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> Giving New Zealand families a voice *Te reo o te whānau*

RESEARCH REPORT NO 6/09
DECEMBER 2009

escaping the debt trap

EXPERIENCES OF NEW ZEALAND FAMILIES ACCESSING BUDGETING SERVICES

A FAMILIES COMMISSION REPORT

The Families Commission was established under the Families Commission Act 2003 and commenced operations on 1 July 2004. Under the Crown Entities Act 2004, the Commission is designated as an autonomous Crown entity.

Our main role is to act as an advocate for the interests of families generally (rather than individual families).

Our specific functions under the Families Commission Act 2003 are to:

> encourage and facilitate informed debate about families

> increase public awareness and promote better understanding of matters affecting families

> encourage and facilitate the development and provision of government policies that promote and serve the interests of families

> consider any matter relating to the interests of families referred to us by any Minister of the Crown

> stimulate and promote research into families, for example by funding and undertaking research

> consult with, or refer matters to, other official bodies or statutory agencies.

ACKNOWLEDGEMENTS

This research was undertaken in two stages, managed by Nicolette Edgar (Phase 1) and Janine McCardle (Phase 2), with input from Karen Wong, Trish Young, Susie Johnson, Caroline Bridgland and Sue van Daatselaar.

The Families Commission would like to thank the Salvation Army budget advisers who helped locate families. We would also like to thank the Federation of Family Budgeting Services, in particular Raewyn Fox and Kate Henderson, for helping to locate families and for the review of the report.

The Commission would also like to acknowledge Colmar Brunton for conducting the Phase 2 interviews.

Finally, the Commission would like to convey a heartfelt thank you to all the families who took the time to share their stories with us and contributed so generously and thoughtfully to the research.

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Giving New Zealand families a voice *Te reo o te whānau*

ISSN 1177-3545 (Print)
ISSN 1178-1289 (Online)

ISBN 978-0-478-34906-1 (Print)
ISBN 978-0-478-34907-8 (Online)

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EXECUTIVE SUMMARY

PROJECT AIMS AND METHODOLOGY

Problem debt (unmanageable debt leading to financial strain) is an issue for New Zealand families and can have far-reaching consequences. It can result in difficulties meeting food, housing and transport costs as well as impacting on the overall well-being of families and on relationships within a family. Problem debt is linked to poverty, which is known to limit children's daily lives and their opportunities and expose them to risks of illness, social and emotional damage and poor educational attainment (Fletcher & Dwyer, 2008).

The Families Commission is interested in understanding the impact of problem debt on New Zealand families. The aim of this research was to improve knowledge of issues facing families who have problem debt. The information gathered will enable the Commission to advocate more effectively on behalf of families vulnerable to problem debt.

The research sought to find the following information:

> how families end up in a situation where they have debt which they cannot manage and therefore require budgeting services

> how being in problem debt affects families

> what could help families get out of problem debt.

The Commission undertook qualitative research in two phases. The first phase occurred between 2007 and 2008 and involved interviews with 30 families who had used Salvation Army budgeting services. The phase one sample included 27 families for whom a government benefit was the main source of income, and three working familes. Phase two occurred in the first half of 2009 and involved interviews with 10 working families who had used New Zealand Federation of Family Budgeting Services (NZFFBS). In addition, individual interviews were held with seven Salvation Army budgeting advisers and a group workshop with several NZFFBS budgeting advisers.

Interviews with the families focused on stories of being in debt, the impact of their financial situation on their lives, and what they thought had helped or could help them and other families to get out of debt.

Interviews with budgeting advisers focused on what could prevent families getting into a 'bad' debt situation and what could be done to improve such a situation.

KEY FINDINGS

How families got into debt and their feelings on their financial situation

Debt can potentially be a problem for any family in New Zealand, but it is likely to be worse for families who are on limited incomes; are without assets; do not possess the skills and resources needed to get out of debt; and whose options to improve their financial situation are limited. Debt for such families is a complex issue, so the solution will be equally complex. The solutions will need to involve the family themselves, as well as the government, finance and not-for-profit community sectors.

It was evident many families simply did not have enough income to meet their needs. On the face of it, increasing the family income could be the simplest way to improve their situation. However, as families with problem debt have different income levels, increasing a family's income is not the only way to address their debt problems and may not be an effective measure on its own. No level of income guarantees against a family getting into problem debt.

Most families participating in this study were struggling to meet everyday expenses and reported relatively high levels of debt for their level of income. Several families reported having debts with a debt collection agency at the time of the interview. Some families reported that they were not currently repaying any of their debt or were only partially repaying debt.

For many, having a physical or mental disability in the family was a significant factor in relation to their overall levels of debt and their ability to get out of problem debt. Most of the beneficiary families (23 out of 27) and half of the working families interviewed, reported that at least one family member living in their household had a significant physical or mental health problem or some form of disability. For these families, this often meant extra financial demands to cover the cost of care and time spent out of work, thereby reducing the household income.

Many of the beneficiary families interviewed were in complex situations and identified multiple factors that contributed to getting into problem debt. Their situation was often the result of the combined impact of high levels of poor health and disability, very low levels of income, rising prices for necessities and the behaviour of others or themselves. This behaviour ranged from a lack of control of personal spending, helping out other family members in need and addictions to alcohol, drugs or gambling. Problem debt was often related to consumption rather than asset accumulation. Adults in the families often had low levels of formal education leaving them with few choices to gain employment that would raise their income levels. Many of these families could be said to be locked into a vicious cycle of debt with one initial debt leading to more debt which can rapidly escalate out of control.

Many working families interviewed were not necessarily living on the edge financially but, as with beneficiary families, often got into a problem debt situation through a major change of circumstances which tipped the balance. These circumstances included having a child, taking on a mortgage and/or changes in employment or income levels. These changes, combined with some of the same factors experienced by beneficiary families (in particular poor health or a disability in their family) could contribute to a problem debt situation. For some working families the behaviour of self or others, and rising prices for necessities, was a contributing factor.

Use of credit and debt

Loans from finance companies and purchasing on credit from mobile shops were particularly problematic forms of consumer credit. The high cost of using these forms of credit contributed to a cycle of debt for many beneficiary families. Difficulties in keeping up with debt repayments created additional interest and administration charges.

Some families reported that they did not always understand the consumer credit contracts they signed. Other families understood what they were committing to (eg more expensive forms of credit, higher interest rates) but felt their poor credit rating or inability to save up cash for a purchase gave them no alternative.

Several low-income families also had debt to government in the form of Work and Income advances, District Court fines and penalties and debt to Inland Revenue in addition to their credit debt. While these debts were not generally large, sometimes they tipped the balance for families between managing and not managing to meet everyday needs.

Impacts of debt

Being in debt can result in a huge toll, emotionally and practically, on some families. The most significant impacts of debt on these families were:

> difficulty in meeting food, transportation and health needs

> difficulty in engaging in activities that could be considered normal for other families, and this could result in becoming socially isolated

> negative impacts on the mental well-being of family members

> negative impacts on relationships within the family and with extended family.

Half the beneficiary families and one working family had experienced repossession of items.

Families used a variety of strategies to cope when they were not able to meet all their everyday expenses, including going without, careful prioritising and seeking help from family, friends or community agencies.

Budgeting services and getting out of problem debt

Most families believed that using budgeting services had made, or was making, a positive difference to their financial situation. Just over a third of the families talked about having made substantive changes in their financial thinking and behaviour after going to budgeting services. Several reported that their family was now close to being free of debt. This research shows that when families take action to better manage their finances, their situation improves. Taking control of the situation and seeking advice earlier was identified by families and budget advisers as a way to prevent problem debt.

For most families, strategies for getting out of debt included careful budgeting, planning and prioritising, finding cheap or free activities to do, resisting the temptation to use expensive consumer credit and being organised and strategic when shopping and meeting their family's needs.

Support with putting these strategies into place when changes first occur (such as getting ill or going onto a benefit) was seen as a helpful way to prevent debt from getting out of control.

Overall, greater access to education on money management and financial literacy was identified by families and budget advisers as important for changing behaviour. Credit agencies could do more to ensure people understand the contracts they are signing and have the ability to repay. Budget advisers felt that increased or better enforced regulation of the finance industry is necessary to improve the practices of credit agencies.

Key insights:

> Some families carry high levels of debt, relative to their income. Low income families have fewer options for getting out of problem debt. This research shows that many families can get out of debt but it is a long term process involving a substantial level of determination from the family.

> The causes of debt are complex with many contributing factors. Help with changing behaviour through education and advice, and support for dealing with challenging circumstances – such as the death of a family member, ill-health and the care of children – would assist with preventing or reducing problem debt.

> Debt impacts heavily on family well-being. Many of the families interviewed struggled to meet the costs of basic necessities and the financial strain led to social isolation and stress on family relationships. The 40 families that took part in this research represented a total of 89 dependent children (younger than 18 years). These children often missed out on taking part in what might be considered normal activities. They were often living in an environment where the adult(s) operated under considerable stress.

> Parents were well aware of the impact of their debt situation on the children, and the desire to change their situation was in many cases related to improving their children's lives. This is a powerful message to motivate and encourage families to seek help for their situation early.

> Families with one or more members in employment appear to have more options available to improve their situation. However, employment is not a simple solution for beneficiary families, who are often unable to work due to health issues or to care for their children, or need further education to enter the workforce.

> For some families, a culture of giving and providing for extended family members contributes to being in debt.

> Credit agencies appear to be targeting families who can least afford it and have poorer understanding of lending practices.

> Many families in problem debt situations have debt to Government and this often includes ongoing fines if the debts are not repaid. For many, the initial debt is not large, but for some this contributes to an ongoing 'cycle' of debt.

> Feedback from budget advisers indicates that many families are unaware of the assistance available to them, particularly from government agencies. They take a key role in getting the right assistance for families.

> Families reported that their financial situation improved as a result of using budgeting services. Budgeting services provide essential services to low income families in crisis, but are facing increased demand from middle- to high-income families who have developed problem debt.

POLICY AND PRACTICE IMPLICATIONS

This research indicates a number of areas where improvements in policy and practice would help to reduce and prevent problem debt situations:

> the provision of support early on to reduce the risk of escalating problem debt

> improved access to financial education

> the enhancing and broadening of the capability of the successful components of budgeting advice

> further research on the role of cultural values and obligations, in relation to financial practices in families

> improvements in the practices of finance companies and mobile shops.

1. INTRODUCTION AND BACKGROUND

1.1 RATIONALE FOR RESEARCH

Research and consultation undertaken by the Families Commission between 2005 and 2006 (Families Commission 2005, 2006)[1] raised concerns about families' ability to manage their finances and resources effectively and about the negative consequences of not being able to do so.

The Families Commission resolved to undertake a programme of work focusing on family finances, debt and financial literacy to help build the knowledge base around these issues. The Commission is concerned about the level of debt of New Zealand families and, in particular, the experiences of those who end up in a financial situation which requires them to seek help from budgeting services.

As part of this programme of work, in-depth qualitative research has been undertaken to further understand:

> how families end up in a situation where they have debt which they cannot manage and therefore require budgeting services

> how being in problem debt affects families

> what could help families get out of problem debt.

The Families Commission knows debt impacts on the whole family and can lead to a range of negative outcomes within a family. The Commission is interested in understanding the impact of problem debt on families as this is a vital step in understanding how families can be better supported.

A study by the New Zealand Council of Christian Social Services (2009) reported that the uppermost issue that created problems for families using their support services was not having enough income for food, power and housing.

The 2008/09 economic climate has further increased the need to focus research on families in debt. If families who can draw on resources, particularly human capital assets such as education, training, experience and abilities, are feeling the pinch of increasing prices and are thinking twice about meeting basic necessities, what then is the financial reality for families on low-to-modest incomes who are without assets and who do not have employment?

This qualitative research enables us to hear the stories and understand the experiences of families in debt in more detail. It also provides information on what helps families, and within this how budgeting services can help families.

[1] See also the 2006 Managing the Family Budget couch poll at www.thecouch.org.nz/member/report/6

1.2 ECONOMIC ENVIRONMENT IN NEW ZEALAND

New Zealand, like other Western nations, has experienced several years of powerful economic growth – in part driven by the prosperity of global economies, but also in part because of 30 years of deregulation of our financial markets (Ministry of Social Development, 2005). Access to credit has been made relatively easy. Reserve Bank figures show household borrowing, once 50 percent of our annual disposable income, was up to 140 percent in 2004 (Goh, 2005). New Zealand households' financial liabilities have increased nearly three-fold over the last 10 years, to $177 billion in 2008. This has been driven mainly by loans for housing rather than loans for consumption (Reserve Bank of New Zealand, 2009).

Our household savings rate has been negative since 1993, indicating households have been *dissaving* – we consume more than we have in available disposable income (Reserve Bank of New Zealand, 2006). In 2007, for every dollar each household earned, we spent $1.15 on average (Wilkinson & Le, 2008). Now, with the bite of an economic downturn, many families are facing several financial headwinds including a household cash crunch. As a result some families are struggling to meet the increasing cost of living, with more families seeking advice to better manage their incomes and their debt.

1.3 STRUCTURE OF REPORT

The remainder of this report is organised as follows:

> an overview of budgeting services in New Zealand

> methodology of this research, including limitations

> characteristics of participants

> interview findings (Chapters 5-14), including participants' thoughts on their financial situation, experiences of budgeting services, impacts of financial situation, strategies when struggling, hopes for the future and advice for other families

> what budgeting advisers thought could help families avoid, and get out of, problem debt

> a discussion section summarising key insights and themes emerging from the research, and presenting some implications for policy and practice.

2. BUDGETING SERVICES

2.1 BUDGETING SERVICE PROGRAMMES

Budgeting services are targeted at individuals, family and whānau with short-term or ongoing financial difficulties. The Ministry of Social Development (MSD) contributes funds towards some of these services through the budgeting services programme, which includes two service types:

> Budget advice and financial planning services involve the provision of budgeting-related information, mentoring and support to those clients or families who are either self-referred or referred by other social service providers or government providers because of existing and actual financial difficulties.

> Budget education programmes involve the provision of group education seminars or workshops for groups who need support or could benefit from sound information about financial information. These include students, people facing workplace redundancy or those receiving some form of income support.

In 2008/09 MSD administered funding of $8.243 million (GST excluded) to 162 providers to deliver budget service programmes. In 2006/07 the budget services programme was delivered to 122,700 clients throughout New Zealand.

2.2 BUDGETING SERVICE CLIENTS

The research described in this report was undertaken with families who use budgeting services through the New Zealand Federation of Family Budgeting Services (NZFFBS) or the Salvation Army. An overview of clients using these services over the period of time the interviews took place is given below.

2.3 SALVATION ARMY

The Salvation Army offers budgeting services across its 32 community ministries which are distributed throughout the country from Kaitaia to Invercargill. These services are offered both by paid staff and by volunteers and are funded both by the Salvation Army itself and through MSD funding contracts. Access to these budgeting services is gained either by referral from Work and Income or a social service agency, through self-referral or when people approach the Salvation Army for a food parcel or some other form of assistance.

In the year to June 2009 the Salvation Army provided budgeting advice to nearly 2,400 individuals or families. This volume was 10 percent higher than for the previous year and 16 percent higher than two years previous.

While those seeking budgeting services make up only five to six percent of those visiting Salvation Army community ministries, staff in these ministries identify that 10 to 12 percent of those people seeking assistance have financial problems as their main presenting issue. Furthermore, Salvation Army staff report that just over half of all those people seeking help through their community ministries have financial problems as the underlying issue. For the 2008/09 June year this amounted to over 25,000 people or families.

Salvation Army budgeting services report that in 2007:[2]

> 76 percent of their clients were female

> 56 percent of their clients were between 30 and 49 years of age and a further 23 percent were between 20 and 29 years of age

> 40 percent of their clients identified as Māori, 38 percent identified as New Zealand European or European and 16 percent identified as Pacific people

> for their main income source, 29 percent of their clients were recorded as having a Domestic Purposes Benefit[3], five percent had an Unemployment Benefit and two percent had New Zealand Superannuation

> 33 percent of their clients were recorded as 'female adult and children', 21 percent as 'single female' or 'single male',[4] 17 percent as 'partners with children', three percent as 'male adult and children' and one percent as 'grandparents and grandchildren'

> 37 percent of their clients were in a private rental property, 20 percent were in a Housing New Zealand Corporation rental property and six percent were in their own house/unit.[5]

2.4 NEW ZEALAND FEDERATION OF FAMILY BUDGETING SERVICES

The NZFFBS is a national collective of community organisations providing budgeting services in New Zealand. In 2008 they had 149 members nationwide and reported having 29,300 clients in the year to 30 June 2008, including 10,800 ongoing clients.[6] This was an increase in total clients of 2.5 percent from the year to 30 June 2007, but down in numbers from 30,700 in the year to 30 June 2006.

It is difficult to examine the demand for budgeting services through client numbers given the capacity of the budgeting service providers to deliver these services. The NZFFBS has experienced two trends over the last decade. The number of members has reduced from around 150 in 1998 to 107 in 2008, but many of these former members still provide budgeting advice. In addition, the average number of advisers per service has decreased from around 11 in 1998 to six in 2008, largely due to a decrease in volunteer advisers. However, the number of 'clients per adviser' figure has increased. The number of 'clients per service' figure has remained fairly static since 1999.

Anecdotally, budgeting services are saying that the increase in individual and family stress in recent years has resulted in a growing number of people seeking budget advice, and growing complexity in the nature of their needs.[7] Budgeting services have also seen an expanding client base, from largely income-support recipients and low-income earners to people in the middle and upper income brackets, including home owners. They have also noticed a number of clients seeking assistance who have recently had their working hours reduced.

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[2] Comparison is made to 2007 information because this is when the Salvation Army family interviews took place.
[3] Income source was not recorded in the data for 15 percent of clients in 2007.
[4] It is not clear how many of these clients had children living in another household.
[5] The remainder of their clients were in a variety of living situations such as living with family/friends, boarding, no accommodation.
[6] Clients who presented more than once or twice and who were more likely to have signed a budgeting agreement.
[7] Budget services review – Stage One: Current situation/Issue confirmation.

NZFFBS reported that in the year to 30 June 2008:[8,9]

> 31 percent of their clients reported having salary or wages as their main source of income. This was an increase from 27 percent in 2006/07 and 24 percent in 2005/06

> 45 percent of their clients identified as New Zealand European, 38 percent as Māori, 10 percent as Pacific people, and one percent as Asian. There has been little change in the ethnic make-up of clients in the last couple of years

> 57 percent of their ongoing clients were between 26 and 45 years of age, 20 percent were between 46 and 65 years of age, 18 percent were less than 26 years of age and a further five percent were more than 65 years of age. The numbers of ongoing clients over 65 years of age almost trebled between June 2006 and June 2008

> the average total debt per ongoing client was $20,700.[10] The average total debt arrears[11] for their ongoing clients was $4,260.

[8] This is the latest period in which NZFFBS has up-to-date statistics for their clients.
[9] For the statistics below, a number of NZFFBS clients have no recorded information, therefore the statistics are based on those clients who do have recorded information.
[10] 2008 was the first year this data was collected.
[11] The proportion of the debt that is overdue at the time the client presents.

3. METHODOLOGY

Exploratory interviews with social service organisations (including budgeting advice services) and families using these services were completed prior to the start of this research.

The research was undertaken in two phases:

Phase 1

1. Face-to-face in-depth qualitative interviews with an adult or adults from 30 families[12] who were using (or had recently used) Salvation Army budgeting services in Whangarei, North Shore, Hamilton, Rotorua, Tokoroa,[13] Porirua and Christchurch (Phase 1 interviews).

2. Follow-up telephone interviews with the seven Salvation Army budgeting advisers who had helped to organise the in-depth interviews with families.

Phase 2

3. Two workshops held by the Families Commission at the NZFFBS Conference (November 2008) which sought to ask participants (mainly budgeting advisers) on what could be done to support families to avoid problem debt.

4. Face-to-face in-depth qualitative interviews with 10 families who were using (or had recently used) the NZFFBS in the Auckland and Wellington regions and who received their main form of income from employment (Phase 2 interviews).

Phase 1 interviews were undertaken between November 2007 and April 2008. As this first sample of families received most of their income from a benefit, another round of interviews was undertaken between March and May 2009 to capture issues of indebtedness for working families.

Interviews with all families focused on the background to their family being in debt and requiring budgeting services, the impact of their financial situation and what they thought had helped or could help them and other families. An interview schedule was used to guide each interview.

Interviews with budgeting advisers were undertaken to obtain a fuller picture of why families became indebted and what could prevent families finding themselves in this situation. Questions focused on what could help families avoid getting into a ‘bad’ debt situation, or recover from such a situation.

For the Phase 1 interviews, a sampling frame was used to direct budgeting advisers on the selection of participants in each geographical location. The aim of this sampling frame was to achieve a good spread of interview participants in terms of size and source of income, drivers of being in debt, family situation and ethnicity.

For a variety of reasons, the profile of the actual sample looks different from the sampling frame, particularly in relation to size and source of income, and ethnicity. Most of the participants had a per annum household income of less than $35,000 before tax and the source of income was usually from a benefit rather than employment. A smaller than expected number of Pacific families were interviewed (the sampling frame sought one-third Māori, one-third Pacific, one-third non-Māori/Pacific). To balance this, a second round of interviews was conducted with working families of a range of income levels who had used the NZFFBS. Four of these families were Pacific.

