-01 18:00	Interest	\$16.59	\$1,112.55
2017-02-02 18:00	Interest	\$16.84	\$1,129.39
2017-02-03 18:00	Interest	\$17.09	\$1,146.48
2017-02-04 18:00	Interest	\$17.35	\$1,163.83
2017-02-05 18:00	Interest	\$17.61	\$1,181.44
2017-02-06 18:00	Interest	\$17.87	\$1,199.31
2017-02-07 18:00	Interest	\$18.14	\$1,217.45 🌱
2017-02-08 18:00	Interest	\$16.46	\$1,233.91
2017-02-09 12:00	WDA Failed	\$0.00	\$1,233.91
2017-02-09 14:27	Rescheduled	\$0.00	\$1,233.91
2017-02-09 14:32	Manual Payment	-\$140.21	\$1,093.70
2017-02-09 14:32	Manual payment fee	\$10.00	\$1,103.70
2017-02-09 18:00	Interest	\$16.56	\$1,120.26
2017-02-10 18:00	Interest	\$16.80	\$1,137.06



2017-02-11 18:00	Interest	\$17.06	\$1,154.12
2017-02-12 18:00	Interest	\$17.31	\$1,171.43
2017-02-13 18:00	Interest	\$17.57	\$1,189.00
2017-02-14 18:00	Interest	\$17.84	\$1,206.84
2017-02-15 08:14	Manual Payment	-\$140.21	\$1,066.63
2017-02-15 18:00	Interest	\$16.15	\$1,082.78
2017-02-16 18:00	Interest	\$16.39	\$1,099.17
2017-02-17 18:00	Interest	\$16.64	\$1,115.81
2017-02-18 18:00	Interest	\$16.89	\$1,132.70
2017-02-19 18:00	Interest	\$17.14	\$1,149.84
2017-02-20 18:00	Interest	\$0.81	\$1,150.65
2017-02-21 18:00	Interest	\$0.81	\$1,151.46
2017-02-22 18:00	Interest	\$0.72	\$1,152.18
2017-02-23 12:00	WDA Failed	\$0.00	\$1,152.18
2017-02-23 16:10	Rescheduled	\$0.00	\$1,152.18
2017-02-23 18:00	Interest	\$17.28	\$1,169.46
2017-02-24 18:00	Interest	\$0.82	\$1,170.28
2017-02-24 18:01	Loan is capped	\$0.00	\$1,170.28 🍏
2017-02-25 18:00	Interest	\$0.82	\$1,171.10
2017-02-26 18:00	Interest	\$0.82	\$1,171.92



Quiz - Managing credit cards

- **Circle the correct answers to the quiz below.**

1. When you use your credit card, whose money are you spending?
 - A. My money I haven't earned yet
 - B. My money
 - C. The credit card company's money
2. The total cost of what I have bought with my credit card, after I have paid it off, is:
 - A. The price of the item I have purchased
 - B. More than the price of the item
 - C. Less than the price of the item
3. The credit card company has written to tell you that they will increase your credit limit. Do you:
 - A. Do nothing
 - B. Let the credit card company know that you don't want the offer
 - C. Ask the credit card company to increase your limit beyond what they are offering
4. If you can't pay your credit card bill do you:
 - A. Do nothing and hope things get better
 - B. Get another card and use a cash advance from it to pay off your existing card
 - C. Talk to the bank or credit card company about your problem
5. When you get your monthly credit card statement, do you:
 - A. Check it carefully
 - B. Don't worry about it, it's always correct
 - C. Hide it without opening it
6. If you have trouble remembering your credit card PIN do you:
 - A. Write it down on the back of the card
 - B. Tell your number to someone you know who has a good memory
 - C. Keep it secret and find a way to remember it (or you can go to the bank and change to a better PIN)
7. If a shop assistant or waiter wants to take your card out of your sight, should you:
 - A. Not worry about it and let them
 - B. Politely refuse



See page 103
for answers



How do I look after myself when I borrow?

Group discussion

What are some of the ways that we can avoid getting into trouble when we borrow money?

It is not always possible to avoid debt. Talk about 4 As:

- Alternatives?
- Assess the lender – are they safe?
- Affordable?
- Advice – who can you ask to support you?



Managing debt

Manage your debt by following these steps:

1. Know your options
2. Get out of debt fast
3. If you have trouble with your debts – ask for help.

For more information on managing debt go to *Sorted*:

<https://www.sorted.org.nz/a-z-guides/debt>

Guaranteeing someone else's debt



Guarantor – what is this?

If you are asked to sign a guarantee of someone's loan, you become a guarantor.

Being a guarantor is much more than giving a character reference: you agree to pay a person's debts. If that person can't or won't pay, the lender can legally demand that you repay them in full.

This is a big responsibility so be careful if you do this and get advice.



For tips on what to do if you are asked to co-sign (be a guarantor) for a loan you can use this video: <http://vimeo.com/27346969>



Video resources

The 'It's All Good' animations series from the Commerce Commission may help answer specific group needs.

