

Get debt under control when you're self-employed

Six simple steps to manage your debt when rates are high and you're self employed!

Owing a lot of money or falling behind on repayments can be stressful. The good news is there are steps you can take to manage your debt.

If you're in crisis and struggling to make ends meet, see [urgent help with money](#). You may need help with bills, housing, or emotional support.

1. Know what you owe

The first step is to get a clear picture of what you owe at home; often, businesses mix personal and business finances, often blurring the lines between the two. The first thing to do is to make a list of all your personal debts, showing:

- the total amount of each debt
- the minimum monthly repayment for each debt
- when the payment is due

Include buy now pay later, credit cards, loan repayments, unpaid bills, fines and any other money you owe.

Then add up all the debts to see how much you owe in total. If it feels a bit scary at first, remind yourself that you're taking charge of your money and that's a good thing.

2. Get help if you need it

If it feels like you owe a lot, you may be tempted by a quick-fix solution, like taking out a payday loan or increasing your credit card limit.

Before you jump into anything, talk to Chocolate Money on **1300 137 539** for an idea of what options are available to you. If they can't help, they may direct you to a financial counsellor who can explain other options and help you make a plan.

To get free, confidential help, call the [National Debt Helpline](#) on **1800 007 007**. The helpline is open Monday to Friday, 9:30am to 4:30pm.

3. Work out what you can afford to pay

The next step is to work out how much you can afford to pay towards your debts. This is done by locking in an income you can reliably draw from your business each month.

If your business can't afford you, you need a no-obligation business health check from Chocolate Money.

The idea is to compare money coming into your household and money having to be paid out of your household. The easiest way to do this is to do a budget.

List all the money:

- **coming in** (income) — such as salary, dividends, drawings, pension or benefit payments
- **going out** (debts and expenses) — like food, rent or mortgage, buy now pay later, credit card, electricity, gas, phone, transport,

Tally these up, then compare money in and money out.

If you have more money going out than coming in or your expenses are higher than you'd like them to be, it's time to make some choices. Have a go at making savings or cuts on negotiable items to see if you can 'balance the books.'

Think about what are:

- **needs** — can't do without
- **wants** — could do without, at least for a while

Find some expenses that you can cut. Be realistic — don't make it impossible to stick to.

Work out your 'debt money'

When you've made your spending cuts, subtract money going out from money coming in.

The amount left over is how much you can pay towards your debt each month. This is your 'debt money'.

4. Prioritise your debt and bills

Now that you've worked out your debt money, the next step is to prioritise your debt and bills. Work out what to pay first;

Higher priorities include:

- rent or mortgage payments
- council rates and body corporate fees
- electricity, gas, water and phone
- car repayments — if you need your car for work or essential travel

The National Debt Helpline has a step-by-step guide to help you to prioritise your debts.

Plan your higher priority payments; using your debt money, make a plan to pay your higher priority payments first. If you're finding it hard to pay a big bill, contact your provider. Ask if you can get an extension or pay in instalments.

Try setting calendar reminders for when your priority payments are next due.

If you're struggling to keep up with your bills and debts, talk to your provider about your options. Taking action straight away can stop a small problem from becoming a big one. Ask for financial hardship assistance.

5. Start small and snowball your payments

Now you've got your bills prioritised and your debt money sorted, you're ready to get rolling on your repayments.

The quickest — and most motivating — way to get out of debt is the snowball method. You start small and pay off your debts one by one. This is great for paying off credit card or personal loan debt.

Here's how it works:

- **List your debts** — in order from smallest to largest.
- **Pay the minimum** — using your debt money, pay the minimum amount due on all debts each month.
- **Pay off the smallest debt first** — use the rest of your debt money to pay off the smallest debt. Pay as much as you can each month, until you clear it.
- **Celebrate and repeat** — when you've paid off that debt, reward yourself by doing something you enjoy. This will inspire you to keep going. Then move onto paying off the next smallest debt, and so on

6. Get a savings mindset

When you've got your debt under control, keep the momentum going. Saving regularly will help you avoid money problems in future.

To start:

- Save for an emergency fund to build a safety net for unexpected expenses.
- Open a savings account to start putting a little bit aside.

Then think about how to grow your money to achieve a goal. Such as buying a car, paying for education, or saving for a house deposit.

Is your income secure?

If you are employed, thinking about negotiating a pay-rise, going to a higher paying job or a promotion may also assist with your debt situation.

If you are self-employed, securing a no-obligation Chocolate Money business health check will help you work out whether your business can afford to do better and pay you more.

Whatever you decide to do, remember to do something – don't let yourself get anxious and stressed about your money situation. Once you commit your finances to paper and seek help, you will find that the cash flow monster that sometime sits on your chest, disappears!

Please note: this article is general in nature and not to be considered specific advice. Contact Chocolate Money on 1300 137 539 for advice tailored to your situation.

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