

DEALING WITH DEBT... AND DOUBLY IN DECEMBER!



At this time of year, it's important to keep your head above the water financially (but feel free to take a dip in the pool!). By not spending on credit, you can make sure that you don't face the new year with any kind of headache except the one caused by bubbly. However, if you do have debt that you're worried about, there are ways to keep it in check, and eventually **get rid of it completely**.

It's impossible to stay out of debt for your lifetime – borrowing is just a part of life. Sometimes, you need a loan to get ahead. But there are few things worse than the dark cloud of debt hanging above you and ruining your state of mind, especially if it's debt you could have avoided. Not only is it bad for your bank balance, it's bad for your health as well. Getting rid of debt will automatically reduce your stress levels, and that's definitely a good thing.

So how do you go about vanquishing the debt demon?

You might want to think about consolidating your debts. This means combining all of them into one big sum, owed to one institution. Your bank can help you if this is the route you decide to take, but it's only a good idea if it means you will be saving on fees and interest.

YOUR OTHER OPTION IS TO FOLLOW OUR FIVE-STEP PROGRAMME:



1 Make a detailed list of how much you owe, to whom, the repayments, interest rates, settlement dates.

Tip: Try this easy to use calculator to help you with this: <http://www.dcasa.co.za/services/calculator>



2 Decide which debts have to go first – the ones with high interest rates are usually a good choice, but obviously you'll need to prioritise according to your unique situation. It might be easier to choose a smaller debt to start with, so that you don't lose motivation. **Tip:** Credit card debt is a great place to start as the interest rate is usually higher than all your other loans and accounts.



3 Once you've decided on the debt you'd like to kill quickest, put a little extra into that account every month – as much as you can. The quicker it's paid off, the less you'll pay in interest.



4 Now... this is the fun part. You've paid one big monster off. Take the money you were using as repayments and put it into the next debt. And watch it disappear much faster.



5 Repeat until you are **DEBT-FREE!**

Obviously, you won't get to step five overnight. It does take **patience** and **determination**. But when you get there... oh, what a feeling! Have a 'cutting up credit card' celebration, and enjoy the feeling of not having to say 'I owe' ever again!

Example: John owes R500 000 on his home loan (9.25% interest rate). If he pays R500 extra per month, he will repay his loan **4.5 years** faster and save **R158 351** on interest!

R0 Extra

R500 p.m. extra



R1 099 040

R940 688

The total amount he will repay