

## **STEP BY STEP WITH MONEY – THE ECONOMY AND GEN X**

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Last week in our four-week series on our NZ economy, we discussed Baby Boomers and Network Marketing (NM). We also defined NM and listed some key points in selecting a NM company. This week we will discuss the economy and how Generation X can use NM to achieve their dreams and goals. I am part of Generation X and will share part of my story.

Generation Xers have been working for a while, working harder and longer each year however, most of us are still living pay cheque to pay cheque. ANZ's New Zealand Economic Outlook July 2017 formalised this by reporting that wage growth has been subdued but the reality is that labour income has increased due to longer hours worked. My friend Scott says that Generation Xers are putting in more time outside the house than inside the house. Although Generation Xers are looking for work life balance, the feeling was that they are not achieving it and now ANZ has confirmed that feeling.

How did we get here? I will share my story and maybe you can relate to it. It started when I was in high school and my parents told me that I had to get good grades so that I could go to college/university. Like many parents at that time, they did not want me to work in a factory (nothing wrong with working in factory, I cleaned toilets while studying). What was really happening was that cultural goals were being imposed upon me. I got good grades ended up at University and completed commerce and law degrees and as a bonus, I got a student debt. This was followed by obtaining what is still culturally deemed to be good jobs with good firms.

But wait there is more. Now we are working in a good firm, we need an expensive suit to impress our clients so that we can climb that corporate ladder (with that suit came the set of ties and of course a really cool briefcase), we married, bought our house in what is regarded as a good suburb (for some of us it may have been unaffordable but not to worry mum and dad helped with the deposit even though the mortgage payments were a stretch), two cars to impress our clients and kids in schools with great extracurricular activities, and of course, a club membership (in my case it was Qantas Club). In the end, we ticked all the boxes to achieve cultural goals. The price we are paying is debt (mortgage, loans, student debt and credit cards) in excess of our income.

But wait there is more. Some of us (at least in my case) experienced a depression. That is, a downturn in the global economy meant that someone on the other side of the world, who we never met and likely had no idea of what we did on a daily basis, decided that a certain group of people should be made redundant. Suddenly our finances are in a depression. But we pulled through, we are resilient.

Time moved on and on the surface things improved slightly. Over time the savings rates of New Zealanders have dropped. The ANZ's New Zealand Economic Outlook July 2017 shows that savings are minus 1%. This means that for everyone \$100 being earned by a NZ family, the family is spending \$101. We may look at this and think that it is not sustainable. We will be correct. What does this mean in reality. People are feeding their consumerism habit and effectively paying for it with their mortgage, those who have mortgages. This is because many people tend to refinance their mortgage to pay off credit card debt. Credit card debt was used to pay the \$1 plus interest from \$101 spent. We are not only repaying \$1, we are also repaying interest on that \$1.

Since there is more consumption which leads to increased pressure on the inflation rate, the government of the day will raise interest rates to curb inflation. Support for this view can also be found in the ANZ outlook referred to in the article. The report notes that core inflation will slowly rise and interest rates will rise too. Mortgages are already being increased to refinance credit card debt, an increase in the interest will increase the interest being paid on the mortgage and credit card. Generation Xers who are looking forward to paying off the balance of their mortgages and other loans so that they can retire may find that with increases in interest rates that it may take them longer to retire.

Generation Xers would have experienced the Global Financial Crisis (GFC) and are likely to be more sensitive to job security and the management of their investments. To me the interesting thing about the GFC is that in my mind it debunked some general understanding of history. That is, history generally showed that it takes many years before people make the same mistakes that were made in the past. However, the GFC showed that people's homes were valued less than what they still owed. The GFC happened in around 2008 and now in 2017, less than 10 years, many Generation Xers are in similar positions. Some Generation Xers have been looking at selling their homes or investment properties to pay off debt, however, the cooling of the property market means that houses are not selling for the sales price. This means that Generations Xers cannot sell because they will still have debts to pay after the house sells.

This may be a contributing factor to low morale and depression among Generation Xers. We followed the rules and the goals with the view of a good retirement. These goals come from our cultural surroundings and it is part of our need for safety and acceptance in our community. While we were head down working longer hours someone changed the rules and forgot to send the email, text message or flyer. Now in our mid-forties, the rules of the game we followed changed.

Some of us did what I think we should have done as teenagers. We sat down and became still. In our stillness, we started to think. Our thinking most likely covered our goals, these goals are not cultural goals but more experiences that we want. Some of us have thought of experiencing travel, being married and waking up next to someone we love, having a baby or starting a business. We may even be thinking of our parents and it will not be long before we receive our pension card. Will we have the time to experience our own goals?

How do we get to experience our own goals when we're barely getting through our daily life? We are afraid to take time off as we may be replaced with a younger model.

There is hope. This is because we started thinking of the experiences we want, not our culturally imposed goals. Remember, when we wanted something as a child or we studied for an exam, be it a music or maths exam, we buckled down and focused until we grew into the person who could play that instrument or apply math equations to various problems. To gain our experiences of playing music we grew into the musician and we played the instrument.

We need to grow ourselves into the person to experience our own goals. We are unlikely to find that support in our current jobs. To grow ourselves we need to be surrounded by a great team of leaders who will support us, after all we have been living with cultural goals for 40+ years and now we are changing. In NM, we are likely to find the people who have been where we are or in similar positions. These people have made the transition and can share our feelings of despair and concern about mortgage payments, health and children etc. By being surrounded by people who care about us, it will increase our health and in my view greatly contribute to the increase in our finances if we take onboard the training that will be generously provided.

A great NM company will allow us to grow at our pace and provide us with all the support needed. We should be able to access training and the leadership to share our concerns. The products sold by the NM company should have a quick turnaround time so that commissions are regularly earned. Earning commissions should allow us to gain confidence within ourselves. This confidence will help us see that we do not need to rely on one income stream to achieve our own goals. Over time we will realise that we do not need to rely on the false cultural safety net that is our job.

We may even consider giving back to our community. In NM, we can give back and earn at the same time. By giving back we should obtain fulfilment. We can give back by making other people happy, that is by mentoring our team to achieve their experiences. While mentoring, we will be guided by leaders and we will grow along with our team. Here we will grow lasting friendships

In my view if we move to gaining our experiences, rather than achieving culturally imposed, tick the box goals, which have contributed to our debt, we will live a much happier life. A happy life does not cost much.