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12 One interview was undertaken with a husband and wife of a family resulting in 31 interview participants.
13 In Tokoroa the Salvation Army refers their clientele to the Tokoroa Budget Advisory Service.

For both groups, a range of families was achieved in relation to the drivers of being in debt and family situation.

Ten working families were recruited through the NZFFBS. To assist recruitment the Commission developed a poster to put up in the waiting rooms at budgeting services, a direct contact number for service users to refer themselves to the research and updated information for budget advisers, specifying the recruitment of working families.

3.1 LIMITATIONS

Despite the wide range of participants, this qualitative research focused on a specific subgroup of New Zealand families, that is, families who had recognised they needed help with their financial situation and who had used budgeting services. These families were not randomly selected and the degree to which their reported situation and experiences reflected those of families using the services more generally, was not known. The sample profiles are described in the next section.

A limitation of this research was that it could not provide an indication of the scale of the problem (how many families were in a 'bad' situation with debt), nor could it determine the relative weight of different factors that contributed to indebtedness. The research did, however, identify a number of factors impacting on indebtedness that might productively be tested using a quantitative methodology.

There are several important differences in the characteristics of the two phases of interviewees over and above their source of income. Perhaps the most notable difference is that the phases were conducted over a year apart. The financial environment in New Zealand has seen a considerable amount of change over the time period of this research, from late 2007 to early 2009. This means that some differences between the two groups could be attributed to environmental factors rather than employment. For example, several Phase 2 respondents said it was harder to get credit now than five years ago. This is likely to be related to a change in the financial environment, with lenders tightening up their lending criteria, rather than reflect that working families find it harder to access credit.

However, despite the time gap between phases it should be noted that many families in both samples began using budgeting services several years ago. It is also probable (and was noted by one participant) that the financial environment has limited impact on those in serious debt, as they experience difficulty regardless.

There is also a difference in recruitment method. Phase 1 participants were selected and asked to participate by budget advisers, whereas Phase 2 participants were self-selected and approached the Families Commission directly in response to flyers advertising the research. This creates the possibility for some degree of selection bias, and for differences in selection bias between the two phases.

Phase 1 interviews were spread around New Zealand, including provincial areas, whereas Phase 2 interviews were conducted in the Auckland and Wellington regions only. This means some issues common to provincial and rural families, particularly working families in these areas, may not have been captured in Phase 2.

Also, the research for both phases was conducted during the summer/autumn period, and may not have necessarily captured the full issues and trade-offs families experience simply because of a change in season. For example, it might have been expected that more families would have reported problems in meeting power needs. The NZFFBS reports that they usually see much higher rates of debt for power and lower rates of debt for telephone than has been indicated in this research.

The value of the research lies in providing depth of information for the families involved (unlikely to be captured using a quantitative methodology) and in highlighting issues worthy of further exploration or consideration.

4. CHARACTERISTICS OF PARTICIPANTS AND THEIR FAMILIES

The 40 families interviewed were a subsample of the wider Salvation Army and NZFFBS budgeting service client base. Their characteristics are described in the tables below. Data from the 2006 New Zealand Census and other official statistics are given where appropriate to enable comparison between the characteristics of participants and the New Zealand population. As noted in the methodology, it is not intended that the sample is representative of the general population.

4.1 PERSONAL CHARACTERISTICS

TABLE 1: PERSONAL CHARACTERISTICS OF INTERVIEW PARTICIPANTS

SEX	SALVATION ARMY PHASE 1 2007/08	NZFFBS PHASE 2 2009
Female	26	9
Male	5	1
TOTAL	**31**[14]	**10**
SELF-IDENTIFIED ETHNICITY		
Māori (three of these participants also identified as belonging to another ethnic group[15])	12	0
NZ European/New Zealander/Kiwi	13	5
Pacific	3	4
Born outside NZ, emigrated to NZ as an adult[16]	3	1
TOTAL	**31**	**10**

4.1.1 Age

Most participants were in their 30s and 40s.

4.1.2 Education

Participants in Phase 1 tended to have a low level of educational qualifications – 19 of the 31 participants reported that they had left school without any school qualifications. Participants in Phase 2 tended to have a higher level of qualifications.

TABLE 2: EDUCATIONAL QUALIFICATIONS

EDUCATION	PHASE 1	PHASE 2
No formal qualifications	19	1
Formal qualification – school or above	12	9
TOTAL	**31**	**10**

In the 2006 New Zealand Census, 25 percent of individuals aged 15 years and over reported having no formal qualifications and 35 percent reported having school qualifications.

[14] Note that there were 31 participants in Phase 1 but only 30 families, as one participating family was a couple.
[15] One participant identified as Māori and American Indian, another identified as Māori and European, another identified as Māori and Niuean.
[16] One participant emigrated from England, one from Scotland, one from South Africa and one from Zimbabwe. The interviewee from Zimbabwe achieved refugee status in New Zealand in 2002.

4.1.3 Composition of family household

TABLE 3: COMPOSITION OF FAMILY LIVING IN HOUSEHOLD OF INTERVIEW PARTICIPANT		
	PHASE 1	PHASE 2
Sole-parent household	19	1
Two-parent household	7	7
Other family situation	4	2
TOTAL	**30 FAMILIES**	**10 FAMILIES**

The 2006 New Zealand Census reported that for families in New Zealand: 42 percent were couples with children, 18 percent were one-parent-with-children families and 40 percent were couples without children.

4.1.4 Health

Twenty-three of the 30 Phase 1 families and five of the 10 Phase 2 families reported that at least one of their family members living in the same household had a significant physical or mental health problem or some form of disability. The NZFFBS reports that this is higher than they would expect to see in their client base.

TABLE 4: HEALTH PROBLEMS		
	PHASE 1	PHASE 2
Physical/mental health problem or disability in family	23	5
No physical/mental health problem or disability in family	7	5
TOTAL	**30 FAMILIES**	**10 FAMILIES**

The 2006 Disability Survey reported that the percentage of people with disability (including health problems, physical, psychological and intellectual disability) increased with age, from 10 percent for children aged less than 15 years to 45 percent for adults aged 65 years and over. Seventeen percent of the total population reported a disability.

4.1.5 Housing

TABLE 5: HOUSING SITUATION		
	PHASE 1	PHASE 2
Housing New Zealand property	14	
Private rental	12	5
Home owners with mortgage	2	5
Freehold home owners	2	
TOTAL	**30 FAMILIES**	**10 FAMILIES**

The 2006 New Zealand Census reported that 55 percent of households owned or partly owned their dwelling, 33 percent of households did not own their dwelling and 12 percent of households were in a dwelling held in a family trust.

4.1.6 Household income

TABLE 6: HOUSEHOLD INCOME		
	PHASE 1	PHASE 2
Less than 35k	30	2
Between 35k and 60k		3
More than 60k		5
TOTAL	**30 FAMILIES**	**10 FAMILIES**

TABLE 7: MAIN SOURCE OF HOUSEHOLD INCOME		
	PHASE 1	PHASE 2
Employment	3	10
In receipt of a main benefit		
Sickness Benefit (SB)	3	
Invalid's Benefit (IB)	8	
Domestic Purposes Benefit (DPB)	10	
New Zealand Superannuation	3	
Unemployment Benefit (UB)	2	
Widow's Benefit (WB)	1	
TOTAL	**30 FAMILIES**	**10 FAMILIES**

In terms of the official statistics:

> the 2006 New Zealand Census reported that 43 percent of people aged 15 years and over had an annual income of $20,000 or less and 18 percent had an annual income of more than $50,000

> the Household Economic Survey reported that the average annual household income in June 2007 was $69,578

> the Household Labour Force Survey reported that in March 2008 the working age population (individuals 15 years and over) totalled 3.3 million, with 2.1 million people in paid employment for at least one hour a week. 1.1 million were reported as not being in the labour force and not seeking work due to, for example, retirement, childcare responsibilities, or ill health. Only 36,000 people were reported as being unemployed (that is, available for and looking for work but unable to obtain work)[17]

> the Ministry of Social Development (2009) reported that as at June 2009: 34 percent of working age beneficiaries were in receipt of the Domestic Purposes Benefit; 27 percent in receipt of the Invalid's Benefit; 18 percent in receipt of the Sickness Benefit; and 16 percent in receipt of the Unemployment Benefit. A further five percent were on other main benefits, including Emergency Benefits and Independent Youth Benefits.

[17] All numbers are seasonally adjusted.

5. FINANCIAL SITUATION

This section discusses what interview participants felt about their family's financial situation and how well they were coping with it.

Many of the Phase 1 interview participants had difficulty clearly articulating their family's financial situation in terms of household income and household expenditure, including debt repayments.

Participants receiving government assistance knew the type of benefit they were on but often were not clear about the additional assistance they were receiving (both type and amount). When reporting on their income, some families were also unclear about whether the amount was before or after money coming out, for example, to repay Work and Income advances.

In the case of household expenditure, most families were clear about costs such as rent/mortgage, food, power and telephone but were less clear about their total household debt level, how much money they owed, who they were currently repaying, who they were currently not repaying, how much they were currently repaying on a regular basis and the proportion of their income spent on servicing debt.

5.1 SAVINGS

Phase 1 families were generally in debt for consumption rather than for building up assets (such as a house or a business). Twenty-two families had relatively high debt for their income level and felt they were struggling to meet everyday expenses. Some of these families said they were not repaying any of their debt at the time or were only partially repaying it. Four families were in a relatively low level of debt but said they were struggling to meet everyday expenses. Three other families who had recently improved their financial situation were now in a relatively low level of debt and said that they were managing to meet everyday expenses.

It looks like crap. …Well, we're still in big debt but we're slowly pulling out of it. …You eat a lot of baked beans and spaghetti, you eat a lot of noodles, you don't eat much meat. …it may take me three weeks to pay the phone bill but then I found that if, with anyone apart from x leaving them aside, with any company in this country if you ring them up and you tell them what the situation is they'll give you time. …Yeah, I've got everything under control, it's just ... sometimes food is a bit short and scarce. The way food's going up in price it's going to be a bit scarcer. (Participant 3)

One family had never been in debt aside from a mortgage which had been paid off. This interviewee had sought budgeting advice because she was concerned about what would happen in the future in the event of the death of her spouse.

A number of participants could not remember the last time they felt their family finances were in control, or thought it was a long time ago (usually more than five years ago).

When was the last time? Oh God, when Adam was a cowboy. …I think the last time it was under control would have been about eight to 10 years ago. And that's being absolutely bluntly honest. It just seems ... I let it get worse and worse. I don't know if I've got to the stage where I just think to hell with it I just don't care what it is. (Participant 9)

The last time when our finances, when we were in control of our finances? When we got married. Nineteen years ago. (Participant 10)

Sixteen participants said their family had debts with a debt collection agency. The level of these debts varied markedly and for many of these families, their debts went back a number of years. Some talked about currently not repaying them and a couple of participants were doing their best to ignore the debts. For a number of these families their debts had resulted in a poor credit rating.

Families who reported that their financial situation had been in control at some point were asked to talk about this. They said they had been able to meet everyday expenses, not owed money, or if they did have debts were able to meet them without having to struggle. They had not felt stressed about money and were able to go on holiday or have some treats.

Well I was able to put food on the table and not go to WINZ and not have a debt with them and I had a car that I had bought and it was a second-hand car so I didn't owe any money. And we were able to go away once a year. But now we don't go at all unless it's an emergency and then the family have to pull their resources together and get me across and I can't leave them behind so… (Participant 11)

In contrast to Phase 1 participants, most Phase 2 participants were able to give a general overview of their financial situation, and many had a good grasp of their income, expenditure and levels of debt.

We are still paying off debts but we are not in arrears so we know exactly what's coming in and what's going out at the moment. (Participant 1)

The debt that we have left is roughly $1,000 on credit card and we have probably $800 in overdraft that we are slowly whittling away on, that is the total of our debt, no hire purchases, so we are pretty thrilled with how we are going. (Participant 4)

Several of these participants knew how their situation was progressing and when they would be debt free.

I can see that we can cope because most of our debts are finishing off next year. (Participant 33)

Phase 2 participants generally reported high levels of debt in relation to their income. Of the five participants who gave an estimate of the amount of income which went towards servicing debt, one said 20 percent and the other four responses ranged from 70 to 90 percent.

Several participants were struggling despite being on good incomes, usually due to a large mortgage or other debt. Five participants were paying off a mortgage and these participants said this commitment took a large portion of their income and made them feel they were 'poor'.

Well we are sort of poor but not … we earn quite a good income. But we're still poor because of our stupid mortgage. (Participant 6)

Several participants were struggling to meet expenses but most felt their situation was slowly improving. Going back to work was often credited for this.

I think we've been quite disciplined. It's also helped by the fact that I went back to work. If I had still been on maternity leave that time frame we would have had to have pushed it out, no doubt about that. (Participant 4)

5.2 DEBT

About three-quarters of the Phase 1 families talked about their ability to save or put aside money for the future and for emergencies. Most of these families did not have any savings and were currently unable to save due to their financial situation. About a third of these families were very keen to save and were trying to do so. Six families reported saving money – relatively small amounts of money – and they focused on saving for an event such as Christmas, rather than for an unexpected cost.

Eight of the 10 working families talked about their ability to save. Five families had no savings, but two of these families owned a house and were paying off a mortgage. They all commented that they would like to be able to save so they could buy a house, set up a business or just have money set aside as a 'backup'. They appeared not to be saving because they could not afford to, rather than because they did not see saving as important.

Yeah see that's the other thing we don't even have savings, we don't have a backup in case something happens. They said you are supposed to have three months worth of pay put aside but we don't even have that. (Participant 33)

Of the five families that did not have savings, two were optimistic and talked positively about being able to start saving in the future when their debts had been paid off or their situation improved.

In a year and half we will be able to start saving good saving too … before we bought the house we had an extra $200 [or so] that we used to save a little bit. (Participant 7)

Of the three families with some savings, two of these families were also paying mortgages – one family was saving regularly, the other had savings which were not increasing but were diminishing as they were being used to top up income when needed. This family worried about what would happen when the savings ran out.

We are trying to pay the mortgage off as quickly as possible but we have, we set aside, I mean our surplus going on the budget we have got currently weekly is about $220 I think it is, that's weekly so in a month that's what $800 roughly to save. Sometimes that happens, sometimes it doesn't but that surplus is with everything else paid for really. (Participant 4)

I do have some savings but that is the only backstop in the world we have. And they were just getting depleted every single week. There was nothing going back in. And I thought, 'Well what happens when they go? What happens then?' You know? (Participant 6)

5.3 FEELINGS ABOUT CURRENT FAMILY FINANCIAL SITUATION

When asked, participants expressed a range of feelings about the financial situation of their family.

Just over half the Phase 1 participants were feeling stressed, worried or under pressure and about half the participants felt depressed, 'down' or sad about the financial situation of their family. Some participants talked about feelings of frustration and annoyance, helplessness or hopelessness, or shame or embarrassment.

Just constant struggle, constant worry, stress, embarrassment sometimes because ... there's never enough money to buy the food at times. (Participant 13)

Nearly a third of the participants from families who had relatively substantial levels of debt said they coped with their situation by trying not to think about it.

I'm, well, when I think about my financial situation, it's devastating but I just try, I've honestly got to the stage I just block it out. (Participant 16)

Phase 2 participants shared a range of feelings about their financial situation, with positive and negative emotions almost equally prevalent. Six participants said they were feeling considerably better and more in control regarding their financial situation than they had been in the past.

It's getting a lot better, much more on track and I think very quickly we now know where we are overspending, or if we overspend where it's going, we are so much more on to it. (Participant 4)

The most commonly shared negative feelings for Phase 2 participants were stress and anxiety about high levels of debt and the participant's inability to turn this situation around or prevent it getting any worse. These feelings were expressed by two participants, both of whom were on higher incomes and had mortgages.

Terribly stressful. I'm one of these people who has never had debt, apart from a very easy to maintain mortgage through my rental property. ...if you can't afford to pay cash you don't buy it. And it's just turned my world upside down, especially with having … baby. It's just extremely stressful. Having to move house, sell house. I don't really want to ... ever do that again. So that has been very difficult for me … to find myself in this position, like overnight, is just like 'what happened', you know? (Participant 6)

I am going to have to think fast because I just don't want it to get any worse. I guess we are better off than most people, but I am just worried about getting to that point, I want to try and prevent it before we get to that stage. (Participant 33)

One Phase 2 participant was feeling angry about her situation because her debt was due to her acting as guarantor for a family member's debt, and she was now paying off debt incurred by her cousin.

I mean I was really pissed off, I was so angry and then I realised it's my responsibility to pay for it because it's under my name, but now I am just thinking I have to pay for it, there is nowhere to turn because I have to pay for it, because I get a headache from not paying bills. (Participant 36)

6. BUDGETING SERVICES

As noted in the methodology section, this research approached family budgeting services as a way to talk to people in problem debt, rather than with the intention of evaluating those services. However, the research allowed us to gain valuable insight into how budgeting services helped these families.

The 30 families interviewed in Phase 1 were current clients of Salvation Army budgeting services and the 10 families interviewed in Phase 2 were clients of the NZFFBS.

6.1 REASONS FOR USING BUDGETING SERVICES

Not surprisingly, the majority of participants went to budgeting services because their family was unable to make ends meet because of debts and bills. Other key reasons were: they were required or encouraged to; they had a change of circumstance which had affected their financial situation; and they were experiencing a high degree of stress or depression because of their financial situation.

It would be about six months ago I think, that I came down to try and get some help with my budgeting ... I need what about $800 a fortnight to [cover expenses] and I get $500 to do it with. I'm well and truly over committed. (Participant 9)

Phase 1 participants had a variety of reasons for choosing to go to Salvation Army budgeting services. A third said they went there through contact with other Salvation Army services (eight because they had received food parcels, one through social work services and one through alcohol and drug services).

And I'd come down for a food parcel and they had little leaflets laying around and I just picked one up, you know? And they had a budgeting service there and I thought, well I wonder if they'd be able to do anything to help me. (Participant 9)

Some families said they did not know what to expect when they went to the budgeting service but generally hoped for help with understanding and improving their financial situation, guidance, support and/or advocacy. A small number of participants mentioned being worried about going to a budgeting service as they thought the staff might be judgemental, they might lose their independence or they did not feel comfortable about sharing personal information with others.

Oh help me with my budget, talk to people if I owed money to them to take it down, and get me out of debt. Oh show me how to get out of debt sorry. …Yeah and not to go to those naughty finance companies again, which is so easy when you're under stress and you want money. (Participant 18)

In terms of the services they reported receiving, participants were most likely to mention the following:

- assistance with working out a budget and what they owed
- advocacy on their behalf with creditors to improve their repayment situation
- ongoing support from a worker (encouragement, another perspective, relieving stress and worries, keeping them 'honest' and on track)
- provision of financial information and advice (for example, explaining the total interest being repaid, advice on how to plan ahead).

Several of the Phase 2 participants were referred to budgeting services by a friend. Others had been referred by their Work and Income case manager or their bank.

Participants gave a range of reasons for going to budgeting services. The most prevalent reason was to seek advice on how to manage and reduce their levels of debt. A number of participants also talked about feeling out of control with numerous debts and being chased by creditors for debt arrears. They wanted help to catch up on their arrears and get back in control of their debt.

I started to sort of tighten up on a few things but we were still going backwards. That's when I thought "Hell, am I missing something here, is there something else I can be doing?" And that's when I thought I need help, and that's when I rang them. (Participant 6)

Well it's funny, I work at the bank and I have got these problems, but we were going through how to help our customers, and then I thought oh well I need that kind of help for myself, so they had a link on our website for budgeting advice, and that was linked to the Family Budgeting website and so I looked into it and then I gave them a call… I just thought to myself oh it's better if I get someone who is a registered adviser. (Participant 33)

One migrant family was unsure about financial systems and processes in New Zealand and wanted advice on how to help their situation.

I wasn't sure what I should do, I wasn't sure whether I should file for bankruptcy ... I didn't know how the financial system works here so I didn't know whether there was something that I could get somebody to act on my behalf... So the reason I went to them was I needed advice, that's the biggest reason. (Participant 1)

6.2 VIEW OF SERVICES AND HELP RECEIVED

Most participants expressed positive views about the services they were (or had recently been) receiving. More than half said that attending budgeting services had made or was making a positive difference to the financial situation for their family.

Fantastic, everything seems to be dropping and falling into place, everything seems to be moving smoothly. …Now we see her about every six months, we come in and say 'How's it going' you know blah, blah, blah, keep her up to date. …But this time next year if you interview me I'll be out of debt virtually completely. Yeah through working with [budgeting adviser] and keeping to our payment plan. (Participant 3)

Participants agreed that budgeting services were helpful to them in a range of ways, especially in advocating on their behalf by contacting the participant's creditors and negotiating payments. Most participants were assisted to manage their finances themselves and one participant was on Total Money Management.[18]

My turning point was when I realised that I can't negotiate with my creditors any more on trying to catch up the arrears… And so when I went to budgeting service they were able to step in on my behalf and say alright … they were a voice for me, to my creditors to say alright back off a bit and they did listen to them where they wouldn't have listened to me because they just wanted me to pay the arrears. (Participant 1)

[18] Total Money Management is a type of budgeting assistance where the client assigns all or part of their income to the budgeting service which manages the account according to the agreed budget. Budgeting services offering this type of assistance must have special procedures set up, including banking procedures, office systems and reporting. The client is to be provided with the opportunity to learn to be responsible for handling their own financial affairs.