Aunty and Herman star in a useful set of resources to help Kiwis know their rights – and wrongs! Material relevant to MoneyMates is available on the new responsible lending rules and consumer rights including the Consumer Guarantees Act. The clips are all 60 – 90 seconds long and are ideal for use at MoneyMates meetings. They are available for free download through tv.comcom.govt.nz.

Repossessions

Aunty and Herman on repossession and the rules that apply when a lender sells repossessed goods.

[Episode 7: Indebted to Aunty \(again\)](#)

Mobile traders

Herman and Charmaine visit a mobile trader and find the deal might not be as good as it seems.

[Episode 12: As seen in the matrix](#)



Answers: Studying a Real Contract

- 1) \$310
- 2) \$441.14 – over \$130 more. \$55 of that are fees, the rest is interest payments.
- 3) 547.5% per year or 1.5% per day
- 4) Answer D – all these things will happen
- 5) see Section 3 of the contract - there are a lot of fees. The key learning is that missed payments can quickly increase the debt.

Answers: Inside the Debt Trap

The key learning is they need to get advice urgently – e.g. from a financial mentor – and if they are having real difficulties tell the Lender they are in **Unforeseen Hardship** (either directly or by using financial mentor for support).

They *may* also be able to argue that problems with the contract mean that it can not be fully enforced by the Lender – this is a specialist area and advice will be needed.

The borrower could also look for safer or less expensive lending to pay off the debt.

Answers: Managing Credit cards

1A – the key learning is that you are not spending income—it's debt which will have to be repaid from future income; 2B; 3B; 4C; 5A; 6C; 7B



More help on borrowing

If you need to know more about borrowing the Government has websites that can help.



The Commerce Commission can help you if you think you have been misled about borrowing and buying and what you can do if you have forced into buying something you didn't understand.

Go to <http://www.comcom.govt.nz/consumer-credit> for information from the Commerce Commission about borrowing.



Consumer Affairs help us understand our rights when we buy items from a shop. They also give us information about banking, car park fines, and contracts like hire purchases, cell phone plans, and the latest scams.

Some of the more specific help they can give includes:

- motor vehicles - what to look for when buying a car and problems you may have after you've bought it. They can tell the true cost of the agreements you sign when you buy a car and what happens if you can't pay the debt back
- shopping – what happens if you change your mind and don't want what you bought anymore?
- warranties – what is a warranty and what does it do for you?
- product safety – what should you do if we buy an unsafe product and what happens when a product is recalled?
- scams – if it sounds too good to be true.....it is!

Consumer Affairs lists the type of scams that are out there and how to tell if you find one and what to do if you if you get caught by a scam.

This information is available at www.consumeraffairs.govt.nz

Module eight - Saving

The group have worked together to understand the difference between Needs and Wants; they know the implications of not keeping track of their money; they also understand the true cost of borrowing and have some strategies to pay off their debt.

Now it's time to start focusing on saving. Like borrowing, saving has different roles in people's lives.

Saving for goals

Use this time to explore:

- what things we want to save for
- whether it is for short, medium or long term goals
- what steps we could take to save for our SMART goals.

You may like to start with this thought:

- we can save in two ways – either by putting aside some money OR by reducing debt.
- the less we have to pay in interest to service debt, more we can put aside in saving for our future goals.



To have more money we need to spend less than we get.





Left-over money or not enough?

Look at rows A B and C below. What happens to people who keep on doing them week after week>

Fill in the spaces below:



A means

.....

B means

.....

C means

.....



Brainstorming session

Think about ways you could save \$5 or \$10 a week.

Tips like not buying your lunch, cutting down on takeaways, buying in bulk etc. are all good but can you go beyond these?

Talk about creative ways to change your spending - these are gold; consider ways to record them and share them wider.



Saving for emergencies

Types of emergencies

In the group, think about possible emergencies you may face.

Fill in the table below and tick the emergencies that might apply to you.

[illegible]



Quiz - Weekly savings for my emergency

- Circle the correct answers below.

- How much do you need to save each week to have \$520 in one year?
 - \$12 per week
 - \$10 per week
 - \$15 per week
- If you saved \$520 in a savings account that pays interest, would you need to save-
 - More
 - Less
 - The same
- Do you need to keep saving for emergencies forever?
 - Yes
 - No
 - Only if I use it or my circumstances change e.g. Buy a car that may break down



Answers 1B; 2B; 3A



Where do I put the money?

Fill in the spaces below to answer the questions asked.

- If you are saving \$10 per week, where can you keep it?

- How can putting it in the bank help you save?



The power of saving - the other side of the compound interest coin

Quiz - The power of saving

- Decide your answer in the group. Use a savings calculator if that helps.

1. What if you were able to save \$50 per week in an account that pays you NO interest? About how much would you have after 2 years?

