



DEBT GOT YOU DOWN?

Then take action now!

A recent survey revealed 41% of Australians have credit card debt and of those nearly 4 million cannot afford to repay it! In addition:

- The average Australian household has a debt of around 185% of their annual disposable income¹.
- Australian households have the fifth highest debt levels in the world with household debt increasing fourfold since 1988².
- Average debt levels are \$12,643 for personal loans, \$3,114 for credit card balances and \$16,320 for car loans.

So what does this mean for the 'average' Australian?

Did you know if you are a prospective home buyer and have these 'average' levels of accumulated debt it could affect your borrowing power by almost \$100,000?

With the median Australian house price at \$623,000³ what impact might this have on your home ownership dreams?

Perhaps ask yourself these questions...

- Is your debt growing faster than your assets?
- Are you concerned about your debt situation?



- Are you struggling to make your monthly repayments?
- Does it always seem like your bills amount to more than your wages?

If you answered yes to one or more of these questions, then perhaps it's time to look at a solution for your debt condition NOW - before it's too late.

Why do so many of us have debt problems?

Some people fail to recognise that using credit to purchase items for use TODAY means they are spending their future earnings before they have even received them.

With debt levels increasing the government is currently assessing credit card rules - there is a push for lenders to assess suitability based on a consumer's ability to repay within a reasonable period. However in the past lenders have offered credit cards, with pre-approved limits, without thoroughly checking credit histories or capacity to repay.

How have times changed? In the past we saved up or used the lay-by method, ie we used money we already HAD for items we wanted. Now, as an 'instant gratification' society with an abundance of credit

at our finger tips we are tempted to use it without considering future consequences. Little wonder many people experience high levels of debt.

What are the first signs of trouble?

- You think it is unlikely you will be able to repay your existing debt with your foreseeable future income.
- You have multiple credit cards.
- You are no longer paying the balance of your debt each month - you just pay the minimum amount.
- You arranged for more credit cards (or a personal loan) to help pay off the other cards.
- You added a store card(s) because there was no room left on the credit cards....

Eventually your repayments start to approach - or even exceed - your income.

What is the solution?

We all know that good budgeting and discretionary spending discipline is the real answer, but sometimes it doesn't matter how well you budget there's just not enough money to make ends meet.

One solution (and this is NOT for everyone) may be debt consolidation.

For some of us it may be too late for budgeting because the debt level is already greater than your income and there is nothing that can be done. In this instance, debt consolidation may be the option for you.

What is debt consolidation?

This is when you take multiple debts (where the majority of the debt has a much higher interest rate)

and consolidate the debt into one loan with a lower average interest rate. Generally most people opt for refinancing against their home (using existing equity) as it has the lowest interest rate. For example, your home loan rate may be 5.5% as opposed to a personal loan that might be 10.95% or higher (definitely lower than most credit cards).

How can we help?

1. If your debt levels are a concern and you think you may be experiencing the first signs of trouble **CALL US NOW** before it is too late. We don't judge. We are here to help.
2. **Ask us for our debt consolidation spreadsheet** to see how much we can potentially save you each month to go towards the payment of your debt. You may be surprised.
3. Even if you are managing your current debt, it never hurts to **review your finances** to see how your cash flow can be impacted favourably.
4. If you have friends or family who you think could benefit from reading this article, please forward it to them.

1. canstar.com.au
2. NATSEM Income and Wealth Report
3. ABS June 2016



Call the office for our article 'Debt consolidation' - we explain how it works. Remember, it may not be for everybody but it just may be worth exploring for YOU.