

LECTURE 8 – MASTER DEBT 2

Hello again and welcome to the second part of the 'Mastering the Debt'.

Now when it comes to debt, that is good debt and there is bad debt.

Once you get on top of your debt and you really start to consider if you're going to use debt in the future, and what is it going to be for, try to make it as productive as possible.

Borrowing to invest into a investment property, you know which is problematic, given the Australian property market is riding extremely high and is being pushed up by very low interest rates.

But, investing into the share market, buying business, which is essentially what the share market is, a grouping of businesses.

These assets hopefully over time will appreciate and go up in value whilst paying you dividends and income.

Whereas if you're using debt to borrow for a new TV or a new lounge, it's obviously going to depreciate very quickly.

If you're going to use debt try and make sure that it's productive as possible.

Taking out a loan for our own home is to provide shelter for our families, one of our basic needs. I understand that that's very hard in this environment. But property prices may come off in the coming years.

Also be very smart when it comes to interest free offers.

I'm not talking about credit cards precisely when we look at these interest free offers, but if you do take one up, guess what, they'll give you a credit card to go along with the offer. But, you've got to make sure you can afford to pay the balance off at the end. And that if there's monthly payments, you can afford them.

UNDERSTANDING CREDIT CARDS

But keep in mind, interest free “buy now, pay later” doesn’t mean it doesn’t cost extra to utilise this. There is still debt sitting behind these purchases and any interest that the retailer pays to give you the opportunity to pay no interest and take the item home right now, well... there is interest. There is a loan. That interest is built into the margin and it means that you’ve got less bargaining power when it comes to negotiating the purchase.

One other option – If you are at your wit’s end, seek help, seek advice. Talk to a financial adviser, talk to a financial counsellor. There are plenty of options available to people to get help and they can help you plan, set goals and push you to achieve them.

In the next part of the course we’ll look at some alternatives to credit cards and what other options you do have.