



Tips for Managing Debt

Budget – Creating a budget plan (setting out your income and expenses) for the coming week or month can help you manage your money. Set clear goals for spending and saving and try to stick to them.

Save for a 'rainy day' – This means saving money regularly so that you have enough money to cover you for unexpected or emergency expenses. Financial experts say you should have 3-4 months of your income in a savings account.

Pay off the most expensive debts first - If you have more than one debt, pay off the one that is costing you the most in additional payments (possibly the one with the highest interest rate) first. Speak with a financial advisor to see what you could do to reduce your debt.

Avoid buying on credit – Try to pay for things straight away and take the time to save up if you need to. If you use a credit card or store card, pay off the total balance so you escape paying interest as well. Cut down on your spending rather than using your overdraft. If necessary, get rid of your credit card so you're not tempted to use it.

Debts before spending – Use any extra income to pay off debts rather than spending on luxury items.

Find the best interest rates – Remember that you're looking for high rates on savings and low rates when borrowing and using credit cards. Also investigate the types of rates that are available (see Fact Sheet FC3 - Risk and Return).

Pay bills straight away – Avoid paying extra charges on late bills by paying them as soon as you receive them.

Learn from your mistakes – Managing money is a skill. It can take time to get good at it. If you make a decision that gets you into unnecessary debt, learn from the experience. Adjust your financial planning so that it doesn't happen again.

Seek help – Remember, if you have problems don't hide from them or ignore them - get help and advice. Talk to your creditors (those you owe money to). You can always ring Citizen's Advice Bureau (CAB) for advice or help on managing debts.

You can learn more about the different types of debt on Fact Sheet FC1 - Types of Debt.