

## FREE GUIDE

# Reducing my debt

Debt is not a character flaw. It is a set of numbers, and numbers can be organised into a plan you can actually finish.

## See it all in one place

- List every debt with its balance, interest rate and minimum repayment. This is often the hardest step emotionally, and the most useful.

## Choose a method you will stick with

- Avalanche: pay the minimum on everything, then put every spare dollar toward the highest interest rate first. This saves the most interest.
- Snowball: pay the minimum on everything, then clear the smallest balance first. You pay a little more interest, but the early wins keep many people going.
- The method you finish beats the method that looks best on paper.

## What matters for a future home loan

- Clear buy now pay later first. Regular use shows up in the bank statements a lender reads.
- Lenders count credit card limits at their full value, even if the balance is zero. Reducing or closing unused cards can lift what you can borrow.
- HECS or HELP is indexed rather than charged interest, so it usually goes last, although it does reduce your borrowing capacity.
- Avoid applying for new credit in the months before a home loan application.

## Free help exists

- If the debt feels bigger than a plan can fix, the National Debt Helpline offers free, confidential financial counselling on 1800 007 007. Be wary of companies that charge for debt consolidation or credit repair, since a financial counsellor can often do the same at no cost.

### YOUR NEXT THREE STEPS

- 1 List every debt on one page.
- 2 Pick avalanche or snowball, and set every minimum repayment to direct debit.
- 3 Reduce any credit card limit you do not need.

## Useful official links

National Debt Helpline <https://ndh.org.au>

Moneysmart <https://moneysmart.gov.au>