A. \$5,200
B. \$5,900
C. \$2,600
2. What if you saved that same amount in a bank account that gave you 4% interest per year, compounded monthly, about how much would you have in total after 2 years?

A. \$5,200
B. \$5,429
C. \$6,959
3. By putting your money into a bank savings account paying interest, about how much extra money do you get in 2 years?

A. \$0
B. \$229
C. \$469



Answers 1A; 2B; 3B

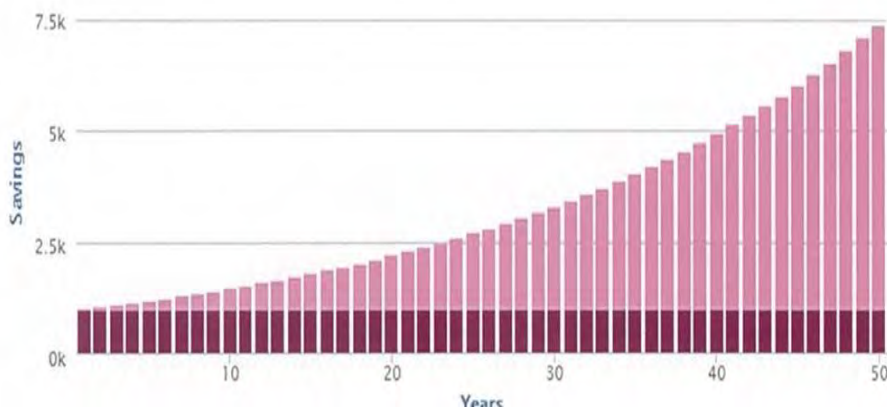
Compound interest works against you when you are borrowing but it also works in your favour when you are saving and earning interest on your money. See an example on the next page of this working in your favour.

Secrets of compound interest

Imagine you deposit \$1000 into a savings account that earns 4 percent interest each year:

- it is compounded monthly (the interest earned each month is put back into the account, not paid out to you) and you leave the \$1000 there for 50 years, without any withdrawals.

The graph shows this build-up over time, each bar is one year.



Think about these questions:

1. What are the light parts of the colour bars in the graph?
2. Approximately how long would it take to double your money?
3. How much do you have in total at the end of 50 years?
4. What can we learn from this?
5. What is a real-world example of a saving account that uses compound interest to grow in value over many years?



Answers -

1. The accumulated amount of interest earned at the end of each year.
2. Slightly less than 20 years.
3. Close to \$7,500.
4. The power of compounding works best over a long period of time.
5. Superannuation accounts that fund people's retirement (like KiwiSaver).

Module nine - Get a fair share

Now that the group have covered the key concepts of building financial capability, it may be time to bring it all together by reinforcing all that they learned and changes they might have made to their money management.

You may also like to reinforce their income and spending path either through brainstorming exercises or with this Money Path activity.

They may want to break into smaller groups for the Money path exercise.

Money Path

How do you get your money? Are you getting everything you are entitled to?

Let's explore the paths your money takes to:

- get to you
- pay the bills for your needs
- save some money for your goals/wants.

Think about all the paths that your money takes to get to you. It depends on these things:

- how you get money – is it from jobs, benefits, family or some other ways?
- how much goes out before it arrives into your account?
- what are your needs and where do you live?
- how much are you paying off your debts?
- What are your goals?

