

Managing Debt

“Some debts are fun when you are acquiring them, but none are fun when you set about retiring them.”

Ogden Nash



There are good debts and bad debts. Good debts may be the ones where the debt is invested in areas growing faster than the interest charged on the loan. Bad debt may be using borrowed money to buy items that depreciate in value.

Many of us spend more than we earn. Sometimes we do it without thinking because we never take the time to prepare a budget and before we know it our debt is out of control. If this is the case, don't ignore the situation because it may only get worse.

There are a number of reasons why you may be in debt, including but not limited to poor spending habits, living too close to your financial limit or borrowing more than you can afford and losing your job or getting sick.

Tips for destroying debt

- *Have a budget*

The most obvious ways to destroy debt can be to budget better, spend less and make more money. It may be easier said than done, but you can take control with a little effort. By planning a budget, you can understand where your money is going and the areas where you may be able to make some cuts. Our tips to save money everyday may help with your spending. As for making more money, it could be that there are ways to enhance your earning capacity. If your debt situation is manageable, you can take steps to put yourself back on track. If your debt is out of control, then it may be a good idea to let your lenders know right away. You may be able to work out a new payment plan which can give you some breathing space.

- *Be careful with credit*

Review your short term credit facilities and make sure you pay on time. Check when your monthly bills can be paid and manage your spending accordingly so that you do not incur late payment charges and overdue interests.

- *Clear outstanding loans and consolidate debt*

The larger the repayments and the more frequently you make them, the sooner you may be debt free. Clear outstanding loans as quickly as possible. Alternatively, you can consolidate the debts under one loan at a lower interest rate.

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