I thought the budget adviser was just to sort your finances, just to help you budget your money but I didn't know it's more than that… I didn't know that they had the power to sort out my finances with the finance company, I didn't know about that, if only I knew I could have done it a long time ago. (Participant 36)

Participants appreciated how budgeting services showed them where their money was going by putting it on paper and giving them a clearer picture of their financial situation.

I went in there and not only was she really helpful with helping me see where my money was going on paper, like she had her giant list of things of where you're money was going, but how to make your money work for you. (Participant 22)

Participants also appreciated how the budgeting services assessed their situation and put a plan and budget in place for them to work to, including them in the process. Two participants were confident they could do a basic budget sheet, but found budgeting services helpful in providing more advanced tools to help manage the cash flow and forecast their expenses easily.

First of all they assessed my situation, put it all down on paper and then with me worked out a plan and what I really appreciated about them is they included me in the plan, it wasn't this is what you should do, it was a mutual agreement and showed me ways of working towards the budget and sticking to it. So yeah that way they helped me, to form a picture of where I was and then to put me on track and to follow that yeah. (Participant 1)

Budgeting services were seen as supportive and sometimes the only form of support available to families who didn't have other support networks, due to being a migrant family or estranged from extended family. Budgeting services helped by reassuring clients. This gave one family, in particular, emotional relief and hope for the future.

She reassured us that we weren't on our own and that what they were finding was more and more families who they perhaps hadn't come across before, were contacting their service so we were by no means the only ones contacting them and she also said that no matter how bad it is now it can get better. (Participant 4)

Most participants had decreased their debt since they started using budgeting services and felt more in control of their financial situation.

We started off with our budget, we worked it out we had roughly about $20,000 in debt … compared to what we are now, we have only got about, apart from the rent and the rubbish bin, we've got two other debts left to pay… I would say probably last count it was about $4,000 left on that. (Participant 5)

7. FACTORS CONTRIBUTING TO DEBT

As part of exploring the background to families' use of budgeting services, participants were asked what they thought had contributed to their current financial situation.

7.1 IDENTIFYING THE DRIVERS OF DEBT

Phase 1 participants generally relayed complicated histories behind the financial situation of their family. For some, their family life could be described as chaotic on many levels; for example, in relation to employment, housing, physical and mental health, relationships and family violence. It was difficult to accurately capture what was, or was not, important in relation to their financial situation.

For some families, a long history – sometimes more than 20 years – lay behind their situation, making it difficult for them to account for (or even remember) all the factors impacting on their current situation. For other families, their response to an explicit question about what they thought had contributed to their current financial situation was clearly only a small part of the story, and during the course of the interview they went on to mention other factors. Some families talked in their interview about not wanting to think, or being in denial, about their situation. This was likely to have limited the history they provided. In one case, a long-term mental health consumer clearly had difficulty reporting past history accurately.

Phase 2 participants were more articulate when it came to describing the factors contributing to their financial situation and were aware of the triggers of their problem debt. Instead of the debt building up over time, for Phase 2 participants it was often triggered by a specific life event or change, most commonly the birth of children, getting a mortgage or changes to employment or income.

7.2 FACTORS CONTRIBUTING TO DEBT SITUATION

The most commonly reported factors for Phase 1 families were:

> a very low main source of household income as they were on a benefit

> poor health or disability of themselves and/or a member of their family creating additional costs for the family

> behaviour of self or others (for example, desire to meet 'wants' rather than needs)

> rising prices for necessities eroding how far income goes

> addiction to alcohol, drugs, gambling by them or family members.

The most commonly reported factors for Phase 2 families were:

> having children (particularly time spent out of work to have children)

> getting a mortgage

> changes to employment or income situation

> poor health or disability of themselves and/or a member of their family creating additional costs for the family.

Other factors common to the beneficiary families were also present for some working families, particularly the behaviour of self or others and rising prices for necessities.

7.2.1 Benefit as the main source of income

Twenty-seven out of 40 families reported that a benefit was their main source of household income. Among these families this generally reflected an inability to earn money from full-time employment because of poor health or disability, having sole care of children or being of retirement age.

For those who had been relying on a benefit for a relatively long time, there were indications that they had never built up any financial resources or if they had, these had been worn down over time. Families who had moved from paid employment to relying on a benefit indicated this had negatively affected their ability to meet financial commitments they had entered into while they were in employment, and/or that they had found it difficult to change their financial behaviour when their household income dropped.

A number of participants commented that their income from a main benefit and other government assistance was not sufficient to meet the costs of their family's needs and the debt they were servicing.

7.2.2 Changes in circumstances

Phase 2 participants connected their income levels and changes to their income with their financial situation. A reduction in income or employment was seen as a major factor contributing to their debt situation.

Changes in life circumstances affecting income included:

> having children

> marriage break ups

> moving and changing jobs

> adult children in the household (whether they were working/not working)

> seasonal work or working for a commission led to variable income and difficulties managing through the winter or managing a budget

> being forced to leave work through injury or illness, which resulted in a loss of income.

7.2.3 Poor health or disability of family members

About two-thirds (23) of the Phase 1 families talked about poor health or disability of family members having a negative effect on their family finances. Of these families:

> about three-quarters said poor health or disability made it hard for them or other family members to be employed and as a result reduced household income

> about half said their family faced health costs which they felt were not being (or were not being completely) met through the health system or through Work and Income recompensing these costs

> about a quarter said their family faced additional non-health-related costs such as petrol to get to the hospital and parking fees at the hospital.

Because when you get two funerals to pay off within six months of each other and you've given up your job to nurse your husband because he's sick and you go from earning $45,000 a year to social welfare giving you a hundred and something dollars a week, and then your partner dies and you've still got all your bills they have come along and chopped your benefit in half. (Participant 9)

And like 'cause my daughter went into the hospital like they don't feed the parents, they only feed the child that's in hospital. So then I've like got to go get stuff and sometimes I'm like buying it from the hospital and yeah it's a mission. (Participant 19)

Poor health or disability also plagued half the Phase 2 families and in some cases affected their ability to maintain a regular income and meet their financial needs.

It will be a year in June. About a year I've been off work I think. But it's only been nine months since I had the operation … with ACC you didn't get much, it wasn't much at all… (Participant 26)

One participant was unable to meet her family's needs for food after going to visit a sick relative.

My uncle was sick and he [husband] said 'Oh just go' and I said 'But we've got no money' and he says 'Take the shopping money don't worry'. So we went there for three nights came back and there was no money. (Participant 7)

7.2.4 Behaviour of self, others in immediate family, members of extended family and non-family members

About a third of Phase 1 participants reported that a lack of personal self-control and desire to meet their 'wants' had impacted negatively on their financial situation. Some families talked about the way in which different forms of consumer credit targeted and tempted families, making it harder to exert self-control.

Yeah but I know because I have a weakness, give me money and I'll spend it. You know and I never spend it on the right stuff. …Because as I said I had a weakness of spending money or just going in and charging up things but not paying for them. (Participant 13)

Ten Phase 1 participants had a spouse or partner creating financial problems, either now or in the past. One participant reported a myriad of problems including her partner being irresponsible in how he spent money, irresponsible in making debt repayments, unreliable in maintaining employment and contributing relatively little financially to the household. One participant said that her ex-partner had created a lot of debt while he lived with her and she is still paying off these debts.

Six Phase 1 participants had financial problems created by adult children in cases where:

> parents contributed to or totally covered the costs of an adult child who was neither in employment nor in receipt of a benefit

> parents had an adult child living in their home who was in receipt of a benefit or money from employment but contributed very little financially to the household

> parents took over debts of an adult child.

No he wasn't even on a benefit for eight months. I know it's bad parenting on my part but he didn't get on a benefit. I tried everything; I told him 'Get in the car and I'll take you there', he's been living off us. But he's actually at work and he's been at work for two weeks, it's a big thing for us. So he's supposed to be paying us some rent, we'll see. If he doesn't I think I'm going to have to tell him to get his own place somewhere but yeah. (Participant 20)

Several participants in both phases talked about members of the extended family creating financial problems through a variety of means. For example, in four families an adult had acted as guarantor for an extended family member and then ended up with their debt(s).

I had my half-sister living with us and she asked if I'd go and get a loan out for her and her husband. I said 'Well are you going to pay [it back]' and she said 'Yeah' and so I ended up paying a loan off for her because she didn't pay it 'cause it was in my name. So some of the debt wasn't actually mine it was someone else's ... it's the same with my phone bill, I got my phone cut off because [the bill] was $500 because she had done toll calls… So I learnt a very valuable lesson. (Participant 18)

It's one of my relatives, it's not mine but it's in my name, I helped out [offering] my car for security and I ended up having to pay for it… I think they had a record so they asked me to help them out … and they didn't pay for it so I had to return the car and I paid for it … none of them are paying for it, I am paying all of it… It's been five years. (Participant 36)

Other examples included a partner hiding extra income from them, failing to pay back money borrowed from them or getting into debt without their knowledge.

But then he's able to go out and do small cashies for people for a little bit of extra cash, which he'll go and, sometimes it will come into the house and sometimes it won't. Sometimes I don't know that he's done them. (Participant 22)

He ran my other car down to the ground that I lent him or he was meant to buy off me and he didn't give me the money and he owes me a lot of money. (Participant 26)

Some of the Phase 2 participants also talked about a lack of personal self-control and wanting to spend money on loved ones as factors contributing to their debt situation. One participant felt the more money she had, the more money she would spend and the more debt she would take on. Another had hoped to change her spending behaviour when she had taken on a mortgage, but found that this was easier said than done.

At Christmas I did not cut the cards up… I used [two of] the cards again and I maxed them again … you know you feel sorry for the kids and you want to buy them stuff and you want to buy mother-in-law something … my pay I get $45,000 a year … [husband] gets $70,000 a year … and so when the poor budget lady came… I felt sorry, I just screwed up at Christmas… I spend lots of money on rubbish, silly little food [items] ... stupid things not jewellery none of that, no flash things just dumb things and I shout people stuff. (Participant 7)

7.2.5 Rising prices for necessities eroding how far income goes

About a third of Phase 1 participants talked about rising prices for necessities eroding how far their household income was going. Increases in the cost of petrol, dairy products and meat were most likely to be cited as problematic. Most of these families felt that government assistance was not adjusted (or not adjusted quickly enough) to meet changes in prices.

…the cost of living is just getting higher and higher, but the benefit never changes you know and I think that's a really big issue. (Participant 21)

Although two Phase 2 participants admitted to wasting money on unessential spending, three blamed their difficulties on meeting rising costs of necessities such as food and petrol.

Petrol prices shot through the roof and food prices as well and we just found that we were getting more and more into debt and it was spiralling out of control and we just didn't know where the money was going… I was home cooking meals and doing a lot of baking but of course milk and butter just, it was unbelievable. (Participant 4)

7.2.6 Addiction to alcohol, drugs, gambling

Seven of the Phase 1 participants talked about some form of addiction having a negative impact on their family's financial situation:

> Six reported that they had had a problem with an addiction and while they no longer felt that they suffered from this addiction, their past behaviour was continuing to have negative financial ramifications because of the debt it had created.

> One reported having previously lived with a spouse with an alcohol and gambling problem and that the financial situation of the family had improved when he left her.

Usual stuff was substance abuse which is where a lot of our money went. The children were sometimes underfed and undernourished because our substance abuse was more the goal than [being] young parents… 2004 I woke up one day and just felt that I wanted to make a change. …That was what my debt was all about, it was about selfish need ... and selfish need won all the time. But there was a consequence and a suffering because of that. (Participant 23)

A partner's addiction to drugs and alcohol was an issue for another participant, who was at home with four children. She struggled to manage their living expenses on her husband's variable income and was frustrated that the little they had coming in was being spent on his addictions, often before the needs of the family were met. She felt guilty seeking help for the family from Work and Income when their money was being spent on these addictions.

[Husband] smokes marijuana and drinks alcohol, and smokes cigarettes, so you've got those three vices. So with three vices, that makes an unpredictable budget [more] unpredictable… More often than not, [husband] will get his things, and the kids and I will be just like oh well, there's another week gone. Simply because if he doesn't smoke and he doesn't have a drink he turns into an asshole. Just the addictive personality, going into withdrawals is not very nice. (Participant 22)

8. USE OF CREDIT

Families were asked who they were in debt to, including debts from different forms of consumer credit, particularly the use of credit cards, mobile shops, hire purchase (HP) schemes, loans from finance companies and consolidating debt. Some families also talked about debt from retail cards during the course of the interview.

8.1 USE OF CONSUMER CREDIT

Table 8 provides a summary of findings on who families were in debt to. For Phase 1, the table is based on 29 families as one family interviewed had never used any form of consumer credit.

TABLE 8: USE OF DIFFERENT FORMS OF CONSUMER CREDIT

USE OF LOANS FROM A FINANCE COMPANY	PHASE 1	PHASE 2
Has used loans	24	9
Has never used a loan	5	1
TOTAL	**29 FAMILIES**	**10 FAMILIES**
USE OF HIRE PURCHASE (HP)		
Has used HP	23	8
Has never used HP	6	2
TOTAL	**29 FAMILIES**	**10 FAMILIES**
USE OF MOBILE SHOPS		
Has used mobile shops	14	5
Has never used mobile shops	15	5
TOTAL	**29 FAMILIES**	**10 FAMILIES**
USE OF CREDIT CARDS		
Currently has a credit card(s)	4	4
Used to have a credit card(s)	9	2
Has never had a credit card	16	4
TOTAL	**29 FAMILIES**	**10 FAMILIES**
USE OF RETAIL CARDS[19]		
Reported debts from retail cards	6	3
Did not report debts from retail cards	23	7
TOTAL	**29 FAMILIES**	**10 FAMILIES**
USE OF CREDIT FROM A BANK		
Reported having debts to a bank (not credit card or mortgage related)	4	3
Did not report debts to banks	25	7
TOTAL	**29 FAMILIES**	**10 FAMILIES**
EXPERIENCE OF CONSOLIDATING DEBT		
Has experience of consolidating debt	5	4
Is trying to consolidate debt	1	1
Knows what it is but has not tried to consolidate debt	9	5
Does not know what consolidating debt is	10	0
Unknown	4	0
TOTAL	**29 FAMILIES**	**10 FAMILIES**

[19] Note, participants were not explicitly asked about their use of retail cards. Some families, however, talked about their use of these cards through the course of discussing their debt situation and history of debt.

8.2 USE OF LOANS FROM A FINANCE COMPANY

Over three-quarters of the Phase 1 families reported that they had had experience of using loans from a finance company. A number of the families were repaying more than one loan to a finance company at the time of the interview.

A small number of the Phase 1 families did not currently have a loan and some stated that they never wanted to take out a loan again because of having had bad experiences with being charged high interest rates and getting caught up in a vicious cycle of debt with finance companies.

A car was often the reason for families getting a loan. Some of the families talked about continuing to pay off car loans after a car had been repossessed or had broken down. The next most likely reason for taking out a relatively large loan from a finance company was to purchase whiteware or technical equipment. A small number of families took out 'pay day advance' loans in order to pay for day-to-day necessities such as baby formula, food and toilet paper when they were short of money. (With 'pay day advance' loans, families borrow relatively small amounts, for example, $100, and repay this money plus the costs of this finance back within a two- to four-week period.)

Many of the families who had taken out loans with finance companies said how the high interest rates made it difficult to repay the loans. Families using 'pay day advances' reported borrowing amounts of usually $100 and repaying $160 to $180 back for that loan within a four-week period. Families often got into a vicious cycle where a new loan was taken out as soon as the last loan was paid off or they added new purchases and bill payments onto an existing loan.

The car, all up when we bought it was $10,000, I think all up we were paying $16,000 back. Yeah it was about $180 a fortnight we were paying back. (Participant 27)

I didn't even know what the cost would be with the interest but you see they add on administration fees and all these other costs. 'Cause I think it must have been about three months after we got the car I had sat down and had a proper look at all the papers and all the costs and stuff. And the administration fee was like $150 and there was another one that was a thousand bucks. (Participant 28)

A couple of families talked about companies finding ways to tempt consumers to take up loans through, for example, offering more money once a loan had been paid off, sending letters saying that they could win $500 and targeting advertising at vulnerable times like Christmas. These families felt that this made it harder for them and other families who were struggling financially.

They, once you start paying so much off you're getting these little letters through the post, 'Congratulations, come in and see us, we can lend you another $1,000'… That sort of thing, they're always tempting you, tempting you, tempting you to go and get some more on your account. I suppose both finance companies were doing that, they're always… (Participant 29)

Families varied in the degree to which they worked out for themselves whether they could afford to repay a loan. Some relied totally on the finance company to work out whether they could afford to make repayments.

Phase 2 participants' loans were mostly used for the purchase of a car, but one family had a mortgage with a private finance company and another was using 'pay day' loans to make ends meet or to meet cultural obligations, including finance for a family funeral.

The biggest debt that I told you about is to a loan company, it's a personal loan, that's the one I took when I said well I am sick and tired of struggling and I am just going to buy what I need, so I had to buy a car and had to buy furniture. (Participant 1)

I helped my sister out for the funeral, see that's another thing, we took money out to just help out with the funeral costs… I put it on top of my husband's car, because my two older sisters had a bad credit rating, so I took out $3,000 and so they contributed $1,000 under their names when they gave it to my family and we contributed $1,000, but the loan was put under our vehicle for $3,000. (Participant 33)

The other thing that I do as well is the ones where they have similar to wage advance and they charge 500 percent... You can borrow money, they don't do credit checks or anything like that, they just need your payslip, but I have been with them for about six years now and the odd occasion I will ask for $100 or $200 and then I end up paying almost double and they let you have it for about three months, you have to pay it off within three months. (Participant 33)

The participant using pay day loans was aware of the high interest rate but saw no alternative because she was desperate for the extra cash. Sometimes she would use this type of loan to meet other debt repayments even though she knew this only made her situation worse.

When you work out the final balance, I mean they usually tell you that too, but it's the fact that I am desperate that I know that it is expensive but it just works out costing me more so I end up getting myself into more debt… It works out about 500 percent for the whole year so that works out at about probably six percent a month. (Participant 33)

Most Phase 2 participants had not 'shopped around' for the best deal on their loan and had gone with the first company they came across. Others left it up to the car dealer to arrange their loan and did not know who their loan was with until they received their first statement.

Yeah at the time I was probably in a rush, we weren't really thinking straight, I did it and I knew it was quite high… 30 percent ... I know it's our fault too, we should really look at trying to read every fine print but you find that with the sales people they don't try and … they don't make it clear, they don't say up front the final amount you will end up paying is … they don't say that … I was hesitant but I still went ahead. (Participant 33)

Some Pacific participants from Phase 2 had gone with finance companies because they had relatives or friends working there who they trusted and it was easy.

I think they are fine now, I am not sure now with what has happened with the finance companies … the mortgage broker is actually a family member, he is related to my mother, he was very careful about our mortgage… I just assumed they were quite stable. (Participant 33)

I was working and one of my friends she was working there, so that's why I went there… My husband encouraged the loan… It is easy because my friend is working there. (Participant 38)

Rather than working out what they could afford and getting a loan for that amount, most Phase 2 participants applied to get as much credit as they were entitled to, or left it to the finance companies to decide what they could borrow. Several participants were struggling with the repayments on their loans and some were now dealing with late payment fees or increased interest. A few participants were trying to manage their loans by negotiating reduced payments with the finance company.

I decided what I wanted to do with the loan and I looked on the internet to see how much I qualify for, so they said okay this is how much you qualify for so I just applied for that amount. (Participant 1)

I rang them to find out how much I could get. (Participant 26)

The interest would go up, it would put an extra $50 on it if you miss a payment. I think if you miss a payment as well like with [finance company] they got a device, oh what is it called, like they can turn the engine off of the car … so I try not to miss any payments… They do it to all cars at [finance company], they modify them, if you miss any payments they turn your engine off by a button… That's what they explained to me anyway yeah. And if you had a light flashing they would give you 24 hours to ring them. (Participant 26)

The only amount I could afford is like with [finance company] I told them it's only $50 that I can afford but they expected me to pay $100 weekly… They wanted me to pay $100 and something but I said no I can't afford it, it's only $10 just for the time being. (Participant 36)

Four Phase 2 participants expressed their desire to never get another loan. Many had been deterred by their budget advisers and were more aware now that they could not afford it.

8.3 USE OF HIRE PURCHASE AND RETAIL CARDS

Over three-quarters of the Phase 1 families had used hire purchase (HP), usually for whiteware, furniture or electrical items. A couple of participants said they preferred having new electrical items as they felt that they were less likely to break down.

Of those who were not currently paying off an HP, half said their family had recently changed their financial behaviour and no longer believed in using HP or would only use it now in particular circumstances. A couple of the Phase 1 families reported that they could not currently take out HPs because of their credit rating or being under a Summary Instalment Order.[20]

The use of HP was widespread in Phase 2, involving eight of the 10 working families. Phase 2 participants often talked about 'staying away' from HPs or not being 'HP people'. However, most had at least one HP they were currently paying off. Big household items tended to be put on HP (TV, washing machine, dryer, fridge, stereo, bed), but one participant had put a microwave and deep fryer on HP.

