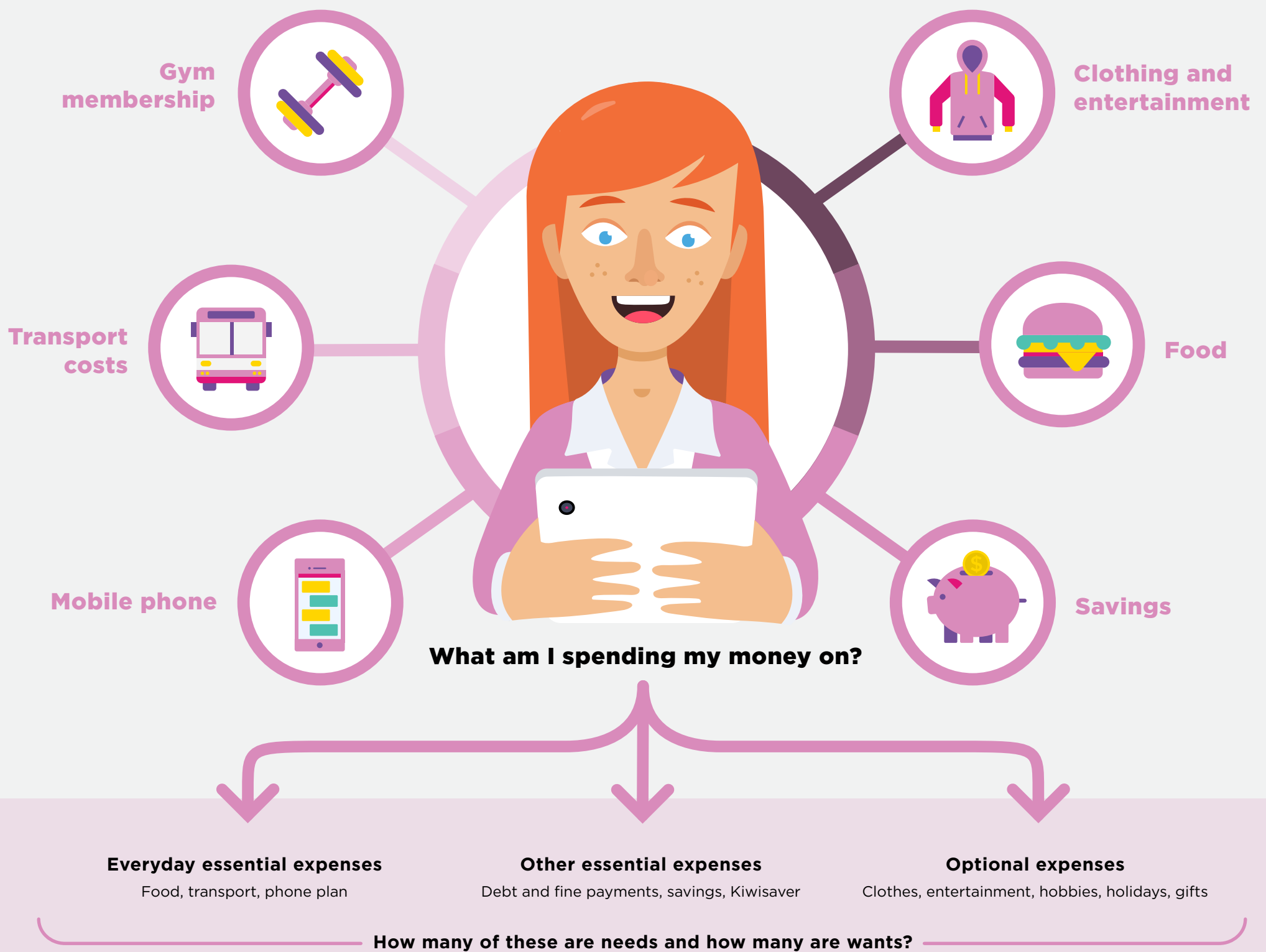


Debt

What do I need to know about borrowing money?



Be a smart borrower

Credit cards, loans from car dealers, and loans from finance companies that are “loan sharks” have high interest rates, high fees, and very high financial penalties if you don’t pay off the loan within the specified time. Shop around and use your good credit rating to get the best terms on loans.

The real cost of debt

- 1 All debt needs to be repaid. Ignoring it does not make it go away.
- 2 Debt can be very expensive, especially when high interest rates and extra costs and charges are added into the original loan amount.
- 3 The costs escalate when you aren’t able to pay back the loan as planned.
- 4 It isn’t just financial – debt can affect your whānau and your future.

Loans

You don’t have enough money, so you borrow what you need. All loans have similar conditions:

- 1 When you borrow money, you agree to repay it by a certain date.
- 2 Most borrowed money is repaid with interest, extra money that is an agreed percentage of the original amount borrowed.
- 3 There are often fees just to set up the loan which also have to be paid.

Dealing with debt

- 1 Pay off higher-interest loans first.
- 2 Don’t take on any debt that isn’t essential.
- 3 Look for lower interest rates that compound less often. There is almost always a better deal out there.
- 4 Always read the fine print. And if you don’t understand the jargon, ask!