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Foreword

There are many physical and mental implications when one is in debt, especially if the said debt is of a considerable amount. Many people don't realize the extent these implications can have both in the long term and short term. Therefore careful consideration should be given to the following to understand just how debt impacts one's life.



Bank Loan Busters

Ways To Curb Your Debt Even If You Have A Huge Bank Loan

Chapter 1:

How Debt Effects Your Whole Life

Synopsis

Stress has unfortunately become part and parcel of everyday life but when the debt factor included into this scenario the already preexisting stress level will in most cases escalate beyond control. Contemplating this brings about the added pressure that is often not needed or wanted.



The Basics

Some individual can experience many negative things like severe mood swings, anger, depression which in turn creates other problems like poor health conditions. These health problems can eventually lead to further complications like medical bill which are incurred due to the condition.

Lack of freedom is another very real result of how debts can affect one's life. If there are any opportunities available to enhance the possibilities of gaining an income the fact that the individual's debts are significant, thus leaving no room for investments coupled with the fact that even the individual business sense is now in question, the lack of freedom to explore become quickly apparent. Besides this there is also a severe lack of finances to enable the individual to make purchases or enjoy a better quality of life.

All this accumulates and impacts the general happiness of both the individual and those closest to him or her. Watching life pass by knowing that there is almost nothing that can be done to get out of the debt situation immediately leaves the individual feeling lost and depressed. The feeling of not being in control or of not having choices leads to an even more dismal outlook.

Chapter 2:

Learn To Live With Necessities

Synopsis

Living comfortably but without any frills can be quite a challenge for some but not as impossible as often perceived. The trick is to learn to discern between living comfortably and without being wasteful and living a life where even the slightest whim is catered to. This may require a certain amount of concerted effort but it is by no means impossible.



Get What You Need

Perhaps the most important thing to learn is how to look at anything with impartiality. Then the next step would require the individual to decide if the item concerned is really necessary at that moment in time.

If it is deemed to be unimportant then the individual should learn to exercise restraint from making a purchase. Often times when this seemingly small lesson is exercised and learnt the resulting patience may turn out to be a blessing when the said item is found to be on sale at a later date.

Instead of always buying new, one should learn to exchange items with others who may also be trying to exercise restraint when it comes to spending unnecessarily.

Exchanging things can be both fun and economical. Combining resources and purchasing an item which can be passed around and enjoyed by all is also another way to exercise prudence.

Avoid activities that may cause unnecessary spending, such as the shopping mall, bargain stores, garage sales and others with similar attractions to encourage the individual to spend frivolously.

Though learning to be constantly on the lookout for bargains, a purchase should not be made simply because the item on sale is cheap. Learn to resist the urge to always make a purchase.

Another good way to learn to live with only necessities is to practice only using cash to make purchases. When the actual cash is seen to be quickly spent it can act as a good wake up call for the individual to stop spending.



Chapter 3:

Make A Budget

Synopsis

When an individual is serious about addressing the debts level in his or her life one of the most important exercises to carry out is to start tracking as specifically as possible the out flow of money against the inflow of it on a monthly basis.



Know Where It Goes

The reason most people are unable to bring their debts ratios under control or simply lower the debts ratios is because there is very little serious effort put into actually tracking every single expenditure whether small or large.

In view of this perhaps one of the things that needs to be done is to start a budget that is detailed as possible and then make the necessary decisions on where and how to start controlling and eliminating the debts ration altogether. Here are some recommendations on how to start such a budget.

Tracking one's expenditure, though a rather tedious task, has to be done with attention to as much detail as possible. This should be done for a specific period of time with everything recorded.

A lot of items need to be taken into account even if the said items are not regular purchases such as car and house insurances, taxes, medical expenses and such. After this is done over a period of time then the next step of comparing these figures against the income should be carried out.

By this simple act of tallying the expenses against the income the individual would be able to make an informed decision on how and what to cut down on. Sometimes this exercise helps to make it clearer to the individual just how frivolous some of the expenses have been,

thus enabling the individual to make the necessary adjustments wisely and quickly.

There are some softwares available to assist such exercises. The budget that is finally drawn up should include items like net income, savings and investments, non discretionary expenses, discretionary expenses and others.



