

## 5 Reasons why NOT to consolidate your debt

Your credit card(s) are almost maxed out, the personal loan is overdue (again) and the home loan payment is coming next week... Life feels like a juggling act. Your thinking to yourself: "The guy from that new home loan company said that by rolling the credit card debt and personal loan debt into a new mortgage will **reduce my payment** by \$145 a month, sounds promising."



Found yourself in that situation? You are not alone! Many people today have (or are considering) debt consolidation. It's a fancy word for **re-financing short term debt** <read credit cards, personal loans> into **long term debt** <read home loan>. It reduces your monthly payments by **spreading the loan repayments over a much longer period**. By spreading the repayments, it reduces your monthly cost, often substantially. And that is attractive.

What is not so attractive (and not that often mentioned...) is what it does as well and what it will not do for you. Let me list them:

### 1) Set up cost:

In most cases, there is set up cost involved when consolidating your credit card and personal loan debt into a (new) home loan. This cost varies between \$0 to \$900.

### 2) Overall cost:

If you are paying the debt over a much longer period, the final cost is higher. See details below.

(\$10,000 over 5 years at credit card rates (say 17%) will cost ~\$14,900)

(\$10,000 over 25 years at home loan rates (say 7%) will cost ~\$21,200)

### 3) Does not resolve root cause:

Often there is an underlying problem why you got in that situation in the first place. If that reason is you just do not know where your money disappears to or overspending, simply consolidating will not fix your problem. You need a new and better plan to manage your money.

### 4) It is hard to see progress in paying down your debt:

We people like to see results from our efforts. It motivates us. By consolidating debt into a home loan, it becomes very hard to see progress (see our debt come down). This actually de-motivates us.

### 5) There is an alternative:

There is an alternative that works, has no set up cost and helps you get (back in) control. Sounds too good to be true? It isn't, but it is no quick fix either! That's the catch... We call it the **5 step WAYG debt management plan**.