

“I have a massive HECS debt to pay off”



Melissa, 26

Occupation: Lawyer
Weekly wage: \$1000
Debt: \$32,613 in HECS
Monthly repayments: \$340

Melissa says: “I began paying off my HECS debt in April 2006. I don’t think about it each time I get paid, but each year at tax return time I notice how much I’m contributing and think how great it’d be to have it paid off. The money hasn’t ever been available for me to spend anyway, but if I were to think about how I could otherwise use it, I’d definitely allocate it to overseas travel and investments. I’ve done a lot of hard work to earn my degrees and nothing can change that, but I’m over the debt. I’d love to be able to pay it off with

a lump sum to get the 10 per cent discount, but I have other priorities at the moment. It took my brother almost 10 years to pay his off, which is a daunting thought.”

Ben says: “Melissa has a great job and reasonable expenses. She’s putting away \$300 a month for an overseas trip rather than getting a loan. Her only debt is HECS. Her compulsory payments are 6.5 per cent of her gross annual income and at present she’s voluntarily contributing \$170 every two weeks. But, if you make a payment of over \$500 you get a 10 per cent bonus (in other words, if you pay \$500, \$550 will be deducted from your HECS). If Melissa saves this money to make two lump sum payments of \$2210, she’ll get a bonus of \$442 off her debt. If she keeps it up she’ll pay it off in four years and have \$17,500 to spend on an overseas holiday.”

“A mortgage? I’ve got rent and bills”



Stephanie, 25

Occupation: Admin assistant
Weekly wage: \$600
Debt: \$6000 (\$4000 owing to parents, \$2000 on credit card)

Stephanie says: “I’m terrible with money and it’s caused a lot of problems. My debt is due to flippant spending and poor financial advice from a bank. I went to them to get a personal loan but was told I was better off using a MasterCard. The approval amount didn’t cover all my debts, so I ended up with even more interest. I enjoy parties, gigs and festivals. I try not to let it affect my lifestyle, but there are areas where my lack of money holds me back – especially living in Sydney. I’m living week to week and paying off debts whenever I don’t have bills.”

Ben says: “If Stephanie repays her debts at \$100 per week I’d recommend paying \$66 on the credit card and \$34 to Mum and Dad. If she never uses her credit card again it’ll be paid off in just eight months. Then, she can pay off her parents in another seven months. Saving \$100 a week would then bring her up to \$32,571 by the time she turns 31.” **Samera Kamaledine** COSMO

NEED HELP? Contact Debt Mediators Australia on 1300 553 604 or email support@debtmediators.com.au.

“I’ve seriously overspent on my credit card”



Justine, 26

Occupation: Waitress
Weekly wage: \$500
Debt: \$25,000 credit card

Justine says: “I accumulated this debt in five years paying vocational courses on credit, studying, working part-time, charging unaffordable expenses to my card – and paying credit off with more credit. I started with three cards, but consolidated to one after contacting a debt agreement administrator. I had no idea what to do and wanted to avoid filing for bankruptcy. I scoured the internet and found out I could sign a legally binding debt agreement with my creditor to enable me to pay off my debt interest-free over four years. I’m struggling to get by week to week. I don’t travel and hardly ever go out

or buy new clothes, as I have just \$80 to live off weekly after rent, food and bills. This year I wasn’t able to continue my studies, so I feel like I’ll never finish. I’m disappointed in myself and fearful.”

Ben says: “Buying anything on credit effectively costs 15-100 per cent more. With no interest on the agreement, there’s no benefit in paying it faster, so Justine’s money is better in a savings account. Saving \$50 per week over four years will end up as \$12,465 in the bank (at 8.5 per cent interest). This means she can avoid using credit when expenses pop up. If Justine maintains her savings habit of \$50 per week, she could have \$883,100 by retirement. Breaking the cycle isn’t without its sacrifices. She’ll have to ‘do without’ for a few months (until interest starts accumulating on her savings). In the meantime, Justine should look up free local festivals and check out op shops for inexpensive vintage clothing.”

Secrets of CASH SAVVY WOMEN



Brooke Fanshaw, 23, made \$80,000 in three years investing in property.

“It’s important to invest in the right property and have a finance structure. Ask experts for advice on residential property investing.”