Chapter 4:

Pay More Than The Minimum

Synopsis

Being tempted to only make the minimum payments on any purchase should always be avoided as much as possible. Though seemingly convenient there are a lot of hidden elements that eventually cause the item first purchased to end up costing several times its original value because of the habit of making only minimal payments.



Put A Bit More On It

Besides the obvious reasons of helping the individual pay off the item as quickly as possible and thus effectively eliminating the debt factor, there is also the fact that when a minimum payment is done the individual is actually incurring a higher amount of money that now needs to be paid.

These come in the form of finance charges which can amount to a considerable sum. This will then cause the individual to get further into debt as the initial amount grows to an unreasonable higher figure due to the finance charges incurred.

It is not impossible to eventually end up paying four or five times the original amount. Thus whenever possible, one should always avoid paying only the minimum amount due, especially on credit cards as these generally have the highest interest rates.

Do not add on further purchases on an already heavily owing card as this will only contribute to the difficulty of clearing the newer and higher amounts now required. Make a conscious habit of always curbing unnecessary spending and then use the saved money to clear any already outstanding amounts.

Perhaps one of the most effective ways of creating awareness for the individual to realize just how much unnecessary amounts of money is being added onto the principal, because of the minimal payment

habit, is to calculate over a long term period just how much would eventually be paid. When this is clearly shown the individual would then be more inspired to pay more than the minimal payment.



Chapter 5:

Don't Use Home Equity To Pay Off Debt

Synopsis

The new and ongoing trend now encouraged by most financial planners is to use the home equity option to manage one's debts. This is purported to be very helpful in ensure the debt is managed well. Unfortunately upon closer understanding of the whole process involved it has been found that this method of debt control may not be as effective or beneficial as first touted to be.



What Not To Do

The more discerning group would definitely advise against using home equity to help pay of any debts especially if it predominantly involves the clearing of outstanding credit cards debts.

In the practical sense it would mean that the individual is giving away the rights of control over the said home equity should a default occur on the clearing or minimum payment on the said debt.

This effectively gives the bank the option of using the home as payment in lieu of a default and thus leaving the individual without a home or any option of stopping the said seizure.

Ordinarily the banks would resort to going to court to get a judgment against the individual who had defaulted on the minimum or any other kinds of payments.

However if the debts has been tagged to the home equity program as a option for debt control then the bank would immediately start the reclamation process leaving the individual without any action for recourse.

There are some who of the opinion that if the said debt is manageable and the individual if assured of being able to service the necessary payments without any “hiccups” then using the home equity option is

an acceptable risk to take. However the individual must be absolutely sure that the percentage or possibility of default is zero otherwise using this option without being totally well informed of the possible repercussions is unfortunate to say the least.



Chapter 6:

Reuse And Recycle And Put The Savings On Debt

Synopsis

Besides the more obvious recommendations of always using cash when making any purchase mainly because cash gives the individual the immediate reflection on the possible consequences of an unnecessary purchase there is also another practical method that can be used to keep the expenses down and this is the reusing or recycling of items.



Reuse

With the habit cultivated to use this method of reuse and recycle the individual is better able to discern the needs against the wants, thus keeping a better control over the said purchasing power.

Sometimes even the smallest effort to reuse or recycle can cause the individual to be very aware of the previously frivolously spending styles. Making the effort and doing a little research about the tried and true methods of reusing and recycling can bring about a new level of awareness that is very beneficial both from the monetary angle as well as the environmental angle.

The key is to change the mindset that everything is disposable and learn to adopt the method of viewing everything for its potential to be used over and over again.

There are some organizations that are also committed to the cause to staying environmentally conscious by giving the customer further discounts or other incentives for reusing basic things like plastic and paper. Thus the individual gets to save even more by shopping at such establishments which eventually equates not only in the cost saving effort brought about by the reuse or recycle exercise but the further saving brought about by the other incentives enjoyed.

Wrapping Up

Besides making the serious commitment to consciously reduce any spending which can further burden the individual who is already facing debts, there are a lot of other effective ways one can go about keeping expenses to a minimum or at the very least lessen it. Learn all you can.

