



YOU! YOU! YOU!

# “Help! I’M DROWNING IN CREDIT CARD DEBT!”

Tamara, 20, still has \$8400 owing (plus interest!) on two credit cards. The massive debt is getting her down...

Tamara, an advertising coordinator, is having trouble paying off her debt *and* having a life. She says she’s learnt the hard way that

a few weeks of fun (an overseas trip racked up on two credit cards, plus a shopping addiction) will mean more than a year of financial pain. She is currently paying \$800 a month off the debt but still has a long way to go. “I want to get out of debt,” she says. “I want to go travelling again and save for better things. It’s really hard to live each week [and] I don’t have any savings for an emergency.”

While Tamara lives at home and pays \$100 a week board, she earns below the average wage, and it doesn’t leave much over for living expenses. However, she still spends \$50 a fortnight on manicures. *Cosmo* sought help for Tamara from Commonwealth Bank’s Daniel Molesworth, a senior financial advisor, and mozo.com.au, to see where she can save.

Molesworth suggests finding a credit card with a zero interest rate – she can transfer the balance of her two cards and pay no interest for a set time. However, this will only work if Tamara gets smart about saving. “If you really want to get serious and get out of debt, chop up the cards,” Molesworth says.



though the interest rates are similar (she’s currently paying 15.74 per cent and 12.49 per cent) it has fixed payment deadlines, encouraging her to stick to her budget.

Mozo.com.au found that if Tamara continues repaying the debt at her current rate (and makes no more purchases), she’ll have paid \$821 in interest and fees. If she switches to a zero per cent or low-rate balance transfer card, she’ll save between \$650 and \$675\*. The personal loan would save her between \$125 and \$202 in interest – enough for a pair of shoes!

**TAMARA SAYS:** “I’m reluctant to chop up my credit card at the moment – I use it as my safety net for emergencies. I have absolutely no savings, so if my car suddenly breaks down, what would I do?”

However, she has decided to get a zero per cent balance transfer card to save on interest. “My biggest problem is shopping, I spend about \$200 a week on clothes. I’m going to try to be more disciplined and put extra money on my credit card instead.”

Jessica Parry □

He says to next set a budget – which Tamara has done – but to direct debit the amount she can afford to pay off (\$800 per month) into the card account, which will remove temptation to spend it otherwise. As for saving some money, Molesworth says there’s no point – until the non-tax deductible debt is paid off. If, for some reason, she is not approved for the transfer, he says a personal loan that similarly consolidates the debt could save her. Even

## HOW TO STOP SPENDING

“Listen to the voice in your head,” says *Money Makeover* authors Nina Dubecki and Vanessa Rowsthorn (moneygirl.com.au). “Before you spend, ask yourself, ‘Do I need this, or do I just want it?’ Deep down you’ll know the answer every time!”



**PS . . .** Lucky readers! *Cosmo* has 10 copies of *Money Makeover* to give away. Go to [cosmopolitan.com.au](http://cosmopolitan.com.au) for your chance to win.