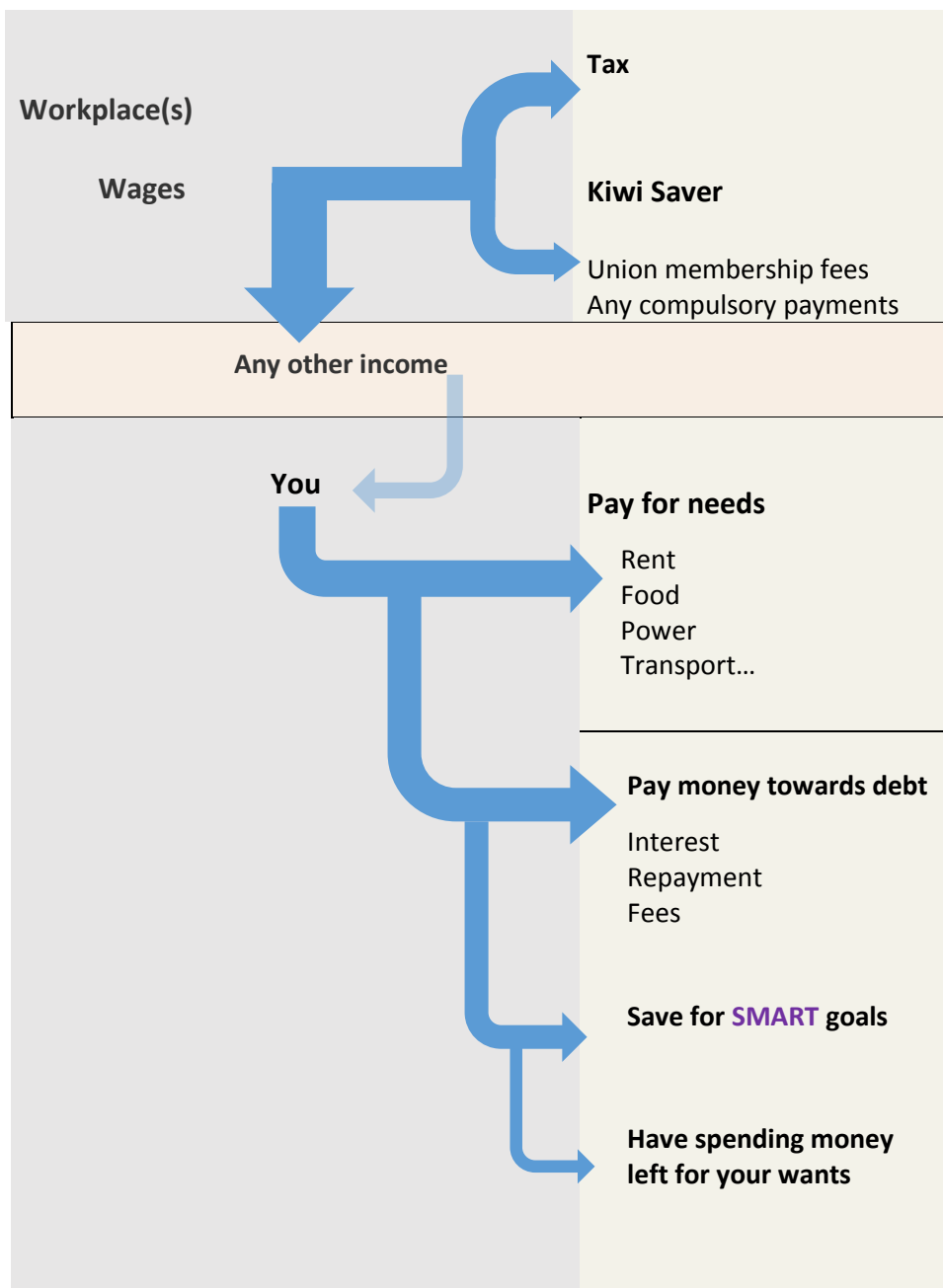


Once you know these answers you can work out the paths your money takes.

Money path material in this section was developed for MoneyMates by the Westpac Massey Fin-Ed Centre.

Everyone's money path is different

Here is an example of a money path from a **full time job**.



Making money

Over the past weeks, we have worked together to get better understanding of ways our money comes and goes, and to have better ways to spend, save, borrow and deal with debt.

Obviously, having more money would be better for everyone, but getting a wage increase - or even getting a wage - can be hard. There are ways to make the most of our current income.



Brainstorming session

Ask the group what they know about taxes and Working for Families, and their Work and Income entitlements.

What do they need to know? How could they find out more?

- ***Introduce the "Give yourself a pay rise" concept***

"Give yourself a pay rise"

You could ask the boss or the government for a pay rise, but the answer may be no.

There's another way to get more money for you, your family and whānau.

You may be able to get the same as a pay rise by checking you're getting your fair share.

1. Many people and families on lower incomes may actually need to pay only a small amount of tax or even no income tax at all. You might have a tax refund you don't know about.
2. You and your family and whānau might be able to get Working for Families tax credits. You can get these paid into your account as a regular extra income. If you are worried you may have to pay it back because your income goes up and down, you can choose to get it all at once, at the end of the tax year.
3. If you are on a benefit, there is a way to check that you, your family and whānau are getting all the allowances and benefits that you are entitled to.



Information on taxes, Working for Families and benefit entitlements is available on the NZ Government, IRD, Working for Families, and MSD websites.

Share links with the group, or you can access these sites together.

"Give yourself a pay rise" resources



Tax refunds

Find out for free if you'll get a tax refund.

If you think you've paid too much tax in the past and could get a tax refund you can check for free - use the tools at the IRD website to work out what you should have paid and claim a refund. [A range of private companies also offer this service. They charge fees from \$40-up for their help.]

Check to see if you paid the right tax, any year between 2005 and 2016:

- Tax on annual income calculator (external site link)
use the tool at <http://www.ird.govt.nz/calculators/keyword/incometax/calculator-tax-rate.html>



myIR

myIR lets you manage your tax online for free and get access to your income and tax details from previous years.

<https://www2.e-services.ird.govt.nz/secure/login.html>

You can find your IRD number:

- on a payslip
- on letters or statements from IRD
- on your KiwiSaver statement.

(Source www.govt.nz/browse/work/tax/tax-refunds-from-ird/)



Working for Families

Working for Families makes it easier for you to work and raise a family by giving some of your tax money back.

There are four types of Working for Families Tax Credits:

- family tax credit
- in-work tax credit
- parental tax credit
- minimum family tax credit.

