



How to get out of debt

In Australia, we're pretty big on borrowing money. According to figures published by Finder, Australia takes the number four spot in the top five countries with the highest levels of household debt. So if you're in debt, you're certainly not alone in owing money. As long as you've got money coming in to meet all your financial commitments, including loan repayments, being in debt doesn't have to be a problem.

But falling behind on those payments, or finding yourself juggling too much debt along with bills and rent, can lead to serious short and long-term financial stress. In this guide to getting out of debt you'll learn about the steps you can take straight away to deal with debt problems. You'll also find out what to expect if your debts or bills remain unpaid.

What to do if you can't pay

The most important thing when it comes to getting on top of debts is to act quickly. Take one or more of the following steps as soon as you become aware that you're struggling to keep up with payments. This gives you more time to understand your options and make the right decision without putting yourself under extra pressure.

- **Speak to your credit provider:** contact your loan, credit card provider or utility company as soon as you can. Even if you've already missed a payment, there's a good chance you can speak to someone about coming up with a new instalment plan you can afford.
- **Apply for a hardship variation:** if you're unable to keep up with payments because of unemployment, ill health or changes in your financial circumstances, you could be eligible for a hardship variation. You can phone your provider to begin this process, but may need to make an application in writing. The Financial Rights Legal Centre offers sample letters you can use for a hardship variation and for other situations like dealing with debt collectors.
- **Speak with a financial planner:** when your finances get out of control, dealing with debts and unpaid bills can be scary and isolating. If you're confused about what to do, speaking to a financial planner could be the best course of action. You can hear more about your options and find out about your rights and responsibilities when it comes to dealing with debt collectors and any legal action against you as a result of your debts.

Accessing super to pay debts

It's generally the case that you can't withdraw any of your super until you reach your preservation age. However, there are two ways you may be able to gain early access to your super to pay off debts. The first is access on compassionate grounds, which includes 'making a payment on a loan or council rates so you don't lose your home' as a legitimate reason for early access to a lump sum from your super.

You may also be able to withdraw super early on the grounds of severe financial hardship. The Department of Human Services website provides guidance on what is considered to be financial hardship. You'll need to apply to your super fund to make any arrangement for early withdrawal on these grounds. It's well worth speaking to a financial counsellor before making a decision to apply for early access to super as this could impact your future financial security in retirement.

What can happen if you don't pay

- **Credit history:** unpaid debts or bills that have been outstanding for more than 60 days will be included on your credit history for five years, even after the debt or bill has been paid. When your provider is unable to contact you to request payment, this stays on your credit history for seven years. This will lower your credit score, which can impact your future ability to borrow money.
- **Repossession:** when a loan is secured on an asset, such as your car or home, and you miss a repayment, a lender may take action to repossess that asset. Once you've missed a payment, a lender must issue you a default notice and then give you 30 days following the date of issue to pay the overdue amount before taking steps to repossess the asset.
- **Debt recovery:** if you do not make an instalment plan for overdue debt or bill payments, or take any other steps to repay money you owe, your provider may arrange for a debt collection service to recover the debt. Debt collectors are required by law to operate within strict guidelines in how they can contact you. If you are experiencing threatening or intimidating behaviour from a debt collector, you can make a complaint to the Australian Financial Complaints Authority (AFCA) or your credit or service provider.

What to do about debt recovery

Unless you dispute a debt – and you can do this if you believe you don't owe the money you're asked to repay – it's important to communicate clearly and honestly during all stages of a debt recovery process. If you don't, it's possible your credit provider will seek judgement from a court to issue a garnishee order to recover the debt directly from your bank accounts or your salary payments. The ATO can also take this action to claim unpaid taxes without seeking judgement from a court.

How long can debts last?

Unpaid debts can stay on your credit history for up to seven years, even once they've been paid in full. In most cases, debts are considered 'statute-barred' if no payment has been made on the debt within the last six years and there has been no court judgement regarding the debt. So if you have an 'old' debt and receive a request for payment, seek legal advice before agreeing you owe the debt or making any payment.

Source: *FPA Money and Life*, June 2019

If you need a hand to help point you on the right path to getting out of debt, and putting together an effective budget, give Shaun or Vicky a call on 4927 4588 to see if they can help you.

We will guide you with a tailored approach that works for your circumstances. Give us a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.



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