

# The Malaysian Dream



Most Malaysians dream of being debt free... as soon as they can. However, not all debts are bad because certain types of debts give you the opportunity to acquire appreciating assets. However, some other types of debts (e.g. consumer debts) can be detrimental to your financial health. These debts need to be managed properly before they become a big financial liability which will take years to get out of, writes **AMELIA HONG**.

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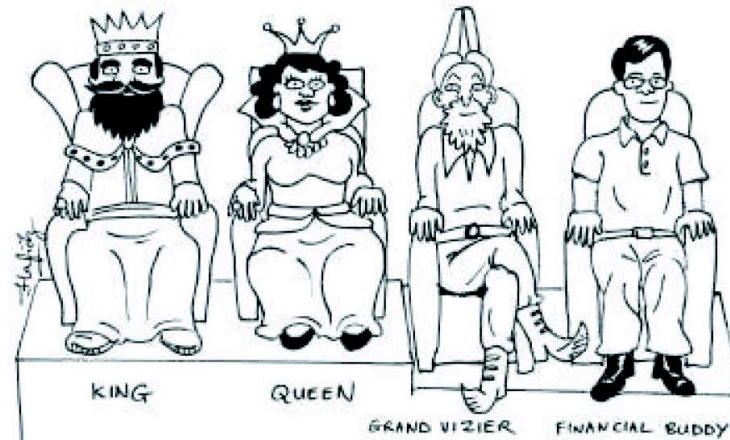


Illustration by HAFIDZ MAHPAR

WITH easy credit and smaller repayments, some people are burning financial holes in their pockets without realising it. When this debt compounds, you will often be shocked at how much in debt you are. Do a few things before it becomes too late.

#### ■ PARTNER WITH A FINANCIAL BUDDY

Find someone you can trust about your debt situation. Your financial buddy will be able to help you clarify your thought processes, be a support in your debt-clearing goal and make you accountable by checking in on your progress.

#### ■ PUT THE CREDIT CARDS AWAY

Cut up all the cards except one and keep that away in a hard-to-reach place (preferably with your financial buddy).

#### ■ PUT MORE MONEY INTO REPAYMENT

Paying more than the minimum amount will significantly reduce the interest and debt tenure. Paying 5% minimum on a RM20,000 debt will incur RM8,341 in interest and a nine-year tenure. Fixing a

RM2,000 monthly payment will reduce your interest by RM6,508 and your tenure by eight years. Find possible leakages in your financial life which you can then channel to paying extra on the repayments.

#### ■ PAY THE HIGHEST INTEREST FIRST

Always pay the debt that incurs the highest interest first so that you get immediate savings on the interests.

#### ■ PATIENCE AND PERSISTENCE

It will take anywhere from a few months to a few years to clear the debt. Meantime, be aware that your credit rating may be compromised but dogged diligence to paying it off will mean a better credit rating and peace of mind. Besides, all that interest you save can be used for something better!

If all else fails, consider contacting:

- A financial planner;
- A debt restructurer who will help you for a fee; or
- AKPK - Bank Negara's debt counselling agency.