

Introduction to Debt Consolidation

It can be quite challenging and complicated to pay off more than 1 debt at the same time. You have different amounts due at different times - often with different lenders.

Debt consolidation is where you roll all your debts into one new loan with a single repayment.

The key to debt consolidation is to roll the high-interest debts into the debt that has the lowest interest rate. For many of us this is usually the mortgage (and this is assumed in this report).

Home loan rates can be up to 10 times cheaper than other forms of debt - particularly high-interest credit cards. This will allow you to eliminate your debt faster than if you kept all the debts separate.

Why Consolidate Your Debts?

Have a single loan

Enjoy the convenience of a single repayment, with one set of fees and only 1 lender to deal with.

Lower interest

Enjoy a lower interest rate than high-interest debt like credit cards and pay less interest overall compared to the interest on multiple debts.

Lower repayments

Monthly repayments can be lowered with a single loan that only has one set of fees and less interest.

Flexibility

You can spread your repayments over a longer period and improve your cash flow.

Budgeting

A single loan repayment can make budgeting much easier than having to manage multiple loan repayments on different repayment schedules.

Eliminate debt sooner

Reduced interest can see you pay out your debt sooner depending on the repayments you choose to make.

Big savings

Lower interest can result in big savings when you pay your debt out sooner.

How Does Debt Consolidation Work?

In your case, you have a group of debts as below:

Debt	Balance	Rate	Payment
Lowest rate debt (usually a mortgage)	360,000	2.60%	1,509
Debt #1	28,000	11.50%	541
Debt #2	10,000	18.00%	380
TOTAL	\$398,000		\$2,430

So, in your case you have a total of \$398,000 in debt and are paying \$2,430 in repayments every month.

You could possibly obtain a rate of 1.94% for your home loan.

This is a rate based on the estimated value of your home with one of our lenders and subject to their credit eligibility.

Let's see how we could improve your situation using this rate.

Three Debt Consolidation Outcomes

People consolidate debt for different reasons. There are 3 main reasons that people tend to consolidate their debts. These are:

- 1) To improve your cash flow
- 2) To maximise your cash flow
- 3) To pay what you can afford

Let's now turn to these 3 outcomes in light of your situation.

1) IMPROVE Your Cash Flow

Your goal in consolidating your debts may just to be to minimise the amount of money you are spending each month on your debts. You may be wanting to free up some cash so that you can enjoy your life a little more without ignoring your debt commitments.

In it's most basic form, debt consolidation involves rolling all your debts into the loan with the cheapest rate (or a new loan with a cheaper rate). Your situation would then look like the below:



Consolidate your debts and your monthly repayments will decrease. You will then **save \$894 per month and \$42,719 in interest**

	Current	Proposed
Balance	\$398,000	\$398,000
Rate	Various	1.94%
Repayment	\$2,430	\$1,536
Total interest	\$160,924	\$118,205
SAVE \$894 per month & \$42,719 in interest!		

The table above is based on a potential rate of 1.94% p.a. Based on this rate, your repayments would drop to \$1,536 per month, thus saving you \$894 per month in repayments and \$42,719 in interest over the term of the loan, which would remain at 28 yrs 0 mths.

NOTE: The benefit of the consolidation is largely due to refinancing to a loan with a lower interest rate. The other debts you have would be paid out over a longer period but still provide significant savings.

2) MAXIMISE Your Cash Flow

Your goal may be to minimise the amount of money you are paying towards debt commitments.

You may be pushing the limits on what is affordable for you and find it hard to see an end to all of your debt. You may be just after a little bit of relief and 'breathing space' while maintaining your credit rating.

Solution

--> Refinance your debt at 1.94% and increase your loan term to 30 years.

A loan term of 30 years is the maximum term you can increase to and not end up paying any more interest. In other words, **it is the cheapest loan term that won't cost you any extra.**

By extending the loan term to 30 years when you consolidate, you will save **\$971 per month** and **\$33,622 in interest**



	Current	Proposed
Balance	\$398,000	\$398,000
Rate	Various	1.94%
Term	28 yrs 0 mths	30 years
Repayment	\$2,430	\$1,459
Total interest	\$160,924	\$127,302
SAVE \$971 per month & \$33,622 in interest!		

3) Pay What You Can AFFORD

You may have a set figure in mind that you can afford to pay off your debts each month. It may be exactly what you are paying now - \$2,430 - or it may be some other figure you are more comfortable committing to.

1) Maintain or increase repayments

Obviously, if you continue to make the same repayments you are making right now this will reduce the interest and the time taken to clear your debts.

If you increase the repayments above what you are currently making

then this will reduce the interest and the term even further.

2) **Reduce repayments slightly**

Alternatively, maybe you don't want to extend the term to the maximum but you have the capacity to make more than the minimum repayments.

YOUR AFFORDABLE REPAYMENT:

\$2,430 per month

	Current	Proposed
Balance	\$398,000	\$398,000
Rate	Various	1.94%
Term	28 yrs 0 mths	15 yrs 10 mths
Repayment	\$2,430	\$2,430
Total interest	\$160,924	\$64,719
SAVE \$96,205 in interest!		

WHAT'S NEXT?

We are creatures of habit. Sometimes it's easier to stick with what we know rather than take a risk with something that will ultimately benefit us.

If the figures in this report have indicated an opportunity to transform your financial future then please take advantage of this and make contact with me.

“

Adam was an absolute gentleman to deal with. He has a heart of gold and really goes out of his way to get you the best deal possible. I found him to be someone who actually cares about his clients & the deal he managed to get myself and my partner was way beyond what I expected. I highly recommend Adam and wish him all the best in the future

”

G. Gallen and Family

“

Totally fantastic service. Adam got our deal through after unsuccessful attempts with others! HIGHLY recommended and well skilled. Thank you Adam. Amazing work and best customer service in town. If you want the right advice and best chance contact Adam.

”

B. Clayton

Mobile: 0468 323 829
Email: adam@moneybright.com.au

Credit Representative Number 478405 of Australian Credit Licensee 384704

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