

**TO BORROW OR TO SAVE?**  
**Are the Banks the Xmas Grinch?**  
**- Allistar Walker**

The free market has such a propensity to correct itself, eventually. Banks, Retail Stores, Finance Companies, Sub-Prime Lenders have in recent years been falling over themselves to get you into deep schmuck, greedy to make money at the consumers expense, who in turn were greedy to 'want it all now'. Is the easy credit party over?

Roll back the clock. You are now in 1968, 40 years ago. You have recently got married and want to buy your own little nest. But you need 20% deposit, possibly a whole \$2,000 to purchase a thousand square foot 'Beazley' house costing \$10,000. You are earning a combined income of \$2,000 per year. What's more the bloke earns \$1,200 of that and if you are the gal you earn \$800 because those were the days when a woman's work wasn't valued like a mans. In fact the woman was mostly expected to leave employment and go on to have and take care of babies.

Sky TV, a late model car, new furniture and appliances, a game console, a night out to dinner, a bottle of wine or a casual machine made coffee were things and experiences that weren't given much thought. In those days they were just not an option for the average income earner. Anyway Sky TV wasn't available along with many of the fantastic modern day temptations. To get stuff on 'tick' was a mission and people just didn't think that way in those days, not much anyway. Shock, horror, newly-weds might not even have TV.

Who'd want to live back then anyway, compared with what we can do and have today? Roll forward to say 2006. What a blast! We can borrow 105% for a home, get anything we want for a lavish (some would say necessary) lifestyle. Restaurants, cafes, fast food, appliance outlets, stores flogging all sorts of exotic and imported goods have sprung up everywhere. Anything you'd once go overseas to buy, you can buy here. Why even panetone, the Italian Christmas cake, is plentiful in supermarkets at this time of the year. We are living in a time of plenty, a time that is secure and free of worries of depression, or repression. The All Blacks were winning and in 2007 the World Cup would be ours! A whole generation has grown up not really knowing hard times or understanding the fundamentals of ultimate survival, financially speaking.

Nothing could go wrong with our financial system. The horrors of past depressions or recessions wouldn't happen again, because our systems had mechanism in place to avoid such things – yeh right! A young corporate Accountant said that to me in 2006. How wrong he was.

So now we have come full circle – maybe flares and paisley shirts will return too! Three major banks have largely limited housing lending to 80%. The fourth one is likely to follow (at time of writing) and all because Japanese housewives with other overseas investors no longer want their cash on our shores. The bank can no longer beg, scrape or borrow from offshore to feed our hungry free-spending consumers.

Enter the new order, heralded by KiwiSaver. A new breed of kiwis will emerge. Those that can store their nuts as the squirrel has done millennia upon millennia, will

profit and grow. Those that can't adapt, prioritise their spending, think growth assets (mostly property and shares) are great, while other possessions ringed with debt suck, will be consigned to the dustbin of history. The funny thing is that most of the first or second time borrowers I deal with, reckon this won't be such a bad thing. From this I believe that people inherently understand what is good or bad, just sometimes commercial and personal grubbiness pushes all that into the background.

Life is tough. A deservedly good life is earned not given or taken. The sooner wealth creating habits are taught in schools the better. If you haven't read "The Richest Man in Babylon" get down to your bookshop and grab a copy. It's an easy and interesting read with very poignant lessons as valid today as when it was written in the 1920's.

**Footnote:** There will be 100% finance for selected people, some cases may involve second mortgage finance. Those that sail a clean and tidy ship will benefit. We continue to work with prospective homebuyers and investors to help them reach their goals. Life will always be a challenge, the ground rules just change from time to time and eventually everything goes full circle – ce'est la vie.

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