The washing machine and the fridge needed to be upgraded, the washing machine clapped out and the fridge was on its way out. The TV was probably a 'want'. (Participant 4)

Reasons given for using HP included needing something but not having the money, taking advantage of good interest-free deals, wanting to get a good credit rating and not having a high enough limit on the credit card.

It's only this time we did because we needed it but we didn't have the money. And let's face it, the deals have been pretty, you'd be silly not to really. (Participant 6)

Comments generally indicated Phase 2 participants were encouraged by the HP system to buy higher priced items than they would otherwise, particularly if their cards had a high limit. One participant said he went for something 'in the middle' of what was available, another decided if they were going to get into debt, they might as well have the best.

It was like let's go and get a new TV. And [husband] went up and was looking at a small one. And I said well if you're going to get into debt over a tele, we'll have that one. So of course I went and got a big one, which was really a mistake. (Participant 22)

Some Phase 2 participants considered interest rates when deciding to use HP, others were more focused on the interest-free and payment-free periods and were not aware of or concerned about the high interest levels incurred after these periods. Most intended to pay off their HP within the interest-free period and were still in this period at the time of the interview.

They offered interest-free periods and we aimed to have it paid off by the end of that interest free period. (Participant 4)

[20] A Summary Instalment Order allows people in debt to pay back the money they owe in regular instalments over a period of up to three years. The threat of further action to collect the debt is lifted while the Summary Instalment Order is in force. When a Summary Instalment Order is made, a supervisor is appointed to help the person in debt (the debtor) manage their payments due under the Summary Instalment Order.

8.4 USE OF MOBILE SHOPS

Mobile shops are trucks that come to the door and sell a variety of goods. Usually a mobile shop operator appears in a suburban street and offers deals where households can pay a relatively small amount by direct debit each week ($5 to $30) and purchase goods up to a certain limit. Limits appear to vary from $150 to $500 and generally increase over time. Mobile shop operators appear to make their money through selling items at a much higher price than in other retail outlets rather than through charging interest.

Just under half of the Phase 1 families had used mobile shops. Two were currently using one or more mobile shops to purchase goods. The remaining 12 had used mobile shops in the past, but were no longer doing so. Some were still repaying debt incurred through their use of mobile shops.

Families mainly used the mobile shops to purchase clothing, particularly for children. Some families had also used these shops to purchase manchester (linen, blankets etc) and shoes and toys for children (usually for a birthday or Christmas).

Families who had used mobile shops in the past talked about being able to buy goods immediately as they would not otherwise have had money available to do this. One family with a large number of children said it was the only way of getting clothing for the whole family at once. It was more convenient than taking the children to the shops and the advertising made it enticing. Convenience was also a theme.

It was just my only, my only way I could get clothing for my children, you know something new, I knew I always could get clothing from second-hand shops but it was just having the money and using money to buy clothing was taking money from food. (Participant 16)

The reason most commonly cited for never or no longer using mobile shops was that they were too expensive. Families realised they could get the goods much cheaper elsewhere.

They rip you off. They might be handy but they charge you that much you may as well go to The Warehouse and put it on lay-by or something ... people like it for the convenience of getting it right there and then and they get labelled things, but I don't see the point of using them. (Participant 27)

Families reported that as they paid off purchases, the mobile shop would come around to their door to see if they wanted to purchase more goods (even when they had not completely paid off their previous purchases). One current user commented that it was hard to resist when they knocked at the door and said you had money to spend and would show you the specials. She knew they were more expensive but would be tempted. Another current user said she was more likely to be enticed if she was feeling depressed and it was hard to say "no" to the children when they were also in the truck. And yet another past user talked about the shops using enticements to sign other friends and family up to the trucks (for example, if you got a friend to sign up, you had a chance to win $500) and about how the staff were friendly and became friends of the family.

Oh yeah they do have enticements. …like you, you get a friend to sign up you could win $500. …they wanted my son 'cause he's 18 and I said 'No he hadn't got a benefit and no I wasn't going to be responsible for him', so I said 'No'. ...they target people and they watch as your family grows up till they get to the legal age and they go 'Oh have you got friends?' (Participant 18)

Three families reported problems with the direct debit payment process. One participant said they had been asked to sign at least 20 direct debit forms. Another participant said a mobile shop kept reloading her direct debit onto her bank account after she had stopped the payments from the bank; she remembered signing more than one form.

It might be expected that working families would be less inclined to use mobile shops for a number of reasons. Firstly, working families are less likely to be at home when the mobile shops are around. They may also be more mobile than beneficiary families and therefore not as likely to see mobile shops as a convenience. Further, mobile shops are known to target neighbourhoods with a high proportion of beneficiary and Housing New Zealand households.

Despite this, half of Phase 2 participants had used mobile shops at some point, and two were using them at the time of the interviews. As with the Phase 1 group, the most common reason for avoiding the mobile trucks was the price. Participants pointed out they could get the same items much cheaper elsewhere. One family who no longer used the mobile trucks said they had changed their behaviour after going to budgeting services.

We used to although we never really got into debt, those ones were more or less paid … You had to set your payment up and you were given a month… We did manage to pay that. And when we had like say you bought say it was $300 worth of stuff and most of that $300 was paid, then they asked if you wanted any more and then they would come in… When the truck came round we had a look on the truck, you looked, basically I just looked at what I need at the time… But we don't go for trucks now … once we started with the [budgeting service]. (Participant 5)

However, the trucks were tempting to two participants because they provided a way of paying for things over time, which was much easier than saving up to buy items at The Warehouse or on TradeMe. They knew the trucks were expensive but felt it was the only way they could afford to get the things they needed or wanted.

It's very good but they are very expensive… I mean just the bed is about $900… Elsewhere, I mean if I only had cash for $200 I can get a nice one… Not only on TradeMe but on the internet… I really need something from the shop but I can't afford it, so it's [mobile shop company] that I turn to … even though I don't like it, but I have got no other place. (Participant 36)

8.5 USE OF CREDIT CARDS

Four of the Phase 1 families reported having a credit card which they used for a variety of purchases.

Sixteen families had never had a credit card. The most common reasons for not having one were not being able to get one (usually because their credit rating was 'stuffed'), feeling actively scared of them or just not keen on them and/or feeling they would just create more bills and be hard to pay back.

I didn't have any credit rating. My credit rating was shot before I was 18 years old, before I even knew about credit cards and stuff like that so... (Participant 16)

Oh no. Those are deadly those, those are deadly those, no, no. (Participant 32)

Nine families used to have a credit card but they had had to get rid of the card(s) as it was too much of a temptation to spend money they were not able to pay back.

Had one, cut it up. Every time it got to its limit they kept on putting the limit up. Oh you'd get a phone call and say 'Oh we just decided that your limit is too low, we've decided you can have an extra $500 on your limit' and you'd say 'Oh whatever' ... you don't think about it. But I've paid it off and got rid of it… They keep on talking you into putting your limit up, spending more money, so they get more money. (Participant 3)

Four of the 10 working families currently had a credit card, a much higher proportion than Phase 1. This is probably due to credit cards being supplied by banks and therefore requiring a higher level of income and/or credit rating. Unlike Phase 1, there were no comments of being unable to get credit cards due to a bad credit rating.

Three families talked about being troubled by the debt on their credit card. They were often frustrated that they were only able to make the minimum payments and were therefore not making much of a dent on their balance, with their payments covering little more than the interest charges.

The credit card now is maxed out ... that was becoming a problem because I've always paid the credit card off in full and we got to where we couldn't do that anymore. So then we were paying interest on that and it was just like 'Oh God, this is getting worse', you know? … I've only got a $4,000 limit on it but there was one month where we had actually maxed it out… (Participant 6)

I had an American Express which was $1,000 that I maxed that ages ago and Visa which was $2,500 and I maxed that I was just doing minimum payments on each thing… My Amex is down to $895 or something from $1,000 it's taken this long just to get it down to that but at least they're not ringing and ringing. (Participant 7)

Some participants talked of the temptation of having this credit available. One participant lamented that whenever her family made payments on their credit card she would just use it again, meaning she was never really any better off.

The thing that worries me the most, I have got my credit cards too and what I do is I recycle, I pay it back and then I use it again, so in reality I am just paying interest off… They were actually old purchases and have just been sitting there and paying them off and then using it again… Probably be just to top up with the grocery shopping or petrol … it's always been in debt for ages, and we just pay it and reuse it so it's not really bringing the balance down at all. (Participant 33)

8.6 UNDERSTANDING OF TERMS AND CONDITIONS

Participants talked about their understanding of terms and conditions in relation to HP agreements and loan contracts from finance companies.

Fourteen Phase 1 families talked about whether they had understood the HP agreements they had signed. Half felt they had understood what they were agreeing to while half said they had, on at least one occasion, signed an agreement they did not fully understand.

Of these same 14 families, a couple of participants stated they felt that, in their experience, the retailer adequately explained HP agreements. The remaining families reported that the retailers they had dealt with had not always adequately explained the agreement to them in a way that they could understand; if at all (some were simply provided with the paperwork and told to read it).

Yep, know exactly what I'm signing because they explain it all to you. X are excellent. I mean the one down the road here, you go in there to buy something, they bring over the contract, they run through it with you, they explain everything to you. And like, what's her name down there, I can't remember her name now, but she'll say 'I've told you this that many times but we've got to go through it' and she goes through it all again because that's what she's got to do. (Participant 3)

Not really, not very well. They just go 'Oh you've got dah, dah, dah, and that's how much you've got to pay'. Sometimes they don't even do that. If they know you well enough, they know they just sign you up. (Participant 29)

Phase 1 families tended to report that they understood the loan agreements they had signed and also considered that the finance company went through the agreement in sufficient detail with them before they signed. A small number of families said they had not always understood the loan agreements they had signed and felt that the finance company had not clearly explained the agreement or had only provided a partial explanation.

Some of the Phase 1 families who initially reported that they had understood what they were agreeing to, later in the interview made statements about interest rates and fees which clearly indicated that they had not in fact understood what they were agreeing to.

Yeah and that was with the last vehicle… I couldn't understand I only borrowed this amount off them, how come it's tripled the amount. I couldn't understand that and they were like 'Well that's the interest and this is the interest rate'. 'Well what's interest rate?' 'Well compared to every other company it's quite high'. 'And what does that mean?' 'Well that means that you have to pay back more'. 'Like how much more?' 'Thousands'. 'Oh what'. I yeah I didn't fully understand that. (Participant 24)

Two Phase 1 families talked about seeking outside advice – in both cases from extended family – before signing loan agreements. A couple of participants talked about their partners signing loan agreements without understanding what they were signing.

…basically it swans over his head because they use big words and complicated words. (Participant 25)

Most Phase 2 participants were happy they had a general understanding of terms and conditions of their HPs.

I have been in insurance so I read the fine print and yeah I mean I felt comfortable with what they were offering… I knew what I was signing to. (Participant 4)

Two participants admitted they had not looked at the terms but one said she checked the statements to make sure they weren't required to pay anything yet.

Basically hardly ever look at terms and conditions … which is naughty but yeah. (Participant 7)

I must say I'm still not 100 percent, because I haven't read through it myself… But I have seen, mail's come through which I've been opening and giving a quick glance just to check that we aren't required to pay anything at the moment. (Participant 6)

One participant had not known how high the interest rate was until the statement came and did not understand that they would be given credit for more than the value of the item on HP.

Phase 2 participants were generally confident that they understood the terms of their loan agreements. A few mentioned getting their partner, family or a friend to look over the details for them.

I had my mate with me, he helped me get it… The paperwork, he read through it so I didn't have to do it and he asked the questions and yeah … because I didn't know much about cars. (Participant 26)

8.7 EXPERIENCE OF CONSOLIDATING DEBT

Five Phase 1 families had had experience of consolidating debt. Three said consolidating debt had helped their situation through reducing interest fees and it was easier to focus on one debt repayment than having many debt repayments. Two reported that it had not helped their financial situation.

Participants from nine families indicated that they understood what consolidating debt was but had not used this as an option. Some of these families had tried to consolidate debt in the past but had not been able to for a variety of reasons including having a debt to a debt collection agency, a member of family having been declared bankrupt, having no collateral and not being in paid employment. Participants from 10 families indicated that they did not understand what consolidating debt was; many of these families asked the interviewer for an explanation.

Four working families had some experience with consolidating debt. One family felt that this had helped their situation significantly by simplifying their debt, and making them feel more in control.

When I used to look at it on the internet or listen to it on the telephone it just, it sounded like a lot of debt so what we ended up deciding to do was we consolidated it into one loan at the lower interest rate … it made us feel better about our debt because we would look at the internet or we would do the telephone banking and we would only hear of one loan amount and the repayments we were making to that loan which instead of loan number one you owe such and such you have repaid this, loan number two blah blah, so it felt lighter on the ears and on the eyes … And it also gave us, we felt, a clean slate even though that debt had been consolidated and was larger as a whole we were starting from scratch again and that's where really it's come right for us and yeah we feel just so much more in control now. (Participant 4)

The other three families were less enthusiastic about their experiences with debt consolidation. For two families this was because after consolidating their debt they had acquired more debts, which had not helped their situation.

Most of the six families who had not consolidated debt expressed some doubt about whether it suited their situation and some were unsure if it would help them or not.

There appeared to be greater understanding of what debt consolidation was for the working family participants than for the beneficiary families. However, as working families were interviewed a year later than beneficiary families it is not clear whether this finding actually reflects a greater understanding in the working population or an increased public awareness in recent times related to the economic environment, which may have seen an increase in advertising and marketing of debt consolidation by finance companies and banks.

8.8 PERCEPTION OF ACCESSIBILITY TO CONSUMER CREDIT

Twenty-seven of the Phase 1 participants discussed whether they thought it was easier, the same or harder to get credit than five years ago. Views varied depending on the degree to which the participant thought about this question in terms of themselves or for people in general. The prevailing view (expressed by 14 families) was that it had become harder for them or other family members due to having a poor credit rating or having insufficient income to live on and service debt. However, nine families thought that accessing credit had become easier in general, if not specifically for their own families, because of finance companies, retailers and others vying to lend people money.

When you've got bad credit its hard. …my friend's got good credit and she's got loan after loan, after loan and I've told her that she's stupid. But she can just get loans all over the place. (Participant 14)

I think it's easier to get it now. Looking at the ads on TV for the finance companies they say they don't care about your history, if you've got bad debts they don't care, they don't worry. (Participant 10)

Of the 10 Phase 2 families, seven commented on the availability of credit now in relation to five years ago. Six felt that it was now harder to access credit and one thought that it was easier.

All six families who said that it had become more difficult to get credit remarked that it used to be very easy to access credit. Five of these families commented that the current economic environment meant lenders were tightening up their criteria and making it harder to get finance. One family said this was a good thing, as people should be spared from getting into debt they could not manage. Another thought that the banks getting stricter only meant that loan sharks could take advantage of the recession as people like herself who were turned down by the bank were forced to look to fringe lenders for credit.

It's getting a bit tighter and I would say the loan sharks I think they are taking advantage of the recession because the banks are getting harder, that's the reason why I have turned to this too is I mean I work at the bank and you would have thought that I would approach them first, but they are really strict now and that's why I have turned to these other types, finance companies that just give those who have got a default or bad credit loans, but I know that the banks, the best rates and that's the best choice for a person, that's harder. (Participant 33)

Three working families commented that they were not able to get finance because of their current debts and a bad credit rating. For two of them, getting credit has always been hard.

She did try and make some enquiries through people she knew and they didn't want to touch us she took all our paper work and our figures they said nah we don't want to give them a small loan they can't handle. They looked at our history. (Participant 7)

Another family felt it had always been easy to access credit and had not seen any change to this.

Before [child] was born I was living down at Whitianga for a year and went to get a personal loan to buy a car and I just walked in with my singlet and my shorts and my jandals and asked for a loan and they gave me a loan. I was like my God, they are dying to give out money. But then it was equally as easy to get the [name of retail card]. Just walked into the shops and said hey can we have some finance. The shop rang the finance company and the finance company said yes, so we took away the big TV. So for me, personally, it's been really easy. I don't know if it's just me, or the companies I've chosen to borrow from. (Participant 22)

9. DEBT TO OTHERS

Families were asked about other sources of debt such as debts to government agencies and utility companies. Table 9 provides a summary of findings. Again, for Phase 1 the table is based on 29 families as one family interviewed had never been in debt aside from a mortgage.

TABLE 9: OVERVIEW OF DEBT TO OTHERS

OF THE 29 FAMILIES IN DEBT	PHASE 1	PHASE 2
Number who talked about debt to government		
repayments to Work and Income	24	2
debts to student loan	9	2
debts to Housing New Zealand	2	0
debts to Inland Revenue	1	2
Number who talked about repaying debt to government and private creditors through the District Court	11	2
Number who talked about debts for power/telephone	13	2
Number who talked about debts to family or friends	5	5

9.1 REPAYMENTS TO WORK AND INCOME

For the beneficiary families the major source of debt to others was a loan to Work and Income. Twenty-four of the 27 families who were in receipt of a main benefit from Work and Income, were also in debt to Work and Income. The size of their debt varied, but ranged from a couple of hundred dollars to $11,000.

Eighteen families talked about repaying an advance from Work and Income. The reasons for an advance varied, although the more common ones were school-related costs (for example, books, school uniforms and school trips), clothing and shoes, household furniture, appliances and car-related costs. Five talked about repaying Work and Income for overpayments or for fraudulently claiming a benefit.

Not surprisingly, repayments to Work and Income were much less common in the working group – two of the 10 working families had debts to Work and Income. For one family this was due to receiving assistance with purchasing a washing machine and for the other paying rent on two occasions.

9.2 OTHER DEBTS TO GOVERNMENT

Just under a third of Phase 1 families had a student loan. None of these loans were currently being repaid. Some participants said that they had not completed the course for which they had taken out the loan.

Two families had debts to Housing New Zealand and one family had a debt to Inland Revenue. The latter was for paying insufficient tax and the family did not understand how it had happened. Another family had recently received a letter about a debt for an overpayment of family assistance, but reported that this debt had been wiped by Inland Revenue after explaining their circumstances and that they were working with a budgeting adviser.

Two of the 10 working families also had debts to Inland Revenue. One of these debts came from not meeting the tax requirements for being self-employed. This family also had debt to the Accident Compensation Commission (ACC) for the same reason.

The participant from this family was worried that ACC would take them to court if her husband continued to procrastinate and ignore the debt. The other family said they had around $600 debt with Inland Revenue but did not disclose what this was for.

Another participant with a self-employed partner was aware they had a tax bill coming up and was preparing for it now. They had been caught out by this in previous years when they had not thought about it until they did a tax return and the bill came.

There will be my partner's tax bill because he's sort of self-employed, yeah… So, you know, you really have to put some money aside for that… I mean we're sort of thinking 'Oh well if they don't send me a bill I won't have to pay it'. It's like, but you can't work like that. (Participant 6)

Two Phase 2 participants reported that someone in their family had a student loan, and at least one of these participants was not currently repaying it.

I've got a student loan which I'm not repaying at the moment and it's nearly $4,000, so it's not as bad as it could be but, I'm not working at the moment so it's just not being paid back… I'm not worrying about the student loan at the moment, when I go back to work I'll just start getting it taken out of the wages. Until then they can just wait. (Participant 22)

9.3 DEBTS BEING REPAID THROUGH THE DISTRICT COURT

The District Court enforces the repayment of debt to government agencies and to private creditors. Just over a third of Phase 1 families paid money to the District Court each week. The amount ranged from $5 to $45 a week (usually between $25 and $40). Six participants did not clearly indicate the reason for these payments. The other five participants were in debt to the Ministry of Transport for unpaid car-related offences. A participant who had not responded to letters about fines talked about her debt going up from $1,900 to $4,000 as a result of penalties.

I owe the courts $4,000. Being pulled over, no seat belt, no registration or warrant just stuff like that. Yeah, the fines, the $100 a day for not replying to the letter. Like in total I think all my fines only cost like about $1,900 but because of the fines when you don't get in touch with them then you get fined $100 a day. I ended up getting like an extra $2,500 put on top of it. (Participant 19)

Two of the Phase 2 families were paying debts through the District Court. One of these was for speeding and parking fines, including a fine collected by a friend using the participant's car which she had not been aware of until the court notified her. The other family had been taken to court by a finance company to recover the debt on a washing machine.

At the moment I'm paying fines as well, parking ticket fines… It ended up being $833 because I didn't have the money to pay it and more or less it went to court and now it's court fines. So I got a couple of speeding tickets and when my mate had my old car he … got a parking ticket but it was still in my name and he didn't pay it and next thing I'm getting a court fine for $100 for him as well. (Participant 26)

With my washing machine, that one of the finance companies took me to court … $8,000 just for the penalty and interest. (Participant 36)

9.4 DEBTS FOR POWER OR TELEPHONE

Close to half the Phase 1 families were currently in debt for outstanding power and/or telephone costs. Eleven of these families were in arrears or had a debt for telephone bills – amounts ranged from a couple of hundred dollars to $4,500. Some of these participants had had their telephone cut off for a period of time. Four families were in arrears or had a debt for power. One family had got into debt for their telephone and power because they had been using a money management service which went bankrupt and had not paid the bills on their behalf.

Two working families had debt with a debt collection agency due to unpaid phone bills, a much smaller proportion than the beneficiary families.

