



\$orted Debt

Today's seminar

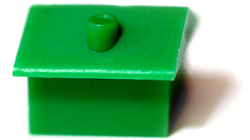
- **Getting into debt**
 - When debt is good and not so good
- **Getting out of debt**
 - As fast as possible
 - The "get out of debt" plan
 - Different types of debt



When debt is good and not so good

It's worth going into debt for:

Things that increase value after you've bought them



It's not so good going into debt for:

Things that decrease in value after you've bought them



It's best to avoid going into debt for:

Things that have no value once you've bought them



Know the full cost

- **How much?**
- **Interest rate**
- **Fees**
- **How long for?**
- **Repayments**

Borrowing? Make sure it costs as little as possible.



Example: the true cost

Jane buys a TV worth \$1,500 on hire purchase.

**Hire purchase
amount**

\$1,500

**Fortnightly
repayments
for 24 months**

\$39

These are made up of:

- + Repayments at 24% interest
- + Set up fees \$50
- + Other fees \$1/fortnight

Total cost

\$2,012

Jane pays \$512 more than if she'd purchased the TV. outright

Get out of debt fast

- **Pay it off as quickly as possible.**
- **Make repayments as high as we can.**
- **Pay off high-interest debts first.**
- **Get help if we're in trouble.**

Always try to pay more than the minimum.

Pay more than the minimum

Credit Card



Based on an interest rate of 19.5%

Pay back debt fast

- **List each debt.**
- **Rank them from highest to lowest interest rates.**
- **Can we increase our repayments?**
- **Paid off one debt? Add that amount to the next priority debt.**
- **Then pay off the next one.**

Another way:

debt consolidation

- **Put high-interest debts into a lower-interest loan**
- **If we keep repayments the same:**
 - We save a lot.
 - We pay off debt faster.
- **As long as we don't run up even more debt along the way!**



Tips for different types of debt

- **Credit cards**
- **Mortgages**
- **Car loans**
- **Students**
- **Hire purchase**



To recap

- **Know the full costs.**
- **Pay off debt as quickly as possible.**
 - Make payments as high as affordable.
 - Pay off high-interest debts first.
 - Get help when we're in trouble.
- **Call 0508 BUDGET (0508 283 438) for budget advice.**

Find out more

- **Debt booklet**
- **Debt calculator on**
sorted.org.nz



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