

LECTURE 2 – WHY THIS TOPIC

Why is this topic important to me? Well, one, in my role as a financial adviser over the years I've seen many people get really caught up with too much debt and one of the problems has been the easy access to credit card debt.

Now, as we know, credit card interest rates are generally at least 15%, 16%+, up to 20%. And what this does is put a huge amount of pressure on the finances and a huge amount of pressure on families, and the financial stress that that has when people are trying to wrestle with too much debt.

These days there are so many different layers of debt that we can take on. There are so many more expenses that we're seeing on a personal basis that I think it's worthwhile just to think about what debt we take on, who is pushing this debt at us and what are their motives.

When I think about how many ways there are to finance (and this is mostly for non-essential consumer goods i.e. a lounge or laptop), as soon as we buy these things, they depreciate so quickly in value. Years ago there were garage sales for second hand lounge suites, things like that. People don't buy second hand much anymore. It's a rare thing. We buy new. It's easily accessible and we're marketed so hard to by corporates.

They are telling us to buy and they are not saying we can save before we buy. They are telling us we can buy, and we can buy now. I think what the corporates have changed, and we might be going back 20 or 30 years, is that people would save before they purchased something. These days, it's about if you want it, you can have it now and here are 1,2,3,4,5 different ways that you can purchase this.

So, I think they have really changed what common sense is all about in terms of financial common sense – that you can have it all now. But the downside of that is you might have to pay 15-20% in interest on that purchase and unfortunately, a computer or a lounge suite will depreciate to next to nothing within a couple of years.

There is a whole generation, which includes my generation, that have been trained to use credit cards and debt to get what they want now.

UNDERSTANDING CREDIT CARDS

I see the pressures of this in my job and I thought this would be a pretty good course to put together to educate people and give a bit of an insight in to the way credit cards work and the effect debt can have.

In the next lecture, we're going to have a look at the total amount of debt that's about at the moment both in Australia and overseas, and the figures are scary.