

Boot the debt habit with our five-step debt detox programme...

maxed out?

Addicted to debt?

Continually abusing credit and getting into debt – called compulsive debting – is an abusive behaviour, much like alcohol addiction, says US organisation Debtors Anonymous (www.debtorsanonymous.org). Compulsive debting affects your quality of life, financially, emotionally, physically, socially and spiritually – and, according to South Africa's National Credit Regulator, 11 million credit-active consumers are overwhelmed by debt. But with a step-by-step programme – adapted, in fact, from Alcoholics Anonymous – you can learn how to make behaviour adjustments and stop the pattern.

My name is Emily* (36) and I am in debt

'I am in arrears on my car repayments, owe money on clothing accounts and have to catch up several credit card payments. How can I get back on track?'

WANT TO KNOW MORE?

VISIT THESE WEBSITES:

- National Credit Regulator: <http://www.ncr.org.za/>
- National Debt Mediation Association: <http://www.ndma.org.za/>

READ THESE BOOKS:

- *Managing Debt for Dummies* by John Ventura and Mary Reed (John Wiley & Sons, 2007)
- *Credit Repair Kit for Dummies* by Steve Bucci (John Wiley & Sons, 2008).

1 Acknowledge your debt

Many people feel ashamed at having landed in a difficult financial situation, but with so many South Africans being over-indebted there is no need to feel this way, says Peter Barton Hill of PBH Consulting (www.pbhconsulting.yola.site.com), a registered debt review organisation. Admitting there is a problem is the first step to getting out of the debt trap.

2 Tally your debts

Being unclear about your financial situation – not knowing your account balances, monthly expenses, loan interest rates, fees, fines and contractual obligations – is a sign of debt addiction, says Debtors Anonymous. Subtract the sum of your debts and your monthly expenses from your monthly income. This figure indicates the true extent of your debt.

3 Draft a budget

One of the reasons we find ourselves in debt is a lack of planning. In other words, we don't have a monthly budget, says The Financial Coach's Greg Sneddon, (www.thefinancialcoach.co.za). Budgeting may seem like a hugely complex or boring task, but it really doesn't need to be:

- **Calculate your monthly income.**
- **List the monthly payments** that are essential for your survival, and what they cost.
- **List your non-essential monthly purchases** – can you cut back on these and allocate the money elsewhere?
- **Create a category in your budget for savings and debt elimination** and assign a sum of money to each.

- **Monitor your actual spending** against your budget at the end of each month and make changes, where necessary.

4 Prioritise your debts

'Consumers should focus on liquidating their debt as fast as possible in this difficult economic climate,' advises Barton Hill. Here's how:

- **Identify high priority debts**, such as mortgage and car repayments.
- **Talk to your creditors about your situation** and try to negotiate more do-able payment terms – you will be surprised at how accommodating they can be.
- **Focus on paying off the debt** with the highest interest rate first and then tackle those with lower interest rates.
- **Even though money is tight, set aside something each month** for an emergency fund. This way, when an unexpected expense crops up, you won't be forced to stop servicing your debts to pay it.

5 Debt review

Debt review was introduced by the National Credit Act to provide relief to over-indebted consumers. You may qualify for debt review if your combined living expenses and debt repayments exceed your take-home pay. Following an in-depth free-of-charge financial assessment with a registered debt counsellor, your financial obligations are calculated, and a proposed repayment plan sent to creditors. Existing debit orders to creditors are stopped and a new debit order, to an accredited Payment Agency, is established for a single amount. The Payment Agency then pays creditors reduced instalments on your behalf. ♣

*Name has been changed