

YOUR MONEY SORTED



TAKE CONTROL OF YOUR DEBT

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

If you've splashed out at the end of 2015 and are starting the New Year in the red, here's how to cure that debt hangover

TAKE CONTROL

Simply ignoring your debt won't make it go away, so accept responsibility and take the bull by the horns. Make an honest, comprehensive list of all your short- and long-term debt. And don't get deeper into trouble by buying things you don't need. See what practical steps you can take to cut down on your expenses – even if it means buying a more affordable car. With the money you save on car payments you can pay off your debts faster.

MORE EXPENSIVE DEBTS FIRST

List your income and expenses and check where you spend unnecessarily. Pay off debts that attract the most interest first. These are usually short-term debts such as store and credit cards. When one card has been paid off use the extra money to pay off others. But you can't ignore your other debts – all minimum monthly amounts must be paid or the interest will mount up even more and you could get a negative listing on your credit record if you stop paying.

DEBT CONSOLIDATION

If you're drowning in debt you could consider debt consolidation, which involves taking out one loan to pay off all your debts. Your repayment period will be longer, so your instalments will be lower. You can also negotiate a lower interest rate and reduce the service fees, because you're paying only a single amount each month. But remember, if the loan is over a longer period than your existing debt it could cost you more.

WHERE TO GET HELP

First discuss your overdue debts with your creditors, who can help you by extending the repayment period or giving you a repayment break. But remember, you'll have to pay eventually and the longer you leave it the more interest you'll pay. The credit ombudsman recommends you always ask for written payment agreements that can later serve as documentary proof. If you've already received demands or can't see the light at the end of the tunnel, go for debt counselling. Don't take on new debt to settle existing debt.

FIVE QUESTIONS ABOUT DEBT

- 1** Can I pay off my debt more quickly? Yes, registered credit providers may not charge levies if you pay off your debt sooner.
- 2** What factors should I consider for debt consolidation? The interest rate, repayment period, cost of the initiation and service fee and insurance.
- 3** What do I need if I want to see a debt counsellor? Copies of your ID, salary slip, bank statements, all debts and loans, car repayments and overdraft facilities.
- 4** Can I return goods bought using a secured loan if I can no longer afford the repayments? Yes, in terms of Section 127 of the National Credit Act you can return goods to the credit provider if they were bought with a secured loan or instalment sale agreement.
- 5** If I return the goods is my debt repaid? Not necessarily. The credit provider must sell the goods and you could be responsible for paying any shortfall.

1 IN 5 FAMILIES UNDER STRESS



One in every five households are behind with repayments on one or more accounts. The sandwich generation, who care for their kids and parents, are worst affected – one in every three of these households are in arrears with repayments.

SOURCE: OLD MUTUAL SAVINGS & INVESTMENT MONITOR 2015

TIP! The sooner you stop running up debt and start paying off your existing debt the sooner you'll be back in the black.

GET MORE HELP HERE

- Credit ombudsman at creditombud.org.za
- National Credit Regulator at ncr.org.za for debt counsellors
- Credit bureaus such as Transunion, www.transunion.co.za, for a credit record

The act of taking the first step is what separates the winners from the losers

– BRIAN TRACY, AUTHOR OF THE 21 SECRETS OF SELF-MADE MILLIONAIRES