My friends billed up my telephone and I couldn't afford it … $1,600… Yeah, so I'm not happy, trying to get the money out of them and I can't… They'll probably take it to court probably… I'll have to give them a ring to sort something out. (Participant 26)

9.5 DEBTS TO FAMILY AND FRIENDS

A very small number of Phase 1 families talked about currently having debts to family or friends. These debts ranged from a couple of hundred dollars to $4,000.

Half of the working families had borrowed money from a family member or friend. Four of these families had not paid back the loan and one had.

Three of the working families' current debts were connected to cars, and were owed to parents, an aunty or close friends. One participant spoke of 'drip-feeding' money back whenever they could, and another who had been helped by friends had agreed to pay them back when her situation was better. There was a limit to how much participants felt they could rely on borrowing money from family, with one saying her aunty had 'put a stop' after helping with her car.

The other vehicle I still owe my father a few hundred dollars for. We're just sort of drip-feeding him off when we can afford to spare some money off the budget. Which is not very often. (Participant 22)

I can't turn to anyone to ask for a loan because like aunty's put a stop, she said I'm paying your car and that's it. (Participant 26)

Or my sister, if now and then there is something I need she will and I just pay her back … that's only once in a blue moon, that is not something I would go and do all the time. (Participant 5)

9.6 A VICIOUS CYCLE OF DEBT

Data collected from most of the Phase 1 families drew a picture of a vicious cycle of debt. Being in debt for these families often resulted in more debt.

Most of these families reported having taken on more debts than they could easily service with their income and most reported that they had used the worst sorts of credit in terms of interest rates, additional charges and other factors.

This was sometimes because it was the only source of credit they could access, sometimes because they did not fully understand what they were agreeing to and sometimes because they just wanted the item there and then and were not concerned about the consequences.

As a result, many of these families had problems keeping up with one or more of their debt repayments. This, in turn, created more debt through additional interest and administration charges and a poor credit rating, which meant they were less likely to be able to access better forms of credit.

Some families also reported ignoring debts to be repaid through the District Court, because they felt they could not pay them. This again resulted in the accumulation of more debt through penalties.

Half of the 30 Phase 1 families reported having had items repossessed at some point in the past; five families had had items repossessed in the last couple of years. Repossession had resulted in the loss of essential items and feelings of stress and embarrassment.

This ‘vicious cycle of debt’ factor did not appear to be a feature for Phase 2 participants, as all were actively decreasing their levels of debt instead of seeing their situation spiral further out of control.

10. MEETING EVERYDAY NEEDS

10.1 MEETING FOOD AND CLOTHING NEEDS

Nearly all the families interviewed discussed food as being a significant – if not the most significant – problem for their family.

My benefit's only just like getting there paying all the bills and buying a bit of food. Like next week I'm probably going to have to look really hard before I touch anything 'cause I don't think it's going to work for food, so. (Participant 20)

Most families serviced debt and met other regular household bills (such as rent, power etc) before addressing food needs for the family. For some families, this reflected the way in which regular bills and debt repayments were now paid through direct debit or automatic payment at the time at which income was received. Some families noted that missing a regular bill or debt repayment could result in, for example, penalties or loss of the item through repossession, which made their situation worse. This meant that they prioritised these payments over meeting the need for food.

I am actually still sacrificing our food money to pay other bills that sort of crept up or I didn't pay for ages and I just want to get them out the way. 'Cause I refuse to go bankrupt, if I know if I can afford to pay $5 a week on each one I'd pay $5 for the rest of my life but yeah it's just getting rid of all the bills. (Participant 11)

As a result, when families were finding it difficult to meet bills and service debt, it appeared to be their food needs that were most seriously affected. Most families restricted or reduced the amount of food they bought and/or bought poorer quality food than they considered desirable.

You eat a lot of baked beans and spaghetti, you eat a lot of noodles, you don't eat much meat. You make sure your children and your wife get fed before you do. There's many a day I've gone without a meal but it doesn't worry me. My children never go without food and neither does my wife. (Participant 3)

A small number of families used credit cards, retail cards or 'pay day advance' loans to buy food, which made their financial situation worse in the longer term. One family mentioned that if money was tight for food, they pawned items rather than cutting back significantly or changing what they ate. Another family said they generally went to a government or community service provider for help when they were in need. A couple of families mentioned that they got help from their extended family when money was tight for food.

Food was an issue for six of the 10 Phase 2 families. Five of these families had a very tight budget for food and looked for the cheapest groceries, the other commented that food was the only expense they would tend to have a 'blow-out' on. This was because food was often the expense which had the most flexibility compared with other, more fixed expenses such as petrol, household bills and childcare costs. For these families, food seemed to be something families chose to cut back on as an expense, rather than not having enough money to buy it.

If things used to go awry we'd just go oh well we're not going to eat this week I'll just have cocoa rice one day, cheese on toast... [the] kids survive they're fine it's just me feeling like 'Oh man I'm such a useless mother I can't even make them curry and rice today because there's only four packs of meat left and I need it for Thursday, Saturday, Sunday, Tuesday,' you know what I mean?… And we just had cocoa rice, the kids don't even know ,they don't care they never say 'Oh is this dinner?' they just eat whatever we give them… I also don't think that it's helpful if you're just going to plug your kids full of junk food. Even though it is cheaper to get a 79 cent bottle of fizzy than it is to get a $3.79 bottle of juice. (Participant 7)

It's really sad when we have visitors. I am the one with the headache because they eat most of my shopping… My brothers and their kids. I don't want to be like leave that, stop eating that… It is hard. (Participant 36)

About two-thirds of the Phase 1 families discussed their ability to meet clothing needs. This did not appear to be as significant a problem as meeting other needs. Most were able to meet their clothing needs through buying new clothing at relatively cheap prices from various retailers, using family hand-me-downs and/or purchasing second-hand clothing from opportunity shops and charitable organisations.

I mean, you can get some mean clothes out at that Save Mart, mean massive clothes even when they have their clothes thing going in the Salvation Army I'm like mate. And it's free and all you do is you walk in and it's only 50 cents a bag or a dollar a bag for all these clothes that you've got in your bag. (Participant 32)

Half of the Phase 2 families also commented on the expense of meeting clothing needs for their family. However, most comments indicated that clothing was an annoying expense more than a genuine struggle, as strategies like using hand me down clothing and shopping for second hand clothing were seldom mentioned.

10.2 MEETING POWER AND TELEPHONE NEEDS (GAS, ELECTRICITY)

About a third of Phase 1 families talked about their ability to meet their power and telephone needs. Most of these families appeared to be meeting these bills although some indicated they were just managing to do this or it was a real struggle for them. A small number of families had been behind in their power or their telephone payments in the past, which made it harder to meet new bills coming in.

…basically power's important, your phone's important 'cause if you've got kids you have no choice… Basically you pay what you have to pay and hopefully at the end of that there's some food money left. (Participant 18)

Two of the 10 working families talked about their ability to manage their power and telephone needs. One of these participants was trying to pay off arrears, the other had had their phone disconnected.

My phone [bill] was pretty high the last few months so I'm just trying to pay that off before it goes to debt collectors because I need my phone. (Participant 26)

10.3 MEETING OTHER NEEDS

In the interviews, both Phase 1 and Phase 2 families were also asked about the impact of their financial situation on meeting costs of things like transport, housing, school and daycare costs and visits to doctors and dentists. The families' financial situation had a significant effect on many of these families' ability to meet these costs, and in particular transport and health-related costs.

10.3.1 Transport

About two-thirds of Phase 1 families talked about their ability to meet their transport needs. Nearly all these families had serious difficulties meeting transport costs. The cost of petrol/diesel was the most significant problem (particularly for those in Auckland or provincial areas), followed closely by the cost of maintenance, registration, warrant of fitness and insurance.

We have no emergency back-up. If I can't get a warrant for the car we won't have a car. If I can't afford petrol for the car we don't have a car. I budget $30 a fortnight for my vehicle costs. (Participant 34)

Only a small number of Phase 2 families said meeting transport needs was a problem.

Difficulties in meeting transport costs had a flow-on effect of isolating some families from extended family and friends, limiting their participation in a variety of activities and creating additional stress (one participant talked about worrying how they would visit their son in hospital). One family had problems paying bus costs resulting in a child sometimes not attending school.

10.3.2 Housing

Very few Phase 1 families mentioned problems with meeting housing-related costs at the time of the interview. This may reflect the fact that about two-thirds of the families were paying a relatively low rent or had no housing costs due to Work and Income provisions.

In contrast to Phase 1 families, over half (six) of the Phase 2 families commented on the high cost of their housing or difficulties meeting their housing needs. Four of these families were struggling with their mortgage repayments. For those renting, one family struggled to pay rent on time while another wanted to move to a cheaper place but was still struggling to get money together for a bond.

…we'd just told the world that we'd bought a house you know yeah 46 years old finally bought a house and then shame we lost our house because we couldn't even keep it for a year. (Participant 7)

10.3.3 Visiting the doctor, dentist and meeting health-related costs

Most of the Phase 1 families discussed what their financial situation meant for them in terms of going to the doctor and paying for prescriptions. Their responses varied markedly depending on how often family members required visits to the doctor and prescriptions and the extent to which the cost of this medical treatment was being fully – or partly – funded or recompensed through assistance they received from Work and Income.

Nine families were in debt to their doctor and five families said they actively avoided or delayed going to the doctor and only went when absolutely necessary.

Haven't paid any, like I said I owe my doctor two and a half grand. It's getting paid off at 20 bucks a week. He's quite happy just as long as he gets a few dollars a week 'cause as far as he's concerned you're attempting to pay. It's actually very, they're very good doctors. (Participant 3)

So sometimes it's a bit of ... I can't afford it this week can you wait till next week but then depending on how serious it is and that. (Participant 11)

Yeah I do, I leave it as long as possible and if it's urgent then I'll just ring an ambulance. (Participant 14)

About a third of the families found it hard to pay for prescriptions or non-prescription medicines when these were only partly subsidised or not subsidised at all. Two of these families had had to reduce or limit their use of required medicines because of their financial situation.

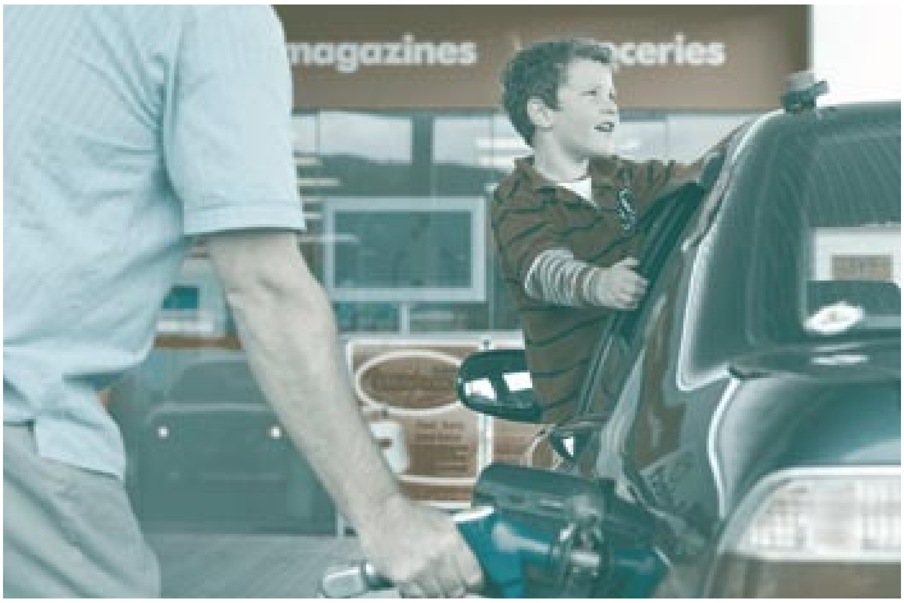
I'm supposed to be using my inhalers but when you run out of money you just … drag it out, get through. I don't use them all the time like I'm supposed to. (Participant 10)

Many of the families talked about recent changes in the health system which had made a positive difference to their ability to meet health costs such as doctor visits and prescriptions. These included: free doctor visits for children younger than six years; increased subsidies on prescriptions; and the gold card for super-annuitants.

Four families said their financial situation meant that the adult(s) in the family did not go to see the dentist at all, and another four families said the adult(s) in the family delayed or avoided seeing the dentist for as long as possible.

The wife [when] she has to go we rake up the cash and pay for it. Me, I haven't been to a dentist in 10 years. My teeth fall out I'll let them fall out I don't care. (Participant 3)

Eight of the 10 Phase 2 families discussed the costs of going to the doctor or paying for prescriptions. Unlike Phase 1, none of the families avoided visits to the doctor or dentist, or reduced or limited their use of required medicines because of their financial situation.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11. SOCIAL PARTICIPATION, WELL-BEING AND RELATIONSHIPS

11.1 IMPACT ON FAMILY ACTIVITIES, EVENTS AND CELEBRATIONS

Twenty-five Phase 1 families had at least one child younger than 18 years old living with them and another three families had children younger than 18 years old who were living in another household.

Seventeen of these families talked about how their financial situation had affected treats and outings/activities for their children. Families said their children missed out on treats and fun outings or activities that would be considered normal for many other children (for example, having an ice cream, occasional takeaways, going to the movies, pocket-money). Parents also talked about how much they would love to take their children to certain places or activities and the impact on them as parents of not being able to do this. Feeling that they had let their children down was a very common theme.

'Cause it's not fair on your kids. You've got yourself into the debt, the kids might understand but they're losing too and it's not fair on them. You didn't bring them into this world for your debts. For them to lose out it's not nice. I've had days that I've just cried because I couldn't take my son to places, and it's sad. (Participant 15)

These families reported that providing these things to their children would mean not being able to meet other needs such as food or electricity. For some families it was apparent that wanting to meet their children's needs or their desire to give them more was helping to change their behaviour.

Every Friday they have a shared lunch. I didn't know this, it was his teacher that told me, and all they ask from each kid is a dollar just to put in ... they get fish and chips or something like that, I didn't know and it wasn't until I had a korero… No, he used to just take off… that's how he got caught because he said he had to wait down by the gate for me to come and pick him up and he was waiting down the bottom until they had all finished and then the teacher comes 'Oh I'll go ring up Mum' 'No, no, no it's alright, it's alright, she'll come,' ... so I said 'I didn't even know mate' I was totally sorry and that made me feel ratsh*t 'cause I couldn't even give my son a dollar just for a shared lunch. So that's why I had to start budgeting, to make sure that I've got money for my son at school. (Participant 32)

Nearly all the 40 families interviewed said how their financial circumstances had a negative impact on their ability to celebrate occasions such as birthdays and Christmas, but they differed markedly in their expectations of such events. Families discussed how their financial situation had affected their participation in wider family events such as twenty-first birthdays, weddings, funerals and unveilings. A common theme was a feeling of sadness about this impact on their family life.

We don't go away, we don't have holidays, we don't have time out. (Participant 35)

A couple of families talked about worry, stress and embarrassment caused by sometimes not having enough food when extended family unexpectedly turned up or not being able to contribute when they needed help and feeling they had let their extended family down.

…when it comes to whānau you know they say 'Oh if you need anything Bubba come to us, sweet as, we'll help you out' and you go to them and you ask them for help and next minute they're looking down at you and it's like oh yeah okay you know next minute everybody else, Tom, Dick and Harry knows about it in the family.

You don't need that so now when people in my family come 'Oh babe you know if you want anything,' 'No, no, sweet as bro we're all good'. (Participant 32)

Just over a third of families received Christmas parcels from charitable organisations which had made a big difference for them. About a quarter of the families received support from extended family members which made a big difference to their ability to celebrate family events.

…most Christmases we got our toys from Sallies [Salvation Army], we never bought Christmas presents, Christmas dinner came from Sallies. Oh that was for the last perhaps 10 years I guess. (Participant 23)

We all get together (at Christmas) and it's a big thing. Whoever, whatever house we're at they write a list and tell you what to buy and we all bring, 'cause there's about 18, 21 of us there's lots of food, it's like a banquet. They always keep me last and say you can just get this 'cause we know you can't afford it. Which is really good but I feel terrible because I'm the one that can't sort of you know provide the lot that they are doing but I'm good because I'm the one that does the dishes and everything else so they know. (Participant 15)

Phase 1 and Phase 2 families adopted one or more of the following approaches to family activities, events and celebrations:

> Doing whatever was financially possible at the time of the family event. A few families had decided to spend to an agreed budget or not do presents at all for some family members.

   After I had been to the budget service … we had a plan in place when I went there for how much we were going to spend on each other for birthdays and Christmas and things like that so that sort of gave us a guideline. We decided we will only spend $40 on somebody for his birthday and things like that, whereas before I would go out and spend $200 which was actually lavish, stupid to do things like that. (Participant 1)

   Birthdays are normally just I'll make a cake, we'll just have a cake or go out, like this year with my son I'm not sure whether because he turns 13 this year, he's a teenager, very difficult… I mean he might be a bit old for the cake and you know… Otherwise it would be just maybe go out to McDonalds for tea and just a cake. (Participant 5)

> Planning ahead: saving up, lay-bys and keeping an eye out for specials and putting them aside. Seven families planned well ahead and put food and gifts aside for birthdays and Christmas either through lay-bys or buying the item and hiding it at home.

   I usually lay-by earlier in the year for Christmas… Plan ahead… Like I did last year … last year I could only afford two things for the boys. (Participant 26)

> Taking on more debt. Four families had taken on more debt in the past to be able to buy gifts or food for family celebrations. Three of these families said this had got them into trouble.

   We got these little small loans like every Christmas, we would get a little loan so we could give the kids things… So yeah it was all just to give them something extra for Christmas but it wasn't, it was our decision and that's how we got in a lot of the trouble. (Participant 20)

> Finding ways to celebrate family events as cheaply as possible by being resourceful.

That budgeting lady… She says if it's an island thing … she says cook the food and take it ... you know islanders they love to eat. No use going to The Warehouse and getting some ugly looking dessert plates on special that everyone else has bought the same thing. She said may as well just take the food and do that sort of thing or don't buy a present at all. (Participant 7)

Gifts? We go to, I give my kids money for the $2 Shop. …and that's as far as I allow for each member of the family. I don't believe in being beyond our means if we can't, I spend on them. But for the children they all get $2 for how many people in the family and that's where they buy their presents. (Participant 18)

> Finding free or cheap activities that the family could do together and not letting lack of money prevent them from getting out of the house and doing things.

I've been saving to take them to Pioneer Pools. I tool X and X there last week and the week before but it's like $2 for an adult and a child so I just take them there sometimes. (Participant 19)

…we go to places that are free like, take the kids to the Museum and the Gardens and stuff like that. (Participant 14)

Things like going to the park and throwing a frisbee around and having a picnic at the park and things like that that don't cost money. (Participant 4)

> 'Cutting back' on family outings, entertainment or 'luxuries' and going out less to parties, barbecues, pubs or the movies. Several families were choosing to be more selective with the social activities they attended and understood this was a necessary, temporary measure to improve their situation. One family would have other family members around for 'a feed' occasionally but were not throwing parties or going out to parties as much.

It did affect us quite a bit because we had less petrol, we had less little luxuries in the house, the first things we started cutting out was things like maybe wine or spirits or something like that, so those all went out the window until the finances improved… And also we cut out things like going to the movies and so we tended to stay at home more than going out… (Participant 1)

> How families dealt with the cultural expectations of contribution was discussed by five Pacific participants. A few mentioned that they sometimes did not attend family events because they were unable to make a financial contribution or did not have enough food. One contributed to wider family events through their labour instead of contributing money. One family had recently contributed finances towards a family funeral, even though they had needed to top up their car loan to do this. Another family talked about breaking away from cultural expectations of making large financial contributions to funerals.

…when my brother died in 1999, my family came down from Auckland and they expect me, because I didn't have any money at that time. So I told them what his wife wanted, because he married a Palangi as well. So the Palangi said 'No we just have a cup of tea', but they came with $12,000, the whole family did. Do it the Samoan traditional way. And I said to them well, what you got, you do it, because I got no money. …that's what I told my family, you see. If you hate me because I don't contribute to the family it's not my problem, it's your problem. If you're angry at me, you're the one to suffer, not me. (Participant 17)

11.2 CHURCH INVOLVEMENT

Half of the 30 Phase 1 families were involved with a church and discussed what their financial situation had meant for their participation in their church.

For most of these families, their financial situation did not appear to have prevented or limited their desired participation in church activities because these activities were usually free or relatively cheap. None of the families talked about feeling under pressure from their church to make financial contributions but did want to try to contribute whatever they could.

Three of the 10 Phase 2 families said they were involved with a church. All three of these families were Pacific. Two families said they did not tithe or contribute financially to the church and were not expected to, and one also received help in the way of food from other church members.

AOG, some of my friends they give us chicken like last Sunday one of my friends she said 'Oh we have got heaps in the fridge'… Some of the church they give us something like that … only donations but we miss that because we don't have enough money … just when you have got extra you give. (Participant 38)

The third family had decided to go to a European-based church instead of a Pacific one, as they felt there was a lot of competition in Pacific-based churches to see who could give the most.

We go to the Catholic and it's more European-based and not Pacific, if it's Pacific-based everybody tries to compete to see who has got the most money… I just think it's bad, I think we should just give what we can really and if you try and turn it into a competition to see who has contributed the most, then it's not really about love or God when you think about it. (Participant 33)

11.3 IMPACT ON WELL-BEING OF ADULTS IN THE FAMILY

Two-thirds of the Phase 1 participants and half of the Phase 2 participants talked about how the financial situation of their family had had a negative impact on the mental well-being of one or more of their family members.

