Debt Consolidation

SOMETHING TO CONSIDER

- · Managing multiple debt repayments and struggling to keep track of what is due and when.
- Getting into a credit trap where all your spare income is used to pay interest, but you don't have enough left over to reduce your debt balances.
- There are fees to refinance a loan (e.g. discharge fees, solicitors fees). We can advise you of these prior to changing lenders.

POSSIBLE STRATEGIES TO CONSOLIDATE DEBTS

- Moving debts to a new credit facility (e.g. a personal loan or mortgage) with a lower rate of interest, or lower fees.
- Lengthening the term of existing loans (e.g. taking a mortgage debt back out to the 30-year loan term).
- Changing the repayment terms on an existing loan to interest only,
- **A combination of these strategies.**

WHATS GOOD ABOUT DEBT CONSOLIDATION?

- Simplicity
- Savings on interest and fees
- Potential cash savings
- Lower repayments
- Stress Relief

THINGS TO CONSIDER

- Higher Costs
- Increased credit access
- Concentration of risk
- Using up equity

WHAT ELSE TO KNOW

- if you have a $30,000personal loan over a five-yearterm at 15% p.a. then this will cost you $12,822 in interest.
- If you add this $30,000 debt to the balance of your mortgage instead, the same $30,000 at 5% over 30 years will cost you $27,977 in interest.

OTHER INFORMATION

- If you implement a debt consolidation strategy, it's important to understand that it doesn't reduce your debts—it just makes your repayments more manageable. A debt consolidation strategy should be implemented in combination with a change to your spending behaviour, so you can work to reduce your overall debt level over time. This should include creating a budget to ensure the debt consolidation measures work effectively and using a budgeting template such as the one available on ASIC's MoneySmart website (www.moneysmart.gov.au).

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