

Media Release

Retirement Commission

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Home owners can soften blow of interest rates

New Zealanders should plan ahead for interest rate rises that may accompany today's official cash rate rise, says the Retirement Commissioner.

Even small interest rate rises can have a significant effect on Kiwis' home loans and impact on their ability to pay off mortgages, says Diana Crossan.

"It's tempting to ignore interest rate rises if you are on a fixed mortgage, but you need to prepare in advance for when it expires. Over the next two years more than a third of fixed home loans are up for review, so Kiwis need to be preparing for potential interest rate hikes.

"The national median house price is \$343,500¹. Two years ago home owners could expect to pay around 7.5% interest a year on a loan of this amount. With an increase to 9.5%, home owners now have to pay an extra \$6870 a year or around \$132 a week.

"With planning, however, New Zealanders can soften the blow of potential rising interest rates - and see if they can pay their mortgages off faster," says Ms Crossan.

The Retirement Commission has a range of resources available on its independent and impartial website, sorted.org.nz to help home owners work out the real cost of their mortgages and see if they can pay it off sooner.

The Retirement Commission has also launched a new Sorted KiwiSaver Decision Guide on sorted.org.nz with credit card and mortgage calculators, allowing potential KiwiSavers to see how the numbers stack up.

The Sorted KiwiSaver Decision Guide gives people personalised calculations showing:

- How much you need to save for retirement
- How much your KiwiSaver contributions will be each pay, and what they will add up to by the time you're 65
- How KiwiSaver can help you buy your first home - the benefits that KiwiSaver can deliver after saving for 3 or 5 years.

The Guide also provides unique information that helps people consider their credit card and mortgage repayments in the context of making their decision on KiwiSaver. For example it helps to answer questions like - are you better off to put 4% of your pay

¹ Real Estate New Zealand figures April 2007

into KiwiSaver now and get the incentives, or to delay joining and pay off your credit card debt and mortgage debt faster?

“We have a range of tools for home owners on Sorted.org.nz including comprehensive mortgage calculators. Plus our Sorted KiwiSaver Decision Guide, Sort Me financial health check and Sorted Quick KiwiSaver Calculator give Kiwis the ability to make an informed decision about KiwiSaver based on their personal financial situation. I encourage all New Zealanders to use these tools and get their personal finances sorted,” says Ms Crossan.

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