You may qualify for one or more of these, depending on your personal situation. You can either get these paid into your bank account as a regular extra income or get a lump sum at the end of the tax year.

[If you choose to get them as a regular income, keep a watch on your other income. If your other income goes above the limits, you might need to pay money back.]

How much income can you earn and still get Working for Families?

If your family income before tax is less than the amounts shown in the table, you may qualify for a payment. This is based on your eldest child being aged 15 or under and all other children being 12 years or under. If you have older children, you may be able to earn more and still be eligible.

[The boxes in white show the income before tax the family can receive in a year.]

Working for Families Tax Credits Income Limits 1 April 2017 – 31 March 2018

Number of children	Annual Income (before tax)		
	Family tax credit income limit	In-Work tax credit income limit	Parental tax credit income limit
1	\$57,781	\$74,537	\$84,314
2	\$72,674	\$89,430	\$99,208
3	\$87,568	\$104,323	\$114,101
4	\$102,461	\$122,683	\$132,461
5	\$117,354	\$141,043	\$150,821
6	\$132,248	\$159,403	\$169,181

If your family income is below \$23,816 a year **after tax**, you may also be eligible for the minimum family tax credit.



Payments

See how much you might get by using the Inland Revenue calculator, or call Inland Revenue's automated phone service INFOexpress on 0800 257 477

- IRD's Working for Families entitlement calculator (external site link)

use the tool at

<http://www.ird.govt.nz/calculators/keyword/wff-tax-credits/calculator-estimate-your-working-for-families-tax-credits.html>

(Source www.workingforfamilies.govt.nz)

Allowances and benefit entitlements



Check what you might get

Work and Income Te Hiranga Tangata has a "Check what you might get" tool on their website.

You can use it anonymously to quickly find out the types of financial assistance you may qualify for. This is a guide only, it can be used to work out what you can get, how much you'll be paid and if you have to complete any pre-benefit activities. (If you're aged 18 to 64, you may need to complete pre-benefit activities before you're granted financial assistance.)

- use the tool at <http://www.workandincome.govt.nz/online-services/eligibility/index.html>

(Source www.workandincome.govt.nz/)



Use the power of our community

We all need to know we're getting our fair share.

Broadly, there are three ways to achieve this.

We can improve our financial position by:

- getting everything we're entitled to
- getting the things we need cheaper (or for free)
- growing the money coming in to our budgets.

Plugging into the resources that are already in our community can help us achieve all three of these.

This part of MoneyMates is about ways the community could increase our income, either by getting everything we're entitled to, saving money, using our time better, or revenue generating.



Plugging into our community

Brainstorming session

Together, think about the groups and resources that are available in this community that could help us. This could be things that save money, help us use our time better, or help us get ways to make money (revenue generating).



Discuss ways using our community resources could help us to:

- buy in bulk
- use non-money ways to get things you need (things like swaps, barter...)
- use any spare time we have
- find reliable local businesses and tradespeople
- share and develop money making ideas
- start a business
- make links that can lead to getting work or a better job
- make new connections for fun or recreation.



Resource

You may want to share a 'hint list' of the sorts of community organisations and resources that may be available:

- *co-operatives (for buying, resource sharing or car-pooling)*
- *community gardens*
- *time banks*
- *social enterprises; small business development support*
- *savings schemes (iwi, community, workplace etc.)*
- *interest-free loans schemes and ethical lending / microfinance providers*
- *SuperGrans, elders, kaumatua and kuia*
- *marae and churches. General cultural, sport, support, and recreation groups.*



Discussion

- Is this a complete list?
- What else is available in our community?
- If our community doesn't have what we need, could we start it?

Module ten - Paying it forward

Moving forward

Use this module to talk about the next steps – for individual members and for the group as a whole. Take opportunities to celebrate achievements, help group members think about their options, and to further develop MoneyMates and communities.



Reflection session

Then and now

Use your Client check-in form to compare yourself at the start of the MoneyMates group with your situation now.

Write the number(s) you gave yourself then, at the start of MoneyMates, in the **first** column in the table below. Put your latest number score in the **now** column. Subtract one from the other to get the scores in the **change** boxes.

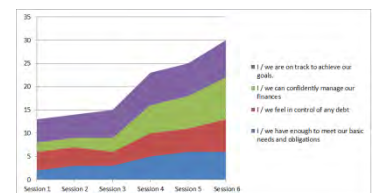
	First score							Now score	Change
I/we have enough to meet our basic needs and obligations									
I/we feel in control of any debt									
I/we can confidently manage our finances									
I/we are on track to achieve our goals									

If you want, you can also put the scores for the meetings in-between in the grey boxes. You or your facilitator could use these scores to make a graph. A sample is shown at right. This is a good way to show the change visually.

Are you satisfied with your change?

If there are any scores that you are not happy with, this may show further work to do.

Talk with the group or the facilitator about ways you can achieve the change you want – this could include seeing a financial mentor or joining the next MoneyMates group.





Brainstorming session

What happens next?