Most of these participants said the financial situation of the family had resulted in feelings of stress. A few suggested that their stress levels had played a contributory role in them having a heart attack, high blood pressure or migraines.

…yeah it was sort of crushing me and that's when I came back to [budgeting adviser] before Christmas… I think that's what happened, why my heart attack happened, because I was so stressed out and all that. (Participant 17)

I have got high blood pressure from this. I take tablets. (Participant 33)

Feelings of shame or embarrassment were mentioned by seven participants and feelings of depression by four participants. A couple of participants mentioned feelings of frustration. One participant said the family financial situation had made her feel suicidal at one point.

11.4 FAMILY RELATIONSHIPS

About a quarter of Phase 1 participants said their financial situation had had a significantly negative impact on the partner/spouse relationship in their family. These participants described how it had resulted in arguments and tension between them and their partner/spouse and had put a real strain on their relationship. In one case the arguments had resulted in domestic violence and relationship dissolution.

Arguments and threats and put downs and blaming um, yeah. (Participant 25)

That's what we, that's what the wife and I argue about most of all, is how we make ends meet. No, we've basically got the same view but she'll say oh she needs to get a top ... at the op shop and instead of spending just $2 on a top she'll spend $10. And I'll say to her 'Well that's eight loaves of bread' and she said 'But, but, but' and I'll say 'There are no buts we're on a tight budget we can't afford it that's the end of it'. I mean I used to smoke, I used to like to have a drink, now and then I had the odd bet at the TAB, I don't do any of that anymore because I can't afford it… We shout at each other for a couple of minutes and then it's forgotten … she sits on it and broods on it… And then she lets me have both barrels and boy when she lets me have both barrels I cop it. (Participant 3)

…you know we could have killed each other at times … we used to fight about money, and fight and fight and fight and that would be our, the only thing we'd fight about… (Participant 27)

Half the Phase 1 participants talked about how their financial situation had had a negative impact on relationships between the parent(s) and child(ren) in their family. Just over half said they had to say "No" all the time and were not able to give dependent children what they wanted or needed which created stress, disappointment or arguments in the family and resulted in them feeling bad as parents. Four talked about tension and fights resulting from adult children living at home and soaking up resources but not making a financial contribution (in a couple of cases the parent had had to ask their adult child to leave). A couple said their financial situation limited the amount and quality of time they could spend with their children who were living in another household.

Yeah, it does. It totally does, it's like I said if I could turn back the clock I wouldn't do it yeah because stress on your finances is a big thing. It can cause a lot of trouble and it can cause a lot of upsets and things because the word is always no. No, no, no, no and they say 'Why can't you' and it's like you don't want to explain you know sort of thing and yeah it's frustrating yeah. (Participant 15)

Some Phase 1 participants felt alienated from their extended family or had strained relationships due to having borrowed money they were unable to repay. Two felt alienated from their extended family because of the extended family being financially better off than them.

All 10 Phase 2 families talked about their relationships within their immediate families, and for eight of these their financial situation had a negative impact on family relationships.

A number of the participants had partners with different approaches to money; who hid money from them; made large purchases 'behind their back'; or took money out of the account without them knowing. This made managing a family budget difficult and could cause stress and arguments.

He has been known to beat me to the bank, take money out and I'll ring the bank in the morning and go wait a minute, that's not right. What's going on here? …[husband] had beaten me to the bank and taken $100 out before I could get to the budget, so there was $100 less. I rang him and said have you been to the bank this morning? He was like yeah. I just threw the phone to the floor and broke it. (Participant 22)

I was trying to save but my husband was spending. He went behind my back and bought a new car and put it in his name … with both our money. (Participant 26)

Three participants blamed themselves for their financial situation and felt this created tensions. These participants were all women from Pacific families. Other participants wished for more involvement from their partners or for the partner to take their situation more seriously.

My husband is angry at me because … we owe them $1,024 to [debt collection agency] so he is not too happy with me. (Participant 38)

I lost a good two weeks worth of sleep before I told [husband] what had been happening he didn't know because I was the one taking care of the bills and I said to him … 'I've just gone and done something really bad and I have to tell my husband', and he just gave me that look like 'What? Why did we buy this house for if you're going to turn around…' and I was like 'I'm sorry' and he says 'Right' so we prayed. (Participant 7)

I get very stressed and [partner] just seems to be cruising around and I'm like 'Do you realise how serious this is', you know, 'Do you actually know what's going on? Or is it just me here that's spinning out', you know? Because he got us into this situation I think he feels a bit, maybe slightly responsible but wouldn't ever admit it. That's one of the worst things. You know, he's a terrible optimist, you know, which is amazing. Which is, I suppose, lucky. … So yeah, he's just got huge amounts of energy levels, so that's really fortunate. And, I mean it's created arguments. It's very stressful. (Participant 6)

One Pacific participant kept the debt a secret from her partner and had to eventually let him know the situation. This resulted in him taking over the finances. Now she had to ask him before she bought anything, and she said this made her think about what she was asking for and often made her change her mind without him having to say no.

He's taken the budget off me again, 'I'll do it so you can sleep at night'. If I ask for stuff he'll give it to me he'll ask me why and it's when he asks me why I don't want to say … I'm like 'Oh don't worry about it', he's like 'No just tell me about it you can you can go get it what is it?' 'Oh [friend] brought this dress and I really want to buy a dress and I haven't got a dress'. He's giving me that look like you're an egg but his mouth is saying 'Well go get it you want a dress how much?', and I'm already going 'Oh it's a dumb idea' because as I'm saying it I'm thinking we are up to our eyeballs in bills … and for all I know my husband might be awake at night and he still loves me enough to say 'Oh okay no, no I think there's a way' and that's when I go 'Okay it's all right sorry stupid me'. (Participant 7)

Two Phase 2 participants said their financial situation had actually brought them closer together with their partner/spouse. This was usually down to improved communication and their mutual commitment to get out of debt and find ways to make their money go further. One participant said they felt more relaxed because they had a plan in place and were communicating openly with each other. Other positives were feeling supported by a partner and family members and feeling that they were working together.

I think it brought us closer together and I also think that we're very committed as a couple now to not getting into debt and just knowing where our money is going and we're getting a lot more, it's funny, we're actually getting a lot more enjoyment out of the money we do have, what we spend it on because it's precious and we know that if we only have $100 a week each then trying to find ways to make that $100 go further you know it's, yeah, I think it's brought us closer together. (Participant 4)

12. HOPES FOR THE FUTURE

Phase 1 Families hoped their financial situation would be substantially better in five years' time. This was reflected in stated goals such as: having reduced their debt or not being in debt; having savings; being able to afford to have an occasional treat or family holiday; no financial worries; and having their own house.

Debt free. But yeah I just want to be stable and I want my kids to feel stable and comfortable and yeah hopefully I'm paying something off. (Participant 19)

Not owe anyone anything. Just to be able to take a holiday now and then you know during the year without having to worry about 'Oh God I can't afford the rent this week' or 'Oh God I can't afford to pay the phone bill'. (Participant 3)

A small number of families talked about non-financial improvements such as being able to hold their heads up high, family members being happy and healthy and children achieving educationally.

That I can walk with my head held high knowing that what I set out to do in the first place I've done it, I'm looking after my children. It's not material things, they're healthy, they're happy and there's that family with love, me and my partner and our relationship that it's come back together as one instead of two halves. My boys, my younger son can actually extend his education qualities, whereas my older son can get out there and be proud of what he's achieved. I'm saying, yep, in another five years' time I'm out of here. My kids are holding their heads up and I have got savings, I've got savings ... I'll put that as my goal. (Participant 32)

Phase 2 families showed little difference in their hopes for their future financial situation, with participants describing goals of becoming debt free, having savings, buying a house, living comfortably, and enjoying holidays and treats with their families.

Yeah, I am going to go up and up and up, I am not going to go back again… I think it will be nice if I get to the point where I can save, that will be a big thing, just save as much as we can, but also live you know comfortably … do more for the children as well, and the grandchildren, be able to go away with them on weekends and things like that. But not make any more debt if I can, 'cause if I can get to a situation where I am saving that will prevent more debt happening, you know. (Participant 1)

One participant was glad that her family was taking action now while they were young enough to see their changes make a difference.

I am looking forward to it, I think we've got a very bright future, I think we will be debt free and mortgage free way before a lot of our peers will be. (Participant 4)

Two families wanted to be able to afford to travel back to the Pacific to visit family, or so their children could see where they came from.

I want to travel, I want to go and see my family in Samoa. (Participant 38)

We can actually have money enough to take the kids to Samoa to show them where we came from I really would … I really would like to know that we've got enough for a trip. (Participant 7)

12.1 BELIEFS ABOUT ACHIEVING THEIR VISION

Most Phase 1 participants felt that their vision or goal was achievable, although they did vary markedly in their degree of confidence. A small number of families felt overwhelmed by their current financial situation and, while they hoped their situation would be better in five years' time, they had trouble seeing themselves getting there.

Oh yeah, oh mate you fellas come back in five years and I'll show you ... that's a promise, oh hell yeah. (Participant 32)

I would say probably mine would look roughly the same. Oh I hope it wouldn't look the same, yeah I hope it doesn't look the same but it will be because of my outstanding debt. I won't be able to clear that all up in five years' time. So I'll be still stuck in the same position. (Participant 24)

Hopefully we're rich and yeah we're happy and we're doing the things that I should have done with kids years ago. Yeah, that's what I'm hoping for. I've got to hope for better things, it's so hard. I have days that I don't think that but that's what I've got to hope for yeah. (Participant 15)

I don't know, paying them off... Like when I think about how many years it will take me to pay off that's what kind of holds me back and I'm like, 'Oh I'll probably still be paying it in 10 years'. At the moment I'm paying WINZ's debt back to them and I'm only paying that off at $5 a week and I've been paying it for two years and just managed to pay off a thousand. You know and it's like I won't be finished paying it until like 2012 or something like that. To me it just seems so far away it's like I'm not getting anywhere but, oh well. (Participant 19)

Most participants cited one or other (or both) of the following as ways they could achieve their vision or goal:

> Doing what they were currently doing (keeping to their budget and repayment plan and not taking on any more debt).

> Improving their household income through employment (a number of participants who cited this talked about needing to get qualifications first in order to get a job or needing to be in better health).

Yeah so it's, it all comes down to me getting a job and once I do that I, I'll be fine you know, I'll be able to sort out my finances and yeah. (Participant 12)

A couple of participants did not know what they would do or what would support them to reach their vision.

Most Phase 2 families also felt that their vision for the future was achievable, but they varied in how clear they were on achieving their goals. Several gave timeframes within which they hoped to reach their goal of being debt free – some of these timeframes were within two years and some within five years. For these participants, being debt free was a clear and well-defined short- to medium-term goal. They could visualise the outcome and this kept them going.

Usually income or employment was closely related to achieving hopes for the future, with several participants stating that they hoped to be working or working more in five years' time and earning more money to improve their financial situation.

Hopefully earn more, yeah earn more money, full-time, work full-time as soon as my son starts high school … work full-time to earn the money. (Participant 26)

One participant was hoping to improve her qualifications.

Become a nurse like I've always wanted to be… You have to go to Polytech I think you need all the qualifications. I'm not sure, I have to look into that… Yeah, I've always wanted to be a nurse since I was young. (Participant 26)

One participant was feeling overwhelmed by her situation and unable to see five years ahead. She found it easy to manage her goals by 'breaking it down' into six-month chunks.

I can't see the woods for the trees at the moment… It's quite demoralising, but if we just sort of break it down into six months ahead it's actually a bit more manageable at this point. (Participant 6)

Two participants talked about their job security. One felt fortunate that both she and her husband had good jobs and were unlikely to face redundancy in the economic recession. The other participant was very anxious about losing employment and was looking for extra income, including a property investment venture and working extra jobs, to reduce their debt sooner and make their family less vulnerable in the event of redundancy.

I am working with someone on some sort of property investing thing … the reason I have done that is because most people have been made redundant in our jobs so you can't really rely on the job, I mean at this time I have to, but in the long term … we are just wanting to see if we can make some more money to get rid of some of this debt before next year, not have to wait … we are just hoping we can cope, because if we lose one of our incomes, that's the scary thing … my husband has considered maybe working an extra job but we just don't know at this stage … we don't have guaranteed income at the moment, we just don't know. (Participant 33)

13. WHAT FAMILIES DO WHEN THEY ARE STRUGGLING

Families were asked about what they and their family members did when they could not meet all of their everyday expenses and what helped them. Families used more than one approach or strategy, such as:

> prioritising what money was spent on (some families prioritised bills and debt repayments over food, some prioritised the needs of children over the needs of adults)

  I spent more money on paying off arrears, kept the accounts, the regular payments, paid more money off on arrears, money that we would have used for entertainment and things like eating out and things like that, so the priorities shifted to paying off arrears. (Participant 1)

  I try and get all their needs met, mainly the kids… It's hard to try and keep, I try and like work on one person at a time sort of thing… Like with the kids I start with the eldest down to the youngest. (Participant 5)

> going without something (for example, cutting back on use of their car)

> seeking help from extended family members, friends or ex-partner:

  – over half talked about support from members of their extended family; this support included advice and emotional support, helping out with money and food, support with childcare, providing second-hand items and acting as guarantor

  – about a quarter talked about having had support from friends and workmates; through gifts, food, supermarket vouchers, second-hand items, money when needed and emotional support

  – a small number talked about a father living outside the household who made contributions to the family beyond their child support requirements (often in the form of clothing, gifts and outings for the children)

  Their dad pays for ... he's actually paying off my car and he gets it registered and warranted 'cause it's for the kids to take them to school and kindy and stuff. (Participant 14)

  Mum and Dad …They'll have him for a weekend a month… Everybody is just on the end of the phone but then I've got a group of friends over here as well … key ingredient to my sanity, is just having people on the end of the phone, or people who have come around for a cup of tea. (Participant 22)

> juggling the way payments for bills and debts were made

> seeking help from church or community organisations and services such as Work and Income:

  – over half talked about support from a range of church and community organisations and services;[21] this support included help with accessing services, help with food and help with second-hand goods

[21] Salvation Army, Family Start, CCS, City Mission, Māori Women's Welfare League etc.

> communicating with creditors
  - about a third talked about one or more instances where a creditor had shown understanding of their financial situation and had given them more time to pay or wiped a debt; these creditors ranged from their local mechanic, doctor or landlord through to retail stores (both small and large)

  I have always maintained that I must be open with my creditors, so whenever a payment was going to be late I always phoned them before they phoned me so I think that helped us a lot as well. (Participant 1)

> seeking help from a budgeting service

> not paying bills (ignoring them)

> getting a 'pay day advance' loan or pawning their belongings

> engaging in fraudulent activities

> delaying medical treatment or getting recompense from Work and Income for healthcare costs

> talking positively about having a Summary Instalment Order

> finding their spirituality and belief in God supported one couple emotionally to cope with their financial situation

  Well, it's kind of like I'm, I have faith, the Lord looks after me. How do you say it I don't know what your beliefs are, but I know the Lord will look after me, so I'm not stressing, I mean I'm stressing but I'm not 'up there'. (Participant 2)

> improving their situation through a change in income or employment within the family: a parent going back to work after maternity leave; someone increasing their hours of work; or adult children getting work and contributing to the household or at least to their own upkeep

  He started working so he started contributing towards the household and his partner as well, she started working. My daughter and her husband, they moved back with us and so they contributed to the household and that's also helped us a lot to be able to manage everything better because of the extra income. (Participant 1)

  So that's sort of helped as well. I'm back at work, yeah. So we've sort of stopped the slide. (Participant 6)

> tax credits and family assistance provisions or other forms of government assistance provided some help and financial relief for a few families by helping meet the cost of childcare and other living expenses

  We get Family Tax Credits every Tuesday of $266, $30 of that will go straight into the bill account, so we get $230 every Tuesday which is really helpful if we're having a really short week. Because what I aim to do is pay daycare, nappies and formula with that money… My case manager, she was so helpful. She was saying well you could get this, you're entitled to this, and that sort of payment and that sort of help. I was just going oh my goodness me, things I'd never heard of, and she was suggesting we'll see if we can get this for you. (Participant 22)

  Family assistance through IRD which really probably paid for half a tank of petrol each week so that helped out a bit. (Participant 4)

13.1 MONEY MANAGEMENT STRATEGIES

Nearly all families had at least one positive strategy to manage their money. Many of the strategies reflected advice given to them by budgeting advisers.

These strategies (from most to least reported) included:

> using automatic payments or direct debits as a way of managing bills (some had automatic payments set up to pay their doctor, local school etc)

I've got an AP for just about everything, except TV and the phone. Everything goes out on APs. And I've only just found out that I can have a bank account that does it and it doesn't cost me anything. (Participant 3)

We have money split off and go into the bill blaster at Kiwibank. So that our phone and power come directly out of that and we don't have to worry about, oh God we need $75 for power this week, or whatever. The money is already in that account and it just goes straight out. (Participant 22)

While automatic payments and direct debits are a popular and useful way of managing money, they allow very little 'wiggle room' in the event of a sudden unexpected cost and when money is tight it can mean that only food spending offers flexibility.

> planning and budgeting carefully and prioritising spending

I sort of had a budget already written up, because every week I was going okay let's prioritise our spending, we've got rent, food, daycare, petrol. (Participant 22)

I would look at the budget and see if there are any areas that we could prune and it may mean having to cancel some things like we may have to lower our personal cash, no more dry-cleaning ... we would know very quickly if we couldn't meet our needs and I think that we would pretty well be able to sort out pretty quickly and agree on the areas we would just slash our spending in. (Participant 4)

> being strategic in meeting needs of the family (for example, finding ways to make food go further, waiting for sales and shopping around for best prices, allowing 'spending money' in the budget)

We have our own lollie money [she and husband] which I think is important because otherwise you know, we are working hard, long hours and we want to have a little bit of play money. (Participant 4)

We never used to it's just recently we have started to wait till it's actually reduced instead of paying full price. [Retail store name] have got good sales… I never knew I could actually spend the same amount of money but get more out of it, when I actually sat down and worked it out, what I was going to buy. (Participant 33)

> reducing or getting rid of access to credit to remove temptation

> actively saving for Christmas and other big items

> giving up or limiting their use of cigarettes, alcohol or gambling

…and yeah my finances were just really depressing me so I had to do something about it. So it was about sacrificing things and saying 'Well it's not as if I could share my cigarette with my children' so I had to find a way to cut it out whereas we can all read the paper. (Participant 11)

> using alternative sources of power (for example, using gas bottle barbecue instead of oven), pre-paying power or downgrading phone or television services

I actually put a lock on the phone … so no cell phones were phoned from the home phone… And I changed the programme on our TV with our TV provider so I downgraded that, so did shortcuts there. (Participant 1)

> finding cheap or free activities for the family to enjoy

We managed to go out to One Tree Hill and I made lunch and then we went to the museum because you can do a donation, so there was a lot of things we could do just for that small amount of money and being organised. That's probably what made me spend a lot because I didn't try and organise time. (Participant 33)

> sticking to a shopping list for groceries

When it came to groceries and that we absolutely worked according to a list and we still do that today. It's quite amazing how much money you save if you do that, just worked out a menu for the week and go and make a list off the menu and stick to that and it's amazing on what we can get by as a big family like this on just doing that. (Participant 1)

> using cash instead of eftpos or credit cards to make purchases

What we tend to do now … actually take money out of the bank for our personal spending instead of handing an eftpos card and things and taking money to like Pak 'n Save, my goodness parting with $220 each week, you add it up, you see it, you hand it over and it's precious to you so … that's worked very well for us. And I think it forces you to be more disciplined; I think that's a very good thing that comes out of it. (Participant 4)

Sometimes I just sit there and I print out my sheet of how much I've got to spend, and I know that a lot of it is automatic payment, things like the mechanic, I go in and pay cash for them. I've got these little snap lock bags in the drawer, write down exactly how much I withdraw, then I write down $400 for food, but that's for the fortnight, so I withdraw the money for food, the petrol and everything, put it in these little snap lock bags, write the name and I pin them up on the board out there, so if there's any extra money from the petrol, it gets pinned up there, so this week is our off pay week, if I need extra petrol I'll use that money that's in that bag, so I don't have to go into the bank account to do it. It's already withdrawn and that's it 'cause she said just make one withdrawal if you can... (Participant 27)

> using internet banking

With internet banking it's pretty easy you know, that way I know how much I've got left and what I have to budget for like shopping and all that. (Participant 26)

> being organised with prepared lunches and snacks

At work I wouldn't buy coffee on the road or take out or something like that, I cut all that out so I was making sandwiches and taking them to work. (Participant 1)

Some families discussed what they did to manage their food budget when money was tight. The most frequently mentioned strategy was to reduce the purchase of meat or buy poorer quality cuts of meat. Other strategies were:

> cooking in a way that stretched the food as far as it could go

> getting food parcels from charitable organisations

> prioritising the needs of the children over the needs of adults

> focusing available food money on essential items such as milk, butter, bread

> finding places that sold cheaper food or buying food specials

> using a bread maker, having a vegetable garden or knowing where to go to get natural resources that could be used in cooking (such as watercress).

13.2 CHANGE FINANCIAL THINKING AND BEHAVIOUR

Just over a third of Phase 1 families mentioned how they and their family had already made a substantive change in their financial thinking and behaviour. Three families were now close to being completely free of debt.

