

# All you need to know when it comes to tackling your debt

BY FINANCIAL PLANNER AND AUTHOR **WARREN SHUTE**

IT'S that time of year when credit card statements loom large - and for many, that means worries about their finances. Recent research showed that people take on average until May to pay off their Christmas.

But by definition, if you're ready and willing to do something about your debt this year, then you're not average - the majority of people do not change how they manage their finances.

I use an acronym, PSAR, to represent the steps you need to get on top of your money management in 2019. It stands for Psychology, which is where it all begins; Strategy, so you have a plan to follow to get debt-free; Action, doing something about it; and Review, because this is about changing your habits not just once, but consistently.

## PSYCHOLOGY

IF you start anything feeling like you're unlikely to succeed, then you're setting yourself up for failure.

The same is true of our debts. If you think 'It's too hard, I can't do it', then you're not going to get back into the black.

So when you're thinking about your debts, straighten your stance and hold your head up high. Move your body - walk, run or exercise. You need to believe, without any doubt, that you can pay your debt off. Visualise being debt-free and how you will feel.

On my website, **warrenshute.com** there's an audio exercise to help you focus your mind on making better financial decisions. Call it brain training, meditation, whatever you want to call it - but listen to it daily and you'll see results.

## STRATEGY

I'M a big fan of the Snowball System. Write down all your credit card balances and list them in order from smallest to largest. Find out what the interest rate on all of them is, and get the lowest interest rate possible on all of them (I'm not a big believer in consolidating all your debts, because of the psychology mentioned above).

The aim of the Snowball System is to take all your surplus money - your snowball - and pay off the smallest

balance first; not the one with the highest interest rate, the one with the lowest balance.

Once that's gone, move onto the next, then the next, always applying your snowball to the lowest balance. Why? Because when you're paying off your debts, you need some wins along the way to keep you motivated and engaged. That comes back to psychology.

Then, you need to look at three things: your assets, income and expenditure.

Do you have any assets or savings you can use to repay your debts down? Don't deplete any savings completely, you should always keep £1,000 in an emergency reserve fund, but otherwise you should be using any assets to pay down your debt.

Next is your income. Can you earn more money? If you can't, or you don't want to take a second job, it's time to get creative.

Think how you can maximise your income opportunities and consider options such as renting spare rooms out using sites like Airbnb, dog or house sitting.

Arrange ALL your regular payments to come out of a bills account - which is also where you have your salary paid. Go through each payment and ask yourself three

things: do I need this, do I want this, can I get it cheaper elsewhere?

## ACTION

IF you can't start acting on your strategy right now, then put a note in your diary or calendar to sit down and review your finances. Don't reschedule it, no matter what.

## REVIEW

REVIEWS need to be planned: again, put a note in your calendar and schedule time to review. It won't happen unless you make it happen. Reviews help you keep on track, and they're an important part of the process.

Is getting out of debt easy? No, of course it isn't, but it's straight forward.

You CAN do it, by following these steps.

■ **WARREN Shute** is certified financial planner and author of the bestselling personal finance book *The Money Plan*, available on Amazon priced £11.99.



Warren Shute

## MONEY FACT

# Risks retirees need to be aware of in 2019

IF your retirement is on the horizon, it's important to be aware of risks which could affect your cash pots.

The free guidance body Pension Wise can help over-50s to understand their options. Matt Taylor, senior wealth planner at Sanlam UK, also highlights issues it may be worth considering.

**1. Inflation:** If pension savings are not sufficiently invested for growth, inflation can eat away at a pensioner's income.

**2. Possible interest rate rises:** For those with large cash savings, this may sound like a blessing, but with debt in retirement on the increase, this could be a negative.

**3. Stock market volatility:**

It can be tempting to "disinvest" savings in such conditions - But having too much money in cash can also prove risky... see number 1!

**5. The bank of mum and dad:** Retirees are finding it more and more difficult to shake off the financial dependency of their children, which could also affect their own plans.

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