How can we share what we've learned wider – across our family, whānau and community?

How should MoneyMates recruit new members for the next group? Where do we look and what do we offer them?

Will the group meet again to share fresh things we've learned?

Will we keep meeting to develop revenue generating or community building ideas?

What other ways could we support the next MoneyMates group?

Could people in our group become facilitators of the next MoneyMates groups?

Next steps

Other Building Financial Capability products and programmes are ready now, or are being developed, to help you move towards a better financial future.

The Building Financial Capability website has more information on –

- **The MoneyMates Fund** – Grants between \$500 and \$50,000 are available to support innovative and exciting ideas by community groups and providers to build the financial capability of people and communities in hardship. It can support activities and projects that assist community groups and local providers to build the financial capability of people and communities. You can apply for the funding any time in the financial year or until the funding has all been allocated.
- **The Generator** – generating income and resource opportunities in communities
- **Financially inclusive savings** – for people, families and whānau in hardship to build savings alongside financial capability, to buffer them from financial crises and enable them to grow.
- **Community Finance** – providing access to a fair and safe line of credit as an alternative to fringe lenders. Loans can be used for things such as buying or repairing a vehicle, household appliances or a computer, medical expenses, or course costs and fees. There are two types of loan:
 - No Interest Loan Scheme (NILS): Generally up to \$1,000, 12 months, no interest
 - StepUP loans: \$1,000 – \$5,000, up to 36 months, 6.99% interest per year.

And finally – celebrate!

You could help organise a family-oriented graduation ceremony.

There is a completion/achievement certificate in the group workbook you can use.

It's important to record and share their insights for future groups; and encourage members to develop peer leadership roles in MoneyMates.

Share the gold of the group.

In future these modules can be added to as facilitators and group members develop the MoneyMates community of practice.

See our feedback info on the last page of this guide.



Where can we go for extra help?

For more information on financial capability, you can visit:

Banking Ombudsman - www.bankomb.org.nz

Budgeting – see your [financial mentor](#)

Citizens Advice Bureau - www.cab.org.nz or they are in most community centres.

Commerce Commission – www.comcom.govt.nz 0800 943 600

Commission for Financial Capability – www.cffc.org.nz – the organisation that powers the *Sorted* brand (see below)

Consumer Protection – www.consumerprotection.govt.nz

Financial Capability Trust – this is the working name for a new national group for organisations working to build financial capability. The temporary address is www.familybudgeting.org.nz

Insurance & Savings Ombudsman - www.iombudsman.org.nz

Insurance Council of New Zealand - <http://icnz.org.nz/for-consumers/>

Kiwisaver - www.kiwisaver.govt.nz/

Ministry of Business, Innovation and Employment (for tenancy information if you are renting accommodation) - www.mbie.govt.nz/info-services/housing-property/tenancy

Ministry of Social Development Youth Service (for financial support for training and education) - www.youthservice.govt.nz

New Zealand Bankers' Association - www.nzba.org.nz/

Reserve Bank of New Zealand - www.rbnz.govt.nz/regulation_and_supervision/banks/

Senior Services – www.msd.govt.nz/what-we-can-do/seniorcitizens/index.html 0800 552 002

Sorted –free, independent and impartial information about financial matters www.sorted.org.nz

Studylink (if you are, or thinking about being, a student) - www.studylink.govt.nz

Work and Income - www.workandincome.govt.nz or visit your nearest office.

Your own bank websites e.g. ANZ, ASB, etc., or visit a branch near you.

Your own insurer's websites e.g. AMP, Cigna, nib, Tower, Vero or visit a branch near you.

Youthline – www.youthline.co.nz 09 376 6645.

Participants seeking to make financial decisions should seek professional advice and will be given information about where to find further advice. Facilitators will not give personal financial advice nor promote or recommend any financial product when delivering MoneyMates. The information in this facilitator guide is generalised and current as at July 2017. MoneyMates should be treated as a starting point: laws or policies may change at any time and MoneyMates should be just one source of financial capability information.