Learning the hard way from experience, having a desire to change (and lead a different sort of life) and having the advice and support of their budgeting adviser were common themes.

It's like gambling ... they're there you will go to them because you know they're not going to turn you away. So all my life I had used finance companies so in the last year I'm so proud of myself and they've sent me letters don't you worry and I've just thrown them out and I've been under stress but I haven't used them as a crutch, I've learnt now, the hard way. No, I've learnt my lesson about getting into debt. So anything that starts with loans I don't want to go near them. (Participant 18)

Now I'm under the budgeting and it's all taken care of yeah. I know I'm not allowed to get credit cards or debts or anything, much as I'd love to, you know deferred payment for two years is pretty good you know, pretty good thing but no. I want to get all these cleared up slowly so I can end up having a better life. I've learnt my lesson. (Participant 29)

Four participants (two Pacific, two Māori) talked about some of the cultural expectations and values about money which they were brought up with and which were held by members of their extended family and community. Breaking away from these was necessary for them to manage or improve their financial situation.

Well I've seen a lot of families and especially Samoan families at the loan company and they've got more than one loan. They're like paying two to three loans and they don't realise 'cause they're just thinking about their families overseas that they have to send money home. If they actually knew really that the loan companies are there to target people like us, low-income families, and we don't realise that because we, we want to feed our families, we want to clothe our kids you know so we don't think about the long run. We're thinking about the short term… We've got to start thinking in long term how we can be able to feed our kids and pay our debts without having to go to outside things. (Participant 18)

You know they'd rather like say if somebody really close in the family died, we'd rather give our food money you know than buy our own groceries for the next week but I've sort of steered away from that. I'm steering the family away from that 'cause to me the reality is about keeping my children safe and comfortable and happy. Yeah, so it's a bit of juggling around with our values and beliefs we were brought up with basically, yeah. And I've seen how it can actually really make families fall apart and things. (Participant 11)

Several Phase 2 families also made changes to their financial thinking and behaviour. They mentioned avoiding loans, saving up to buy things and thinking carefully about what they needed before parting with money. This change was attributed to learning from their situation, taking on budgeting advice, but also seen as a natural result of getting older and 'growing up'.

The older we're getting too the more we're starting to grow up and act like adults, start being better stewards of the money we're given, better parents. (Participant 7)

14. WHAT COULD HELP FAMILIES

14.1 IDEAS FROM FAMILIES ABOUT WHAT COULD HELP OTHER FAMILIES

Families expressed a wide range of ideas about what could help other families. A small number did not have any ideas about what would make a difference for other families. Ideas were generally in three main areas.

14.1.1 Families seeking and getting help and/or changing their financial behaviour

Specific suggestions (from most to least reported) were:

> going to a budgeting service and getting help early, rather than waiting till things were really bad

I think that most young families need to start budgeting, go to a budget adviser. It should be, you know even I should have gone to budgeting long before I [did]. (Participant 29)

The good advice to them is go to a budgeting adviser. Yeah it is. That is the good advice to them. Go to seek help instead of sitting there, and doing nothing, it doesn't help you. (Participant 37)

Look through your phone book for people to ring. Because I'm going to see a counsellor at the moment and she's extremely helpful, and you've just got to get out there and do it. (Participant 22)

I would probably say if they can't handle it to get help. We did. Go and get help. (Participant 5)

> not being ashamed, embarrassed or too proud to go to budgeting or other services

There's nothing to be ashamed of coming to budgeting. My sister-in-law she goes 'Oh what are you going to budgeting for' or 'Do you get those food parcels'. I say 'Bro when you come here you're eating the kai from those food parcels I don't hear you moaning so what the f*ck are you on about' you know, she's like 'Oh, oh, sorry sister' yeah 'Exactly, sorry sister' there you see. But yeah … getting over pride, getting over their bullsh*t. (Participant 32)

> not using consumer credit (particularly finance loans); saving up money first; avoiding creating more debt as much as possible

Stay away from the loans and the hire purchases. Anything they need save up the money first. Stick to lay-by it's probably better than HP… Try to stay out of debt as much as possible. (Participant 5)

> having a budget and sticking to it (living within their means)

I think draw up a budget, a realistic budget and stick to it… I would say they should stop buying immediately, don't make more debt, go to budgeting services. I don't know if there is any other resource like that but go to budgeting services, set up a budget and stick to it and get rid of your arrears and then, and it's going to take a long time to pay all the debts off. Once you have paid the arrears off then comes the time that you have to pay the debts off. (Participant 1)

> thinking about the 'big picture' for their family; taking the long-term impact of debt into account in their financial behaviour; thinking it through before making a purchase

I am a great believer in if you see something walk away from it and think about do you actually need it or is it a want and can you do without it. It's amazing how often you get home and think no I can't be bothered going back to the store to get that. You just think about the impact it's going to have on your bank account and how much interest you will actually end up paying for owning that item if you can't pay it off straight away. And it's that sort of instant gratification thing you know, you might feel great when you've bought it but then the bill comes in and you just end up feeling low again because you have got to pay this thing off. (Participant 4)

Do all your sums first. Like be really clear about ... you do need to do a budget basically or a forecast of what it's going to cost you. And obviously you need to look historically into what you've spent in the past on groceries, food, holidays, whatever you've done, and work out what you have been spending. So whether you're going to be able to maintain that in future once you take on this debt. You know, is that going to be sustainable. And if it's not then what are you willing to sacrifice? And if you think, well nothing, then obviously you need to re-look at what you're about to do. (Participant 6)

> deciding to do something for themselves (not behaving like a victim) and doing whatever they needed to do to improve their situation; wanting to change and being willing to put the effort in

You know if you wanna get up and make something of yourself just do it. You know it might take you three days to realise it's not the end of the world and if you have to use a candle or a couple of candles for a week, fine do it. Use the barbecue. Put your money into filling your gas bottle. It's summer for goodness sake. Go outside and cook. You've got daylight saving. Go to bed when the sun goes down, go and read a book. But go for a walk, do something for yourself. When everything is at its absolute worst, go and do something for yourself. (Participant 34)

> lowering expectations of material goods and not 'keeping up with the Joneses'

Be content with less and I suppose, expectations ... you watch telly, you read the newspapers and there's so much thrown at you that you can't really blame people who want what they think is best for their families. If we didn't have that much and if people didn't expect so much, if they were happier, this is dreaming especially now if they were happier with simpler things. With having a family to love and having kai even if it's not flash and stuff from McDonald's and stuff like that ... just being able to grow your own kai and, and not keep up with the Joneses as far as clothes go and all that kind of stuff. Appreciate people more rather than things. (Participant 39)

> making sure that contracts had been read and understood before signing them and not letting the lender pressure or 'bamboozle'

> talking to creditors

> shopping around and getting the best deals

> using a computer tool to assist with budgeting.

A few participants wanted families to know that even though it was hard to do something about their debt it would not be hard forever. Dealing with it later meant the situation might get worse, resulting in bankruptcy and stress on the family.

There is going to be a period, doesn't matter what, whether they do it in the beginning or at the end, there is going to be a period that you are going to have to go through that desert, you are going to have to bite the bullet and persevere, there is going to be a one- or a two-year period that you are going to have to just make the sacrifices. And whether you make them in the beginning or later on, if you don't make them in the beginning it's going to catch up with you later so you are going to have to go through that crunch. But I would recommend do it in the beginning. (Participant 1)

It is hard and it won't be hard forever… Obviously things weren't working for us, we had to make a change and I think people have to be, almost have to be ready to make that change as well… In the beginning it was hard. Probably a bit like weightwatchers, those point systems. In the beginning it's ghastly you know, you have to note every bloody thing down but now it's just become second nature ... it's become a good way of life for us now. (Participant 4)

A few Phase 2 families commented on their relatively high incomes and said their story showed that "it could happen to anyone".

I think we're a success story and we have been able to turn our situation around within six months which is good. We're very pleased but if we hadn't done anything about it I would hate to see what we would be like now, I dread to think. But it shows that it can happen to anyone, I mean we're both on good incomes, it can happen to anyone and that's what I would stress, it's not just the beneficiaries or the low-income earners, it can happen to anyone and very quickly. (Participant 4)

One Pacific participant said that Pacific families needed counselling which addressed the cultural reasons behind their financial behaviour and budgeting advice from someone from their own culture, who understood that Pacific Islanders were raised to give everything to others.

I think it would be good to have someone who is experienced maybe in that same cultural background as well, just so they can understand it, and I just think you need more advisers to cater for them as well, because it's alright to say one size fits all but I don't think so because we are all brought up differently and I think in Pacific Island [culture] we are all expected to give money, to be classed as a giving person. I don't mind if we all help each other but I don't think it's good to give all the time, and not too much and just give what you can… I would have to say like a counsellor as well, because with Pacific Islanders it's not just about the money, it's why they spend their money, it's a family thing, it's about providing, giving. (Participant 33)

14.1.2 Improving financial education/support and the financial environment

Respondents gave specific suggestions on what sort of changes would help families. These were (from most to least reported):

> improving financial education (including it in the school syllabus, teaching people about how interest rates worked, teaching people about their rights with contracts and their financial obligations)

- ensuring that appropriate financial and budgeting services were available to help meet the needs of families (where and when needed)
- ensuring that lenders explained contracts in a way that the borrower could understand
- improving advertising of where budgeting help was available
- getting rid of 'loan sharks'.

Are we educated on how to be parents? On how to budget, on how to feed, on how to look after our bills? There's no education. Who taught us, where do we learn this? I didn't learn this. So that's what really screwed me up and I learnt it in the last four years and guess what? I love it. So I should've learnt it 20 years ago. (Participant 23)

And I suppose the other thing is if I knew how to budget properly you know all those years I probably wouldn't be in the mess I am in today you know, I didn't have enough information. Oh I think even as soon as you hit college they should be [teaching] you because they need to teach the students how to deal with their money… Yeah so, yeah there's a lot that I had to learn the hard way. (Participant 11)

It should be out there more ... Budget Advisery should have an ad on TV or in the newspapers, magazines,... I know it's hard because it's a voluntary place but people shouldn't be ashamed [to use them]. (Participant 27)

14.1.3 Government improving the assistance it provides

Participants felt that government could help families through:[22]

- ensuring that families were getting the assistance they were entitled to and Work and Income staff were working closely with the family to get to know their needs
- improving the degree to which government assistance accurately reflected the individual situation of a family and their needs
- ensuring that benefits were increased to reflect rising prices of necessities
- increasing help with moving off a benefit without being financially penalised for it
- cutting Goods and Services Tax (GST) on food
- increasing assistance with getting into employment
- providing a way for families to get a car without having to pay interest
- ensuring that government services believed what people were telling them about their situation.

[22] Each suggestion was made by at least one to two families.

14.2 SUGGESTIONS FROM BUDGETING ADVISERS ON WHAT COULD HELP FAMILIES

Budgeting advisers suggested that the following could help families who had debt they could not manage:

> families getting effective budgeting advice and support from a budgeting adviser to identify ways of decreasing their expenditure and increasing their income

> family members getting into paid employment

> families being provided with budgeting education, education to gain skills and qualifications to help move into employment and education to increase understanding of relevant government systems

> families having resources and skills such as a vegetable garden and cooking skills

> budgeting advisers to work holistically with families

> budgeting advisers to work with Work and Income for early intervention

> increased (or better enforced) regulation in the finance industry

> development of an advertising campaign.

14.2.1 Families getting effective budgeting advice and support

Budgeting advisers talked about families improving their situation by having a budgeting adviser who could help them look for ways to reduce their expenditure and increase their income.

When identifying ways to reduce expenditure, budgeting advisers talked about: looking at how the family spent their money (examining what was necessary and what was not); checking in with finance companies to see whether repayments could be reduced; examining whether a Summary Instalment Order would help; helping the family to identify where cuts could be made; and which – if any – purchases could be returned or sold.

It was acknowledged that some families, however, had 'zero fat' in their budget and were not able to reduce their expenditure any further. A mindset focused on spending and a lack of self-control might also act as barriers to reducing spending.

It was generally acknowledged it was not easy to find ways to increase a family's income, but some possibilities included taking in a boarder, checking in with Work and Income to ensure that a family was receiving all of their entitlements, and getting into paid employment.

14.2.2 Family members getting into paid employment

While finding paid employment for clients was seen as a good way to increase a family's income, budgeting advisers noted there were other considerations to take into account such as whether it might result in greater financial risk for sole parents, or cause other family difficulties (such as stress on family relationships, decreased time spent with children), and whether some individuals were physically and mentally able to work.

14.2.3 More education

Budgeting advisers felt that many families needed access to education about budgeting and money management, ranging from formal group education programmes to help improve families' skills through to ongoing one-to-one education and support from a budgeting adviser. Some budgeting advisers felt there would be value in having education programmes in schools.

Content suggested for education programmes included teaching people to live within their means, learning to set up a budget and maintain it and general money management. A lack of motivation and families living in a 'we want' society were considered barriers to families seeking such education.

Budgeting advisers felt that education about budgeting and money management was important in helping to improve the financial situation for families. One budgeting adviser also reported encouraging her clients to gain skills and qualifications through education/ training in order to move into paid employment.

Another budgeting adviser talked about the need for people on benefits to be provided with some kind of education to increase their understanding of how relevant government systems worked and their responsibilities within these systems, so that they did not behave in a way that resulted in them getting into more financial strife through, for example, penalties.

14.2.4 Families having resources and practical skills

A budgeting adviser talked about encouraging his clients to have their own vegetable garden to supplement their incomes; this had worked well for one or two of his clients. Another budgeting adviser felt that many of her clients spent money unwisely on pre-cooked or takeaway meals which cost more and so she encouraged them to cook meals at home. Lack of knowledge and skills was identified as a problem for some clients.

14.2.5 Budgeting advisers working holistically with families

Budgeting advisers acknowledged that the problems their clients faced were complex and reflected long-term issues. It was felt that budgeting advisers needed to work holistically with families and ensure that these problems were being addressed. Getting clients to open up was seen as a main challenge.

14.2.6 Budgeting advisers working with Work and Income for early intervention and to better support budgeting clients

Some of the budgeting advisers talked about the need to work with Work and Income to reach vulnerable families as early as possible – ideally when they first received a benefit and before they got into financial difficulty (or into more financial difficulty).

Suggestions included Work and Income providing their clients with information pamphlets on budgeting advice and where to get budgeting help, and Work and Income case workers making positive suggestions to families about seeking budgeting advice. Nurturing respectful relationships between budgeting advisers and Work and Income caseworkers was considered crucial.

A budgeting adviser felt that ensuring inter-agency communication remained effective and was focused on identifying the best support for a family was important for helping a family's financial situation. This budgeting adviser considered that staff might need more training in working effectively across agencies.

14.2.7 Increased (or better enforced) regulation of the finance industry

Most of the budgeting advisers talked about families having ready access to credit regardless of their level of debt and ability to repay and families signing contracts they did not understand. Some of the budgeting advisers felt there needed to be increased (or better enforced) regulation of the finance industry with finance companies and banks taking more responsibility for how they made credit available and ensuring that individuals understood what they signed.

No matter how much education was delivered to families in need, budgeting advisers felt that regulation of finance was still needed to match the education of clients. The operating practices of mobile shops and rent-to-buy schemes were seen as particularly problematic.

14.2.8 Development of an advertising campaign

A couple of budgeting advisers talked about the advantages of having an advertising campaign similar to the current Family Violence campaign that could encourage people to seek help with their budgeting and management of family finances. They felt that many of their clients had to get past the barriers of negative attitudes to seeking help. Generally by the time desperation drove families to get help, their financial problems were worse and more complex, making them difficult to resolve.

15. DISCUSSION

This research gathered detailed information on a sample of families in problem debt who were using budgeting services. The research was not intended to reflect the situation or experiences of all families in debt, but it does pave the way for a discussion around some critical issues which are likely to be relevant to families in debt.

Debt can potentially be a problem for any family in New Zealand, but it is likely to be worse for families who are on limited incomes; are without assets; do not possess the skills and resources needed to assist with getting out of debt; and whose options to improve their financial situation on their own may sometimes be non-existent. Debt for such families is a complex issue, so the solution will be equally complex. It will involve the family themselves, and the government, finance and not-for-profit community sectors.

It was evident many families simply did not have enough income to meet their needs. On the face of it, increasing the family income could be the simplest way to improve their situation. However as the spread of problem debt across a range of different income levels demonstrates, an increase to a family's income is not the only way to address debt problems and may not be an effective measure on its own. No level of income guarantees against a family getting into problem debt.

This research highlights several issues which require attention from government. Fines and penalties can escalate, leaving some families with substantial debts. The government sector could develop a plan of action to break the cycle of debt to government resulting in more debt, and look at possible ways to improve early payments of fines or seek non-monetary forms of payments. Another challenge for government is ensuring families are receiving their full entitlements of income benefits and other supplementary benefits such as the Accommodation Supplement. Some families in this research lacked understanding on what support was available more generally. Getting help early, when difficulties arise, could help to reduce the risk of debt getting out of control.

Families need to be adequately informed on the realities of debt, including their ability to repay debt before committing to financial arrangements. The finance sector, including retailers and the finance companies providing store cards, could take a role in financial literacy and ensure that families understand the implications of what they are signing The finance sector also has a vested interest in ensuring that people they loan to can afford to repay. An outstanding issue in New Zealand is the lack of affordable credit for low-income families. The finance sector could provide options for families to get credit when they have poor credit ratings or a low income, at interest rates that are not unaffordable.

Challenges for the community sector include working through how they can best support families, particularly those who are not yet in a critical situation and working families. These families may benefit from greater investment early on in budgeting advice and increased financial literacy, particularly concerning credit. Community organisations are well positioned to play a pivotal role in advocating on behalf of families.

Families have a responsibility for taking ownership of their financial situation ,developing their financial literacy and seeking help before it is too late. Families are also responsible for working together to make good financial decisions and passing financial knowledge on to the next generation. This research shows that when families take action to manage their finances better, their situation improves.

The research also presented findings which gave some degree of optimism for the ability of families with serious debt to improve their financial situation if they receive appropriate assistance. This leads into a discussion on how service providers can best support families in debt and make a positive difference to outcomes for these families. The research provides a starting point for exploring, with budgeting specialists and others, the best options for assisting families and how they can make a difference.

15.1 KEY INSIGHTS

15.1.1 Some families carry high levels of debt

Many of the families in this study had serious levels of debt relative to their income. In many cases, debt was primarily for consumption rather than for assets, such as the purchase of a house or development of a business. Some families reported they were not (or could not) currently repay debt, or were only partially repaying debt. Repossession of goods was not an uncommon experience for a number of Phase 1 participants. Half of these participants had a poor credit rating that compromised their ability to access credit for essential items or to consolidate their debt.

There appear to be fewer options for some low-income families (many of whom are beneficiaries) to get out of problem debt. Even if families start making headway, getting out of their debt situation could be a long-term process involving a relationship with budgeting services over a number of years. With little or no padding in their budgets, many of these families are constantly living ‘on the edge’ financially. Small loans can easily get out of control when there is limited ability to pay them back and no ability to withstand adverse financial events, which can lead to more debt. The ability of some of these families to raise their income is also low. However, the research showed that many did get out of a problem debt situation. Most commonly, this involved careful budgeting, planning and prioritising, finding cheap or free activities to do, resisting the temptation to use consumer credit and being organised and strategic when shopping and meeting family needs.

15.1.2 The causes of debt are complex

For each family interviewed, there was usually more than one factor which contributed to their financial situation, and these factors did not usually exist in isolation but were interrelated.

In this research, there were those who were in their debt situation because of increasing numbers of loans or small loans over time that got out of control (often stemming from the underlying issue of not having sufficient income for their needs). There were also people who had a change in circumstances and had not necessarily worked through the implications (such as going on parental leave, affording mortgage repayments), or needed a loan because of some adverse event, such as medical or funeral costs.

Behavioural and situational factors both appeared to play a role in getting into debt. Behavioural factors included choosing not to recognise a debt problem and continuing to over-commit; impulsive spending behaviour; a lack of money management skills; bad decisions resulting from a poor understanding of lending practices and contracts; the impact of addictions such as gambling and alcohol; helping out a family member in need; and a lack of knowledge about available government assistance.

Situational factors included unexpected life events such as the death of a family member; a limited ability to participate in employment due to ill-health, disability or needing to care for children; a lack of income to meet expenses; having children, getting a mortgage, and other family transitions such as separation, re-partnering, and re-location.

The Families Commission is concerned that families in the research who were caught in a cycle of debt shared some common background factors:

> Most were in receipt of a main benefit as opposed to being in employment.

> Most had dependent children.

> Most rented as opposed to being a home owner.

> A significant number were single-parent households.

> Most had physical or mental health problems in their family.

> In nearly all cases there appeared to be little opportunity to increase their income.

15.1.3 Debt impacts heavily on family well-being

Financial hardship was common among research participants who were struggling to make ends meet, particularly in relation to food, transport and health costs, some of which are currently on the rise. Families also talked about being socially isolated in that they could not engage in activities that would be considered 'normal' for other families such as family outings or holidays, entertainment and participation in sport. They mentioned family stress, where relationships within the family, and extended family, frayed and sometimes ended. Some families said members experienced growing feelings of stress and depression as a result of their debt burden. This stress was often on top of health problems and/or a disability in the family.

