



Manage your debt

One of the easiest ways to get your money situation sorted is to settle your debt. Remember, debt can be good if you buy the right thing and control it. Don't let debt control you.

Pay off debt or save?

As a rule, it makes good financial sense to pay back your loans as fast as possible before you start saving - particularly if you have high interest debt, like hire purchase or credit cards. This is because usually you pay more interest on a loan than the interest you earn on savings.

Consolidate your debts to save money

Think about consolidating your debts onto your lower interest loan. Pay off loans as fast as you can. Paying off a long term loan, for instance, as fast as you can is a great financial decision, as even a small increase in repayments can greatly reduce the amount of interest you end up paying.

Have an emergency fund

It's common sense to have a cushion for financial emergencies. This is an amount of money you can call on if the unexpected happens. It means you won't have to borrow money or be left financially vulnerable. Decide a reasonable amount (three or four months' income is a good start), balance it with insurance protection against unexpected events and get saving.

Getting into the "savings habit"

If you would like to get into the habit of saving, you could consider starting a small retirement savings scheme while you're still paying off a loan.

You'll get into the habit of saving and start to build a small nest egg. You'll also start to build your knowledge of savings and investment options, so that you're better prepared when you want to start serious saving.

The dangers of renewing or extending debt

While it might be good financial logic to pay off your mortgage before you start serious saving, some people fall into this trap and never start saving.

Beware the following pitfalls:

- You don't leave yourself enough years to save before retirement. Remember - you probably need at least 10 - 20 years to save enough for your retirement
- You pay off your mortgage and then decided to buy a more expensive home - which results in a new loan and still no savings
- You're tempted to take on a higher loan than you could afford and the new repayments reduce your ability to save.

Get out of debt fast

- The longer you have debt, the more interest you pay
- Compound interest applies to borrowing too
- Get rid of your high-interest debt first (such as credit cards and hire purchase)
- Next, see if you can increase your loan repayments to clear your other debt quicker. Be sure to check with your lender that paying off your debt faster won't result in penalty payments.

CELEBRATE THE MOMENTUM