

# Quick Facts...

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## Debt Management

To take control of your debt, the first thing you should do is a budget. This will allow you to see exactly how much you are earning and spending. It will also show where you are overspending and possibly where this expenditure can be reduced.

If the burden of debt is starting to take control of you, for some people to consolidate all of these debts into the one loan would be the best solution. Consolidation allows you to lower your overall interest rate and more easily manage your debt.

Loan consolidation will save you interest where your new repayment and loan term are at least equal to your total current loan repayments and loan terms. Otherwise, you could be converting your short-term debts into longer-term debt and be paying more interest in the long run.

One option is to use the equity in your residential premises. If you have owned your home over the last few years, with the fuelling property prices you are likely to have the capital to cover your existing mortgage, as well as other loans and credit cards. You would need to refinance your home loan which usually offers more competitive interest rates than Credit Cards and Personal Loans.

By paying less interest, more of your repayment can be used to reduce the debt. This assumes that you maintain the same overall repayments.

You should ensure that your existing home loan offers the features and flexibility to repay sooner rather than later.

To ensure you take control of your debts:

- Review all your debts regularly;
- Close credit card and store accounts and have the discipline not to obtain more. Don't buy on credit; you are only using money you don't have.

- Credit cards can work well and to your advantage, as long as you use them correctly. *Only use the interest free period.*
- If you find yourself on the credit card round-a-bout, (that is every time you pay some money off you credit card you go out and put more on it), you have to **STOP**. You are spending more than you're earning.
- If you do retain a credit card then ask the institution to reduce the limit to the minimum needed - this should be what you can comfortably repay each month.
- Every time your statement arrives pay twice the required amount. Realise that you can do without it. *If you don't stop using credit you will ALWAYS be in debt.*
- Resolve to spend money where it makes sense and cut back where it doesn't, paying particular attention to cash and expenditures. Your cheque book and credit card statements reveal big-ticket items, so that monitoring daily spending for a while may show where your money is slipping away in ways that don't give much satisfaction.
- Most importantly a disciplined approach is needed to ensure debts are not increased to fund unnecessary purchases - a good rule of thumb is that your liabilities should not exceed your assets - if they do - it probably means you have borrowed for the wrong reasons.
- Remember **IT IS NEVER TOO LATE** to take back control.
- Review your spending patterns and curb these to fit within your budget!

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