

# SAVVY SAVING

*As children many of us has piggy banks, putting a \$1 here and \$2 there into the pig for safe keeping, ready for they day we had collected enough money for that brand new bike or dress that we had seen on television and fallen in love with. Saving used to be so much easier when we were children with only one goal to save for and no surprise dentist bills or car repairs that trip us up. However, a lot of us are worse at saving than we would care to admit. A recent study by Go Banking Rates found that a whopping 69 percent of surveyed adults have less than \$1000 in savings, it's clear that many of us struggle when it comes to finance, spending our money on the wrong things. Money wasting is a nasty habit that is getting in the way of saving for many people. Whether you are trying to put some money away for next season's wardrobe, a holiday, your children's education or your retirement, we have some tips and tricks to help you take control of your money and stay on top of your spending. BY EMMA TAYLOR AND ALMAZ RABB*

## 2 GET RID OF DEBT, THE MOST EFFECTIVE WAY

Harvard University studied the topic extensively, managing to come to some fairly credible conclusions around the most effective way to get rid of your debt. While it may seem to make more sense to try to pay off everything at once, the study found that focusing on one debt at a time was actually the most effective way to deal with things. Being able to see entire debts erased proved to be motivating for people and spurred them on to keep paying off more and more. The researchers suggest that “focusing on paying down the account with the smallest balance tends to have the most powerful effect on people’s sense of progress—and therefore their motivation to continue paying down their debts.” The study also found that pooling debt into a consolidated loan may not actually be as effective as it has been hyped up to be, with the authors finding that keeping the debt separate was psychologically more rewarding and made tackling the debt seem easier.

## 3 SPEND YOUR MONEY WISELY

Everyone says that money cannot buy happiness, but these people have clearly never bought a plane ticket and traveled thousands of kilometres away where they had the adventure of a life time, meeting new people, trying new things and of course enjoying local delicacies. You may have thought that this is as close to buying happiness as you can get, and you are right. Dr. Thomas Gilovich, a psychology professor at Cornell University, wrote a study in the Journal of Consumer Psychology called “A Wonderful Life: Experiential Consumption and the Pursuit of Happiness.” In this study he concluded that “as important as possessions might be to a person’s identity and sense of self, they are not as important as a person’s experiences...We are the sum total of our experiences. We are not the sum total of our possessions, however important they might be to us. If called upon to write our memoirs, it is our experiences we would write about, not our possessions.”

## 4 LEAVE ENOUGH FOR THE KIDS

Mike Broadbent, director of Evergreen Life, reminds us that raising children in New Zealand is not a cheap endeavour. If you’ve got kids and you want them to have financial stability should anything happen to you – the right amount of cover is critical. As a conservative estimate, I recommend people insure each

## 1 KICK BAD HABITS

What is behind our low levels of saving? A study published in The Journal of Consumer Research found that there is an apparent disconnect people’s ability to discern the consequence of their spending if they do not pay with physical cash. “When (consumers are) exposed to new products and thinking about paying with credit, they tend to focus on the good things about the product — the aesthetics of it, the features that are better than other products they’re considering, the sexiness and luxury of it,” researcher Randall Rose told the Chicago Tribune. “That’s as opposed to details related to cost, like the price, shipping cost, warranty cost, installation cost and effort.” On the other hand, the study found that those who paid for items in cash were far more aware of the consequences that their purchases may have and less likely to prioritise factors such as aesthetics over practical factors.