THE BENEFITS OF DEBT CONSOLIDATION

During these times of rising cost of living pressures, people are feeling their budgets being stretched to very uncomfortable levels and are unsure of what actions they can take to help alleviate this pressure. Consolidating debts can be a good option if you want to get on top of your existing debts and make your monthly repayments more manageable.

Consolidating debts into your home loan draws in debts like credit cards, phone bills, personal loans and car loans into one simple loan account; it could even extend to small business loans.

As well as streamlining your payments, debt consolidation could also save you money in the long run and you may be able to get a lower interest rate on your loan. If you do find a lower interest rate than you currently have on your other debts you might be able to use the savings to pay off your loan balance faster. Below are five benefits of debt consolidation:

1. **One debt – one regular repayment**

By consolidating your debts, you have the advantage of just one regular repayment, making it easier to budget and manage your finances. Having one loan reduces the amount of time spent keeping tabs on your loan accounts and managing repayments.

Depending on your personal circumstances, you might also think about switching to weekly repayments instead of monthly payments. This could help pay down your loan sooner and potentially save thousands of dollars in interest over the term of your loan.

2. **One convenient interest rate**

When you look at the high interest rates on personal loans and credit cards, you can see why consolidating your debts through refinancing may be an attractive option.

Refinancing allows you to roll all your personal debts and liabilities into one loan account – subject to one interest home loan rate with a large benefit to you and your cashflow.

3. **Less fees and charges**

If you look closely at your credit card or other loan agreements, you'll find that you're being charged hefty annual fees. If you decide to refinance and consolidate your debts, you'll only have one set of administrative fees, making it easier to know where your money is going and not having to double up on lender fees and charges for the multiple funding lines.

4. **Improved cash flow**

When you consolidate your debts, you can free up monthly cash flow because you have fewer bills to pay rather than having to pay the minimum payment amount on multiple debts.

5. **Loan splits** allow you to separate any business and personal loans, allowing your accountant to deduct any business debts or loans whilst taking advantage of the benefits of consolidating loans into your mortgage. Loan splits may allow you to have different loan terms from your mortgage, to ensure you do not stretch shorter loans over longer periods of time which could cause you to pay more interest in the longer term.

Contact Chocolate Money for a tailored solution to your lending needs.

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