Glossary - what financial terms mean

Adviser	A person who sells financial advice and/or products. They include financial advisers, insurance agents, planners, sharebrokers, mortgage brokers and bank managers or agents. They may be paid a commission (they get paid a share of what you pay).
Annuity	A type of <u>investment</u> where you pay a <u>lump sum</u> at the start, and receive regular payments for the rest of your life.
Asset	A useful or valuable person or thing. In financial terms it's an item that can be converted into cash such as bank deposits, <u>shares</u> or property.
Automatic payments (APs)	A way of paying someone a set amount direct from your bank account, usually on a fixed day of the month. Automatic payments are ideal for bills that are the same amount each time, like rent. There is often a penalty fee if you don't have enough money to cover the payment.
Bankruptcy	The inability of an individual/company to pay their debts. These debts can be wiped, but there will be many effects on a bankrupt's ability to do things financially. You need <u>financial mentor</u> expert advice to help you make this decision.
Benefit	An advantage. For example, a benefit of buying something out of your savings is that you pay no interest on it.
Capital gain	The profit you make when you sell an <u>investment</u> for more than you paid for it. If you buy a house for \$300,000 and sell it for \$320,000, your <u>capital gain</u> is \$20,000. A capital loss is when you sell an investment for less than you paid for it.
Cash advance	Withdrawing money from your credit card account, usually through an ATM. Cash advances are an expensive option because <u>interest</u> is charged from the day you withdraw the money.
Compound interest	<u>Interest</u> paid on interest. You earn compound interest if you have savings and all the interest you earn is paid back into the savings account, instead of being paid to you. Over time compound interest makes your money grow much faster than the straight interest rate.
Credit	An amount of money that you borrow. This may be a loan, buying goods and paying them off over time (<u>hire purchase</u>) or bank or store credit cards with a pre-approved limit.
Creditor	The company, organisation or person that advances you <u>credit</u> . You are a <u>debtor</u> to them.
Credit card	A bank account that provides you with a card and credit limit so you can buy something now, and pay it off later. Credit cards usually have high <u>interest rates</u> .
Credit contract	The agreement you sign with the <u>creditor</u> . If you use a credit card or buy goods and services on credit, have a loan or overdraft facility or a mortgage, then you've probably signed a consumer credit contract. It means that you both have legal rights and responsibilities.
Credit record Credit score	Your credit record is a history about your past borrowing and repayments. A credit score is a number (higher is better) put on you by a credit reporting company that shows how likely you are to repay debts. Businesses use your credit score to decide whether they should lend to you and how risky they believe you'll be.

Debt	Debt is what you owe, including mortgages, personal loans, credit card balances, hire purchase agreements and loans from family. Another name for debt is 'liability'.
Debtor	The person, group or organisation that agrees to take on responsibility for a <u>debt</u> .
Default	Default occurs when you can't meet the legal obligation of debt repayment. This can be when you don't pay <u>interest</u> or <u>principal</u> on a loan or security when it's due.
Default fees	A range of legal and administration costs charged by the lender if you default. Usually these will be added to your debt.
Direct debits	A way to pay someone a variable amount direct from your bank account, usually on a fixed day of the month. Direct debits are ideal for bills that are a different amount each month – like power bills. There is often a penalty fee if you don't have money to make the payment.
Disclosure	When you borrow or sign up to a <u>hire purchase</u> or any other <u>credit contract</u> , the lender must provide you with accurate information in writing about what the loan will cost you. This is known as the disclosure statement. They must give you this before the contract is made.
Equity	The amount you would get if you sold an <u>asset</u> and paid back any money you owed on it. If you have a house worth \$350,000, and a \$300,000 mortgage, your <u>equity</u> in your house is \$50,000.
Fees	A charge or payment for a service. For example, an 'establishment fee' charged for setting up a loan and added to the amount you have to pay back. On a \$1000 loan, you may be charged a service fee of \$200. You will have to pay back \$1200, plus any interest. Also means a penalty fee charged by a lender or creditor to compensate them if you 'bounce' or miss a payment or go into overdraft without permission.
Financial capability	'The ability to make informed judgements and effective decisions regarding the use and management of money.' (Commission for Financial Capability, 2016)
Financial hardship	'Having insufficient resources to meet basic needs, and thus being excluded from a minimum acceptable way of life in one's own society.' (Derived from Perry, MSD)
Financial mentor	An adviser who uses budgeting advice tools, a <u>Financial Plan of Action</u> , and makes connections with a range of social services to ensure people and their families and whānau get the right support and can improve their financial positions.
Financial Plan of Action	A plan to address money issues and help you achieve your goals. The plan looks at aspects of your money, including where it comes from, spending, saving, borrowing and income generation. It helps you develop your financial skills by helping you develop your strengths.
Financial resilience	'The ability to access and draw on inherent capabilities and appropriate and accessible external resources and support in times of adversity.' (NAB / Centre for Social Impact, 2016)
Fixed rate	The rate of <u>interest</u> paid on a loan may be either a <u>fixed rate</u> or a <u>floating rate</u> . For a fixed rate loan, the interest rate is set at the date you take out your loan and remains the same throughout the term of your loan, even if <u>floating rates</u> go above or below that.

