

Five simple steps to get your debt in order

A major stress households face is keeping up with loan repayments; especially at a time when interest rates are rising. The good news is that there are steps you can take to relieve this pressure.

Step 1. Know what you owe

Get a clear picture of what you owe including the total debt and monthly repayments. This needs to include your home loan, credit cards, personal and car loans. These are called your recurring repayment costs because they recur each month and not negotiable.

Step 2. Know what you spend as a family

Go through your credit card and bank statements to work out what you spend each month, whether it be for food, petrol, cafes, clothes, etc. If you are feeling focussed, you need to also include insurances, registration, health care, utilities, school fees and any other annual costs to running your household and divide these by 12 months to get a monthly figure.

Step 3. Subtotal your monthly spend

Once you have itemised your monthly spend, add them all up together to work out your monthly spend and average these out over a year. Include discretionary spend as well as to your fixed expenses.

Step 4. Total your income

Work out how much you get paid each month and subtract your expenses to see how much money is remaining. If there's money remaining, congratulations! If there is no money left over you need to act IMMEDIATELY. At the very least, contact Chocolate Money to discuss your budget challenges and see what recommendations your broker must help your situation.

Step 5. Identify ways to improve your situation

If you have money left over each month, discuss options with your broker to improve your situation. Options like using redraw, lowering your interest rate, fees, charges and even freeing up your cash flow by consolidating your debts.

If you do not have money left over, it is urgent to speak to your finance broker and consider ways to improve your situation. Ignoring your negative cash flow will undoubtedly get you in a difficult situation which may result in blemishing your credit report or even putting your home ownership at risk.