



5 Tips To Crush Bad Debt

Chances are that at this time of the year - and particularly during a global pandemic - many of us may face the reality of paying bills, providing for our families and trying to make the most of the festive season.

Let us help you crush bad debt so you can enjoy the yuletide and avoid the Christmas debt hangover.

1. Reduce Your Spending

This is an obvious yet important one. To start paying off your debts, you need to reduce your spending and start making repayments. Whether it's having a food budget, saving money on your insurances, reducing energy or internet or phone bills, freeing up money to pay off your debts is an important first step.

2. Know What You Owe

Our busy lifestyles often mean we do not spend enough time on our own finances. Taking the time to focus, to stop and map out all our personal debts can be both cathartic and eye-opening.

Write down, or save in a spreadsheet, a list of all your personal debts including credit cards and buy-now-pay-later accounts. Next to each one, note the outstanding

balance and the interest rate you are paying on each debt. This will clearly show your total personal debt and red flag any high interest rates.

3. Clear Credit Card Debt

What is the best way to clear credit card debt?

This will depend on your level of debt, the number of cards and your individual circumstances, however your choices might include:

- paying out the balance in full before interest accrues
- paying the maximum amount you can afford each month to clear the debt as quickly as possible
- (if you have more than one card) paying at least the monthly minimum on each card while allocating a larger payment to the card with the highest interest rate
- transferring your balance to a new credit card offering a lower interest rate period
- consolidating your debts into your home loan

You should avoid paying ONLY the minimum monthly repayment or you could be in a cycle of debt that is NEVER resolved.

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A balance transfer should NOT be used habitually to manage recurring periods of debt!

Clearly, having a plan to repay credit card debt as quickly as possible is the best option.

4. Consider Credit Card Balance Transfers

Many lenders offer credit card balance transfers with a range of rates and offer periods. You transfer the balance from your existing credit card to a new card at a lower (or even zero) interest rate for a set period to provide 'interest breathing space' to help you pay off your debt quicker.

To ensure a credit card balance transfer works for YOU it is essential to know the terms and conditions of the card AND be disciplined with repayments.

What should you know?

- To maximise the benefit you should pay ALL the transferred balance within the offer period.
- Know the offer end date! If possible set auto payments each pay that will clear the debt before that date.
- Any outstanding transfer balance at the offer end date will attract interest at the card's standard interest rate.
- New purchases usually attract the standard interest rate – NOT the lower transfer interest rate.
- Know what fees apply and when they fall due, eg annual fee or percentage of transfer amount.

MOST importantly, cut up your old card(s) so you are not tempted to rack up even more debt while paying down the original debt!

Most lenders will allow you to close your credit card accounts while you continue making repayments to bring your balance down.

You can actually close them with the bank and just continue bringing the balance down. A lot of lenders allow this

Poor financial habits and/or multiple credit enquiries may negatively impact your credit score – even if the enquiry didn't proceed to an application.

This could influence your ability to be approved for a home loan in the future!

5. Pay Your Debts At A Lower Rate Through Debt Consolidation

Together we may consider consolidating all your debts (credit card balances, personal loans, car loans etc) into one loan with a much lower interest rate to potentially reduce repayments.

If you are a homeowner, your home loan usually has the lowest interest rate. Choosing the most suitable option for YOU should involve creating a budget, being honest about your self-control when it comes to spending and repayments, and sourcing the most suitable option to clear your debts.

Need help? Give us a call today and let us help you set good finance and money management techniques to get you through the festive season and into the future.



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