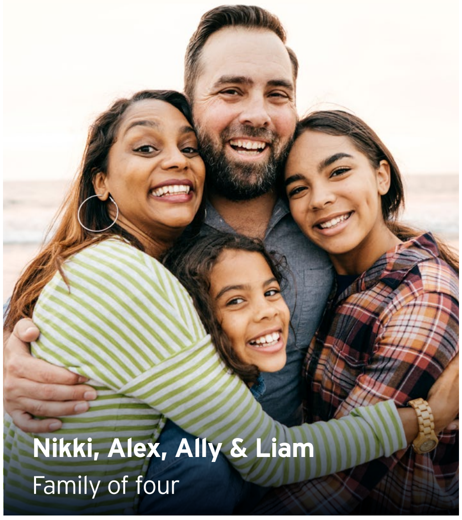
Helping you build the financial future of your choice

ONE STEP AHEAD

Meet Nikki and Alex. They have been doing well paying off their mortgage and even saving for family holidays but they want help planning for their retirement. Find out more about them, our guidance and their actions to build up their financial future.

"We have been able to save, but with so much uncertainty we are not able to make plans for the future"



Nikki, Alex, Ally & Liam
Family of four

Their story

Nikki and Alex are both 50 with two children, Ally and Liam, aged 11 and 13. The family had a shock a few years ago when Alex was unexpectedly diagnosed with a medical condition that didn't allow him to work for 6 months. They were very thankful for their Rainy Day savings and their income protection insurance which supported them through that time, and Alex has now fully recovered and is doing really well at work. Nikki received an inheritance from her father who stipulated that the money is for their children's tertiary education. The money is currently in their savings account. With their children growing up, Nikki and Alex want to plan towards securing their financial future. They're unsure whether to focus on repaying their mortgage first, or saving for retirement.

Banking profile				
Transaction accounts	Savings account - $80k Savings account (on call) - $25k	Credit card limit - $10k Paid off each month	Mortgage of $150k	Both are KiwiSaver members

Recommendations for Nikki and Alex

- Nikki and Alex should review their KiwiSaver fund choice, as being in the right fund could have a significant impact on their KiwiSaver return. They could talk to their KiwiSaver provider to explore the most suitable option for them.
- Review their savings account structure to make sure their money is working the hardest for them. If they don't require access to their savings in the short term there are other options to earn a better interest. There are also other tax effective options for higher tax rate payers
- Set up a plan to repay their mortgage in full by the time they retire. They should ensure they can do this comfortably before allocating savings towards retirement
- Once their mortgage payment plan is in place, they should consider whether they could save more towards retirement (over and above their savings in KiwiSaver)
- Review and update their will and power of attorney

What Nikki and Alex did

- Nikki and Alex met their KiwiSaver provider who was able to explain their KiwiSaver fund options. They understood how each fund works and have decided to go with their KiwiSaver fund recommendation.
- They also reviewed their savings accounts. As they don't need to access the inheritance from Nikki's father for at least another 5 years until Ally starts university, they have decided to put the money in a term deposit. As they are paying tax on a higher tax rate at the moment, they have also opted for a fixed term PIE where they will benefit from paying tax at a rate 5% lower than their current rate. They have also switched their savings from the on call savings account to a PIE savings account
- Using an online home loan calculator, they worked out that they'll be 68 by the time their mortgage is repaid in full, 3 years after they both wish to retire. They've decided to increase their mortgage repayments to help them achieve their goal of becoming debt free by the time they retire. Alex even suggested a stretch goal of becoming debt free by the age of 62! This will give them comfort in case anything unexpected happens
- After increasing their mortgage repayments, Nikki and Alex still have some surplus income which they decide to use to boost their retirement savings. They've increased their KiwiSaver contributions to 8%

ASB Financial Wellbeing for more information