Families were aware of the impact that problem debt had on their children. The 40 families that took part in this research represented a total of 89 dependent children (younger than 18 years). These children were often living in an environment where the adult(s) operated under considerable stress and where adult-to-adult relationships and adult-to-children relationships might be strained. It is not possible for this study to determine the impact that today's circumstances will have on their 'life outcomes' in later years. Research indicates that poverty experienced in the early years can lead to long-term health problems, decreased potential for employment and lower adult earnings. Children who grow up poor also have a higher chance that their own children will grow up poor (Fletcher & Dwyer, 2008).

Families reported using a variety of strategies to cope when they were unable to meet their everyday expenses: prioritising what money was to be spent on; seeking help from extended family members, friends or an ex-partner; and for some participants engaging in undesirable activities, such as working 'under-the-table' or criminal activity such as fraud.

15.1.4 Children are a motivator for families to improve their financial situation

A common theme that emerged in interviews was the significance of children in the lives of participants and the effect this had on wanting to provide the best possible life for their children. This included desiring the financial freedom for their children to enjoy outings, celebrations, holidays, 'treats' and participation in sports. Feeling that they had let their children down was a very common theme for parents.

When looking to their hopes for the future, hopes for children often featured in the responses. Examples included wanting to see their children achieve educationally, wanting to be able to take their children on holidays, or overseas trips to see their home country or extended family. Some families said it was seeing the impact debt was having on their children which had spurred them into action. This indicates children are a strong motivator for these parents and help to change their behaviour.

15.1.5 Role of employment

Families who had one or more members in employment appeared to have more options available to improve their situation. Although the financial situations of some very low-income-level families were very similar to those of beneficiary families, in general, working families felt more in control of their situation, their debt looked set to improve more quickly, and they had a more positive outlook for the future.

However, employment is not a simple or immediate solution for some families. Beneficiary families may be well aware of the benefits of employment, but unable to access these benefits because they are unable to work for various reasons, such as health issues or providing care for children. Improving their education was identified often as a first step towards employment. The current economic climate also means that it can be difficult for many people to find and keep employment.

15.1.6 Role of culture

Some families, particularly Māori and Pacific families, have a culture of giving and providing for extended members of their family, which can contribute to being in debt. Some families in this research had found ways of managing to meet their cultural obligations without contributing cash or spending a lot of money. For example, one Pacific family was contributing food to family occasions rather than presents, and another was communicating their situation with extended family members and resisting the pressure to give beyond their means. Another Māori participant spoke about 'steering' her family away from contributing financially to the wider family in favour of focusing on the immediate family and her children's well-being. It was evident in the interviews with several Pacific families that they recognised meeting cultural obligations was an issue but were not sure how to deal with it.

The Pacific families interviewed also tended to have a high trust in finance companies, which gives some insight as to why they used some companies despite being aware they were a more expensive form of credit. Some participants indicated that they liked to borrow from people they had borrowed from before, appreciated friendly service from people they knew and found these services easy and convenient to use, with 'no fuss'.

15.1.7 Credit agencies target families who can least afford it and who have poorer understanding of lending practices

The research indicated that a number of participants lacked financial management skills and did not always understand the contracts they signed. A number of participants were unaware of what consolidating debt was, or what declaring bankruptcy meant.

Loans from finance companies and purchasing from mobile shops on credit were particularly problematic sources of debt. Enticements from finance companies and mobile shops inviting customers to take advantage of additional credit was too much of a temptation for families who could not access more affordable credit and who did not have ready money to meet everyday needs. The high cost of using this type of credit facility and the aggressive marketing approaches contributed to a vicious cycle of debt for some families.

15.1.8 Families also have debt to government

Some government departments appeared to be responsible for exacerbating the cycle of debt for some families. The research indicated that some families, particularly low-income families, had debt to government in the form of Work and Income advances, District Court fines and penalties and debt to Inland Revenue in addition to their credit debt. While these debts were not generally large, sometimes they tipped the balance for families between managing and not managing to meet everyday needs.

15.1.9 Families are sometimes unaware of the assistance available

Some families were unaware of what further assistance they might be entitled to from the Government until they sought advice from a budgeting service or enquired directly about a specific product with Work and Income. It is important that families in need are aware of their entitlements and conditions associated with them. Key 'triggers', such as the use of social service agencies or a high use of food banks, can point towards families in distress and hardship who need help.

15.1.10 Families' financial situation improved as a result of budget advice

Families felt their financial situation improved once they received advice and support from budgeting services. Just over a third of families talked about the process by which they had already made a substantive change in their financial thinking and behaviour, with a small number of participants close to being debt free. Many acknowledged they had learnt the 'hard way' in order to better manage their finances.

15.2 POLICY AND PRACTICE IMPLICATIONS

This research indicates a number of areas where improvements in policy and practice could better meet the needs of families dealing with problem debt, reduce problem debt situations from escalating or prevent problem debt from developing. The areas identified below require further investigation to assess how they would work in practice.

15.2.1 Provide support early to reduce the risk of escalating problem debt

This research shows there are substantial impacts on family well-being when families are in problem debt situations. Investing in providing support early reduces the negative impacts to family members, and reduces the risk of escalating problem debt. Actions that could help to provide support early include:

> Identify strategies that encourage families to seek financial advice and support early on. Triggers for support could include deteriorating health, the birth of a child, loss of employment, moving or changing jobs, and relationship difficulties.

> Improved collaboration between budgeting services and other social services. Budget advisers need to work holistically with families and support from other services may help in this regard.

> Identifying strategies to ensure families receive the full range of government entitlements available to them, particularly when family circumstances change.

> Government agencies need to work together to reduce the escalation of debt to government agencies. There is the need to explore strategies that provide incentives for people to pay debts early on or the provision of non-financial methods to meet their responsibilities.

> Improve access to financial hardship provisions for essential services, such as power, phone, water and insurance.

15.2.2 Improve access to financial education to prevent problem debt

Improved financial literacy increases people's knowledge of financial matters, including an understanding of debt and credit, how to budget and the terms and conditions on finance contracts. Budget advisers have noted intergenerational effects of a lack of financial literacy, with many children not learning financial skills from their parents. The Ministry of Education and the Retirement Commission have provided guidance on how schools can support students to develop financial capability through cross-curricular teaching and learning programmes, targeting students in Years 1 to 10. Take up of this new programme by schools will be a valuable step towards addressing this need for young New Zealanders.

There is the need for financial education and advice that reaches families across a range of incomes. Websites such as the Retirement Commission's www.sorted.org.nz play a role in teaching financial literacy, but do not reach those without internet access or those who lack the technological and organisational skills that the effective use of these websites require. Further work is needed to assess how to best provide financial education and skills to reach a wider range of learning styles and families in varying financial situations. Further work is needed to understand the relationship between financial literacy levels, attitudes, behaviour and the development of problem debt situations.

15.2.3 Consider enhancing and broadening the capability of the successful components of budgeting advice

The changing economic environment has resulted in more families with middle-to-high incomes experiencing genuine financial strain and seeking advice from budgeting services. Some of the middle-to-high income families expressed initial feelings of discomfort about seeking help from budgeting services, as these services have until recently provided a service for predominantly low income and beneficiary families. Budgeting services report greater demand from middle-to-high income families and the families interviewed in this study found the service helpful. This issue raises two questions that require further investigation. Do current budgeting services have the capability both in resource and expertise to work effectively with a broader client group, who often face a different set of challenges? Are budgeting services the most appropriate type of service to meet this need?

15.2.4 Improve our understanding of the role of cultural values and obligations

This research highlighted the role of cultural values and obligations in the lives of whānau Māori and Pacific families. Further research is needed to have a better understanding of the importance of the collective identity of whānau for Māori, extended families for Pacific people and the impact that this has on financial decision-making. Māori and Pacific peoples may benefit from a unique approach to budgeting advice and education, which acknowledges the cultural reasons behind their financial behaviour and empowers them to manage their finances in a way that aligns with their cultural connections, values and identity.

15.2.5 Improve the practices of finance companies and mobile shops

The research highlights the importance of responsible lending practices, as in some cases participants applied to get as much credit as they were entitled to, or left it to the lender to decide what they could borrow. The availability of expensive forms of credit was a clear contributor to the debt situation for a number of families. Finance companies and mobile shops need to take greater responsibility for how they make credit available, including the practice of making credit available above the amount applied for. They also have a responsibility to explain contracts in a way that the borrower can understand, and explain the implications of the contract in terms of interest and non-payment of repayments.

There is a need to explore options with the finance industry and the not-for-profit community sector to provide access to 'affordable credit' targeted specifically for low-income families. It appears that the forms of credit available for these families are the least affordable. New initiatives which strive to address this need and create affordable credit options for low-income families could be evaluated to determine what works and what changes result.

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APPENDIX: INTERVIEW SCHEDULE AND PROMPTS

KEY QUESTIONS	PROMPTS
BACKGROUND INFORMATION (1-3)	
1. Can you tell us about who is in your family?	How many in family? Who lives in house?
	Sole-parent household? Two-parent household? Blended family?
	Number of children? Age of children? Sex of children?
	Ethnicity?
	Residency status?
	Any health or disability issues?
	Anything else special about family situation?
2. What suburb do you live in? Do you rent or own your home?	
3. What is the highest educational qualification held by someone in your household?	
SOURCE OF INCOME AND FINANCIAL CONTRIBUTIONS TO NON-HOUSEHOLD (4-5)	
4. Where does income come from in your family? How much money comes in every week (or fortnight/month)?	Anyone in household in paid employment? Who? What job(s)? Hours? Rate of pay? Stability of employment?
	Household income? Amount? Sources?
	Is a student loan a source of income?
5. Are regular financial contributions made from your family's household income to family members or others living outside your household?	To whom? How often? How much?
STORY BEHIND COMING TO THE BUDGETING SERVICE AND PAST EXPERIENCE OF SUCH SERVICES (6)	
6. What led to you and your family coming to the budgeting service?	Reasons for seeking help?
	Main reason for seeking help?
	Why this particular service?
	What kind of help are you looking for? What help do you expect to get?
	Is this the first time you've come to a budgeting service?
	Has going to budgeting services in the past helped your family? How do you think it helped? / Why do you think it didn't help?

FINANCIAL SITUATION INCLUDING CONTRIBUTORS TO SITUATION AND FEELINGS ABOUT SITUATION (7-13)	
7. How would you describe your family's current financial situation?	Are you able to manage your finances? Why not?
	Are you in much debt? How much debt at the moment?
	Who are the debt(s) to?
	How much of your debts are to government agencies like the Courts, IRD or WINZ?
	How much of your debts are to family or friends?
	Has theft or being burgled contributed to your debt situation? How?
	How long have you had these debt(s)? Have you had lots of debts before?
	Do you know what proportion of your income each month is needed to pay these debts? *(explore weekly/ fortnightly/ if it makes more sense to the participant) (may need to explain 'proportion')*
	Do you have any savings? How much? For what purpose?
8. What has contributed to your family's current financial situation?	What has contributed to your family having these debts?
	What has contributed **most** to your family having these debts?
9. Have you or another member of your household ever been legally bankrupt?	Why? What happened? How long ago? What has happened since?
	What has been the impact of this on your family?
10. Has your family had possessions repossessed in the last year?	How many? What? Why?
	What has been the impact of this on your family?
11. How do you feel about your family's current financial situation?	Not worried? Worried? Stressed? Why?
	How do you feel about the ability of your family to manage these debts?
	Have you got support in place to help you and your family with this? Who? How? *(If no support, then come back to this at end of interview and discuss possibilities available for support)*
12. Is this financial situation something new for you and your family?	New situation? Typical situation?
	What have things been like for your family over the last five years?
	Differences/changes over time? Why? What has contributed to changes?
13. When was the last time you felt that your family's financial situation was under control?	How long ago?
	What did 'in control' look like? *(Ability to meet payments? Financial security? Savings?)*
	What changed things?

USE OF DIFFERENT FORMS OF CREDIT – CREDIT CARDS, MOBILE SHOPS, HP, LOANS, CONSOLIDATED DEBT (14-18)	
NB key areas of enquiry – how use (what use for); how make decisions re use; what look for in retailer; understand what sign up to. 'Ground' the conversation in the most recent experiences.	
14. Do you or other family members in your household have a credit card?	How many credit cards?
	Who uses the credit card(s) in your family?
	How often are credit card(s) used?
	What is the credit card(s) used for? For what sorts of purchases?
	Who in your family is *usually* involved in making decisions about how the credit card(s) is used? How? Why?
	How are decisions *usually* made about using a credit card? Are decisions thought out? Are decisions discussed amongst family members? Or are decisions made on the spur of the moment?
	Does decision making depend on how much money is involved or what is going to be purchased?
	Is the credit card *usually* used when you or your family needs something? Or when you or your family wants something? Or when there is an emergency? *(Explore what is regarded as being a need or emergency)*
	Does something being advertised or looking like a 'good deal' make a difference?
	Is the total amount on the credit card(s) *usually* paid off each month? Why? Why not?
	Is the credit card(s) treated differently to other forms of credit such as HPs or loans? How? Why?

15. Do you or other family members in your household ever buy things from mobile shops or door-to-door operators using credit provided by these operators (buying 'on tick')?	How often do you or other family make purchases in this way?
	What sorts of purchases do you or other family members make in this way?
	How does the 'on tick' payment usually work?
	Who in your family is *usually* involved in making decisions about buying 'on tick' through mobile or door-to-door operators? How? Why?
	How are decisions *usually* made about buying 'on tick' through mobile or door-to-door operators? Are decisions thought out? Are decisions discussed amongst family members? Or are decisions made on the spur of the moment?
	Does decision-making depend on how much money is involved or what is going to be purchased?
	Is buying 'on tick' through mobile or door-to-door operators *usually* used when you or your family needs something? Or when you or your family wants something? Or when there is an emergency? *(Explore what is regarded as being a need or emergency)*
	Does something being advertised or looking like a 'good deal' make a difference?
	What do you or other family members *usually* look for when you are going to buy things 'on tick' from a mobile shop or door-to-door operator?
	Easiest terms and conditions? How nice the staff are? Interest rates? How fast you can get the item? What the total cost will be? Whether you can pay it off? How much you *want* or *need* the item 'right now'?
	Do you use particular mobile shops or door-to-door operators? Why?/Why not? Do recommendations from family/friends make a difference? Does advertising make a difference?
	Do you or other family members *usually* rely on the mobile shop or door-to-door operator to determine if you can afford to buy something 'on tick'? Why/Why not?
	Do you or other family members *usually* understand what you are agreeing to? Can you think of situations where this hasn't been the case?
	Is written information *usually* provided? Is it usually explained sufficiently? Do you or other family members read it? Do you or other family members get staff to explain the writing to you?
	Have you or other family members ever 'got into trouble' because of not understanding what you were signing?

16. Have you or other family members in your household ever signed a Hire Purchase (HP) agreement?	How often do you or other family members in your household use HP as a way of buying things?
	When was the last time you or other family members in your household signed a HP agreement?
	What sorts of purchases is HP *usually* used for in your family?
	Who in your family is *usually* involved in making decisions about using HP? How? Why?
	Do you or your family *usually* seek outside advice before using HP? From whom? Why?
	How are decisions *usually* made about using HP? Are decisions thought out? Are decisions discussed amongst family members? Or are decisions made on the spur of the moment?
	Does decision-making depend on how much money is involved or what is going to be purchased?
	Is HP *usually* used when you or your family needs something? Or when you or your family wants something? Or when there is an emergency? *(Explore what is regarded as being a need or emergency)*
	Does something being advertised or looking like a 'good deal' make a difference?
	Do you *usually* wait until you've paid off one HP before you take another one on? Why/Why not?
	What do you or other family members *usually* look for when you are going to make a HP?
	Easiest terms and conditions? How nice the staff are? Interest rates? How fast you can get the item? What the total cost will be? Whether you can pay it off? How much you *want* or *need* the item 'right now'? Recommendations from family/friends?
	Do you or other family members *usually* rely on the retailer to determine if you can afford to buy something using HP? Why?/Why not?
	Do you or other family members *usually* understand what you are agreeing to? Can you think of situations where this hasn't been the case?
	Is written information *usually* provided? Is it usually explained sufficiently? Do you or other family members read it? Do you or other family members get staff to explain the writing to you?
	Have you or other family members ever 'got into trouble' because of not understanding what you were signing?

17. Have you or other family members in your household ever taken out a loan from a finance company?	How often do you or other family members in your household take out loans from finance companies as a way of buying or paying off things?
	When was the last time you or other family members in your household signed a loan agreement?
	How are loans from finance companies *usually* used in your family? For what sort of purchases? For paying off what sorts of things?
	Who in your family is *usually* involved in making decisions about taking out loans from finance companies? How? Why?
	Do you or other family members *usually* seek outside advice before taking out a loan with a finance company? From whom? Why?
	How are decisions *usually* made about taking out loans from finance companies? Are decisions thought out? Are decisions discussed amongst family members? Or are decisions made on the spur of the moment?
	Does decision-making depend on how much money is involved or what is going to be purchased?
	Are loans from finance companies *usually* used when you or your family needs something? Or when you or your family wants something? Or when there is an emergency? *(Explore what is regarded as being a need or emergency)*
	Does something being advertised or looking like a 'good deal' make a difference?
	Do you *usually* wait until you've paid off one loan before you take another one on? Why?/Why not?
	What do you or other family members *usually* look for when you are going to take out a loan from a finance company?
	Easiest terms and conditions? How nice the staff are? Interest rates? How fast you can get the loan? What the total cost will be? Whether you can pay it off? How much you *want* or *need* the item 'right now'? Recommendations from family/friends?
	Do you use particular finance companies? Why?/Why not? Do recommendations from family/friends make a difference? Does advertising make a difference?
	Do you or other family members *usually* rely on the finance company to determine if you can afford to take out a loan? Why/why not?

	Do you or other family members *usually* understand what you are agreeing to? Can you think of situations where this hasn't been the case?
	Is written information *usually* provided? Is it usually explained sufficiently? Do you or other family members read it? Do you or other family members get staff to explain the writing to you?
	Have you or other family members ever 'got into trouble' because of not understanding what you were signing?
18. Do you know what consolidating debt is? Have you ever consolidated debt?	Has consolidating debt been a good thing for you and your family? How? How not?
PERCEPTION OF EASIER/HARDER TO GET CREDIT THAN FIVE YEARS AGO (19)	
19. Do you think it's easier, the same or harder to get credit than five years ago?	Why do you think this?
	Does this make a difference to you?
IMPACT OF FINANCIAL SITUATION ON THE FAMILY (20-25)	
20. What does your financial situation mean for you and your family in terms of meeting normal everyday expenses?	Ability to meet **basic living costs**? *(Rent/mortgage, power, phone, food, heating, clothing, petrol/transport)*
	Ability to meet **school costs**? *(Fees, books, uniforms, extras, sport)*
	Ability to meet **healthcare costs**? *(Medical, dental, optometry)*
	Ability to meet **emergency costs**? *(Family emergencies, car breakdown, funeral contributions)*
	Ability to meet **other household costs** such as insurances, car registration, household maintenance?
21. What do you and your family do if you can't meet normal everyday expenses?	What do you pay first? What do you prioritise? Why?
	Do you make compromises or trade-offs
	Do only some family members get their needs meet? Who? Are the needs of children prioritised over the needs of adults? Who misses out?
22. What does your financial situation mean for you and your family in terms of family events and celebrations?	What does it mean for Christmas and birthdays?
	Do you still celebrate? How? Do you give gifts? Who to?
	What does it mean for taking part in or contributing to wider family events?
	Is being able to provide or contribute food to an event or celebration an issue for your family?
	Is your family able to visit or see members of your extended family? How often?

23. What does your financial situation mean for you and your family in terms of taking part in cultural, sporting, community or church activities?	Are members of your family able to take part in cultural, sporting, community or church activities as much as they would wish to?
	What is affected by your financial situation? Ability to physically get there? Ability to provide or contribute food? Ability to make financial contributions or payments?
	Is your family able to contribute to cultural or church obligations as much as they would wish to? For example, regular church donations, tangi/funerals, unveilings, attending hui, sending money to family in the islands.
24. Is there anything else you feel that you or other members of your family miss out on because of your financial situation?	
25. What does your financial situation mean for how you and other members of your family feel and for how you get on together as a family?	Does it affect stress levels? For whom? How?
	Does it affect relationships? With whom? How?
	Does it affect time spent with children? Amount of time? Quality of time?
	Does it affect the way in which you or other family members drink alcohol, smoke cigarettes or use other sorts of drugs? How?
WHAT COULD HELP FAMILIES (26-27)	
26. What do you feel could help stop other families from getting into bad situations with debt?	Has anything or anyone helped you? What? Who? How? Why?
	Do you know of anything that you feel has helped other families? What? How?
27. What do you feel could help families who have debts which they are having trouble managing, to improve their situation?	Has anything or anyone helped you? What? Who? How? Why?
	Do you know of anything that you feel has helped other families? What? How?
VISION FOR FINANCIAL FUTURE OF FAMILY (28)	
28. What would you like your family's financial position to be – or to look like – in five years time?	Do you think this is achievable? Likely to happen?
	What will you or members of your family do to get there?
	What support could help your family to get there?
	What would make the biggest difference to your family getting there?
ANYTHING ELSE (29)	
29. Any other comments?	
Thank the participant and give him/her/them the koha	


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