Floating rate	The interest rate changes from time to time. If <u>interest rates</u> fall, then so does the amount you have to repay, or you could continue at same level of repayment and pay your loan off quicker. But, if interest rates rise, then the opposite happens, either your repayments need to be increased or the term of your loan is extended.
Goal	A target, something you aim to achieve.
Guarantor	Someone who co-signs a <u>credit contract</u> to guarantee that the borrower will repay it. If you agree to become a guarantor you need to be very careful and trust the person you are guaranteeing as the lender can demand repayment from you if anything goes wrong. If you are asking someone to be your guarantor, be aware this is a <i>big</i> ask.
HP or Hire Purchase	An agreement to buy something on credit, without paying the full amount straight away. With <u>HP</u> you usually pay a deposit followed by monthly payments (including any <u>interest</u> and <u>fees</u> charged) over a set period. Also known as a credit contract.
Inflation	The rate that prices of goods and services increase over time. For example, if New Zealand has 2% inflation and you bought something for \$1000 now, in one year's time the price might be \$1020.
Inflation-adjusted	Increasing an amount of money each year by the same amount as <u>inflation</u> each year. For example, if you got \$1,000 last year, and the rate of inflation for the 12 months is 2%, this year's earnings should go up by 2%. So \$1,000 inflation adjusted would be \$1,020. If you do not get an inflation adjustment the amount of things you can buy goes down.
Interest	The extra money you pay on a loan or are paid for an investment, usually shown as a percentage (%). For example, 15% interest on a \$1000 loan repaid in a year = \$150 extra.
Interest rate	Money charged for the use of loaned money, shown as a percentage. It is usually an annual rate, for example, if you take out a loan for 3 years at 15% interest, you will pay 15% per year for any money owing.
Investment	A way to use your money to make it grow.
Lay-by	You pay the store to put aside goods for you. You don't get them until you have paid in full using an agreed number of regular payments, but there are usually no <u>fees</u> or <u>interest</u> charges payable.
Loan	A borrowed sum of money from a lender, such as a bank or finance company.
Microfinance, micro-lending	Small loans to people on low incomes, often arranged by community organisations. Many charge very low interest, or even no <u>interest</u> or fees at all. They aim to help people on low incomes improve their lives through using safe borrowing.
Need	Something that you require, must do, or must have. For example, you need to pay your rent, because you must have somewhere to live.
No-asset procedure (NAP)	An alternative to bankruptcy which might be available if you owe between \$1,000 and \$47,000 in <u>secured</u> and <u>unsecured</u> debt and can show that you have no realisable assets. You need <u>financial mentor</u> advice to help you make this decision.

Net worth	Your overall financial position - the value of your <u>assets</u> minus your <u>debts</u> . Or the difference between what you own and what you owe. If your debts are more than your assets you have a negative net worth.
Pension	An income paid at regular intervals to an older person, by government (to people over 65) or through an <u>employer superannuation</u> scheme.
Per	Per means 'for each'. For example, if you buy 10 items at \$20 per item, you pay \$20 for each item.
Percent (%)	Means 'per hundred'. 15 percent is like fifteen out of a hundred: 15/100.
Per annum	For each year. For example, an <u>interest rate</u> of 15% per annum means a 15% interest rate for each year on money that is owed.
Principal	The original amount borrowed, before fees and <u>interest</u> is added.
Refinance	Changing the terms of a loan, or replacing an existing loan with a new one.
Repayment	To pay back money owed. Usually a repayment amount will be a set regular amount of money, for a set period of time, until the balance is paid in full.
Repossession	Legally taking back items that you borrowed to purchase, or that you agreed could be used as <u>security</u> , if you don't repay the lender. They can charge you fees for this process. <u>Creditors</u> may only repossess things listed, item by item, in your <u>credit contract</u> . With some exceptions, they can't take your necessary household items.
Returns	The change in the value of an <u>investment</u> over a period of time, plus the value of any income received from it (e.g. <u>share</u> dividends) during that period. <u>Returns</u> can be positive and negative.
Secured loan	A <u>loan</u> secured against some or all of a borrower's <u>assets</u> decreasing the <u>risk</u> to the lender. If the borrower defaults on the loan, the lender may take some/all of these assets in order to cover the loan payments.
Security	<u>Assets</u> attached to a <u>secured loan</u> , which can be taken by the lender if the borrower defaults.
Summary instalment order (SIO)	A formal arrangement with creditors to repay some debt over time (normally three years). A SIO supervisor will administer the SIO. Your total unsecured debts must be less than \$47,000. You need <u>financial mentor</u> expert advice to help you make this decision.
Superannuation	Funds specifically designed for people saving for their retirement.
Term deposit	Money deposited for a fixed term - usually between 30 days and five years – to get a better <u>interest</u> rate. If you need the money back before the term is up there may be a penalty.
Unsecured loan	A loan which is not secured against any of your assets, so it is more risky to the lender <u>secured loan</u> . To make up for this, the lender will charge a higher <u>interest</u> rate.

Provider feedback form

The Ministry of Social Development will continue to work with providers to develop a flexible and consistent MoneyMates service across the country. This Guide will be updated as the service develops; as part of this process, please send us your feedback on ways this Guide can further support your role.

Please send to:		
Building Financial Capability team Community Group Ministry of Social Development PO Box 1556 WELLINGTON	OR	financial_capability@msd.govt.nz
Suggested change to the Facilitators ManualGuide		
Topic	Reference (section/page)	Suggested change/description
Contact		
Name:		
Position:		
Provider name:		
Provider postal address:		
Provider email:		
Provider phone:		
Date:		



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

New Zealand Government