

How To Tackle Debt

If you're in debt, your bills are piling up, and you're falling behind in your repayments, here is some advice from the National Debt Hotline.

Step 1. Negotiate payment terms

Organisations like utility companies, telcos and credit providers have an obligation to provide 'reasonable' assistance to customers who can't pay.

Before you call, get this info together:

- A brief description of why you can't pay
- A copy of your budget
- Proof of income

Contact them and ask for the 'financial hardship' team.

They may give you extra time or a payment plan to help you.

Make sure you keep a record of all contact you have with your creditors, including date, time of call and what they said.

Step 2. Stick to the plan

If the company you owe a debt to has agreed to help you out, try and make sure you pay them as arranged.

If they refused to agree on a plan, you can dispute it.

If you need help with this, speak to a financial counsellor at the National Debt Helpline on 1800 007 007.

It's free!

Step 3. Prioritise your debt

Some debts are more important to pay first.

These are:

- Rent or mortgage payments (so you have somewhere to live)
- Council rates or body corporate fees
- Car payments if your car is essential for work/children etc
- Energy and water
- Any debts where court action has started against you or a bankruptcy notice served on you

Step 4. Should I consolidate my loans?

Some financial institutions promote rolling all your loans into one to make your debts more manageable.

Before you agree:

- Check the total repayments
- Check any ongoing fees for your current loans
- Compare this to the total repayments for the new loan

Risks with consolidating:

- It usually takes longer to pay off the loan, so could cost more in the long run
- Check the fees, charges and interest rates of the new loan
- There are different classes of debt. A secured debt means you could lose an asset, like your house, if you don't pay it. An unsecured debt does not have an asset tied to it. So, if you change an unsecured debt (like a credit card) into a secured debt (like rolling it into your mortgage), your house could be on the line if things go wrong.

Step 5. If nothing else has worked.

The very last option, once you've tried everything else, is going into bankruptcy.

It's the formal process of telling the world you can't pay your debts.

It has very serious implications, and you should talk to a financial counsellor before considering it.

It may wipe your slate clean, however there are many downsides:

- It will appear on your credit report for at least five years, making it very difficult to borrow money or get credit
- It will be on the public record for life
- You may lose your house, cars, personal effects, inheritance and any money in the bank.

Another helpful tip sheet from The Pineapple Project; the podcast that helps you get better at money.