African Bank Ltd press release

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Deal with debt right now

Neil Thompson, Head of Product and Customer Value Proposition at African Bank, says overspending lands people in debt, ruins relationships and can lead to mental health problems, like depression and low esteem.

"Everyone overspends at one time or another, like during the festive season, for example, so it can be difficult to distinguish between an overspender and a compulsive spender.

"The distinguishing factor about compulsive buying though is that spending money is irresistible and, like other addictions, it too escalates over time. You need to spend more and more money to get the same 'buzz' out of the experience," Thompson says.

5 warning signs of compulsive spending:

1. Accumulating a lot of consumer debt.
2. Wasting a large part of your salary on purchases you do not need.
3. Hiding things you have bought away from your family/lying about new purchases.
4. Experiencing relationship problems due to overspending.
5. Seeing "retail therapy" as the only answer to lifting your mood or coping with stress.

5 warning signs of overspending:

1. Continually borrowing money from friends and family.
2. Paying the minimum on maxed out credit cards.
3. Paying your accounts late.
4. Withdrawing money from investments to stay afloat.
5. Frequently taking out high interest, short-term loans.

These are all tell-tale signs you could be heading for financial ruin. Recognising you have a problem with money, Thompson says, is the first step to financial rehabilitation.

He points out, however, that not all compulsive shoppers end up facing financial ruin - some are wealthy and hardly notice the amount of money they spend and others make small purchases which don't put them in debt.

"But, a significant percentage of compulsive spenders do accumulate debt and neglect to grasp the seriousness of their financial situations. Owing money costs you money in interest and this leads to financial stress. Managing your debt alleviates money worries and puts you on a path to financial freedom that can see your money working for you instead of you making lenders richer."

6 Steps to consider in fast-tracking debt repayments:

1. Detail your debt. Be honest and lay it all out in black and white, without neglecting a single item.

2. Determine your debt to income ratio.
3. Choose a debt repayment strategy. Decide in which order you want to pay your debt off – either way, largest to smallest or vice versa it is a good start. The bottom line is you need to put extra money towards your debt and stay committed. Starting with smaller debt can help to keep you motivated to move onto larger debts.
4. Pay the minimum on accounts on time **every** month.
5. Speak to creditors and make an arrangement if you are struggling to make payments.
6. Understand the impact of debt of your credit score. Apart from the interest it costs you, debt can affect your credit score negatively which means you may not be approved for loans in the future.

"While the reality of your debt may be a firm wake-up call, it is an important first step to getting yourself out of debt, or at least onto a more manageable financial path," Thompson says. "Start with being honest about your spending, balance this with your income and be committed to changing your financial situation and your relationship with money."

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