

## Debt Management Strategies

**Your mortgage is probably your largest debt, but you may also owe money on your credit card, personal loan or car loan. With this in mind, it is important to manage your debt effectively.**

The following strategies can help you do this. Depending on your financial situation and circumstances, you may wish to seek professional advice to find out if these strategies will work for you.

### Consolidate debt

Mortgage debt generally attracts a lower interest rate than other forms of debt. By consolidating your debts and wisely using the savings to pay off more of your home loan, you could also save on account management fees by having fewer loan accounts.

### Draw down on your mortgage

Drawing down on your mortgage to pay other debts will increase your overall debt however, you may be able to lower your overall cost of borrowing.

### Use a line of credit

Taking out a line of credit will also increase your overall debt however, it can help you draw on the equity in your property to pay down other, higher cost debts such as credit cards.

### Pay down non-deductible debt

For many taxpayers, interest payments on investment loans are tax deductible, so it makes sense to pay off other non-deductible loans first. We recommend you seek advice from your tax agent when considering this method.

### Consider interest-only

By choosing to pay interest-only on your investment loans, you can free up cash flow to pay off non-deductible debt faster.

### Be prepared and manage your cashflow

Given the long-term nature of home loan debt, it is important to ensure you plan for the unexpected – such as interest rate rises or loss of income – and that you spend only within your means. Managing your cashflow helps you stay in control of your debt and provides peace of mind.