

# FUNDING **BIG TICKET** ITEMS (**BOATS, CARS, CARAVANS, WEDDINGS** ETC)

All of us will go through some momentous events throughout our lifetime, many of which will cost a small (or large!) fortune. Isn't it ironic that many of life's most exciting occasions can be the most stressful and expensive?

Working out the best way to pay for big ticket items such as dream holidays, cars, caravans, engagements, weddings, furnishing a home or having a family, can be confusing and difficult (without us as your finance specialist).

**Your decision on HOW you finance these momentous events can be the difference between potentially spiralling into debt or confidently managing your financial position and enjoying your big ticket item.**

There are many finance options and issues to be aware of to ensure you make the right decision. The choices you make on how to pay for these big ticket items can impact your future financial state and potential (or lack of) future borrowing power.

## Not all debt is the same

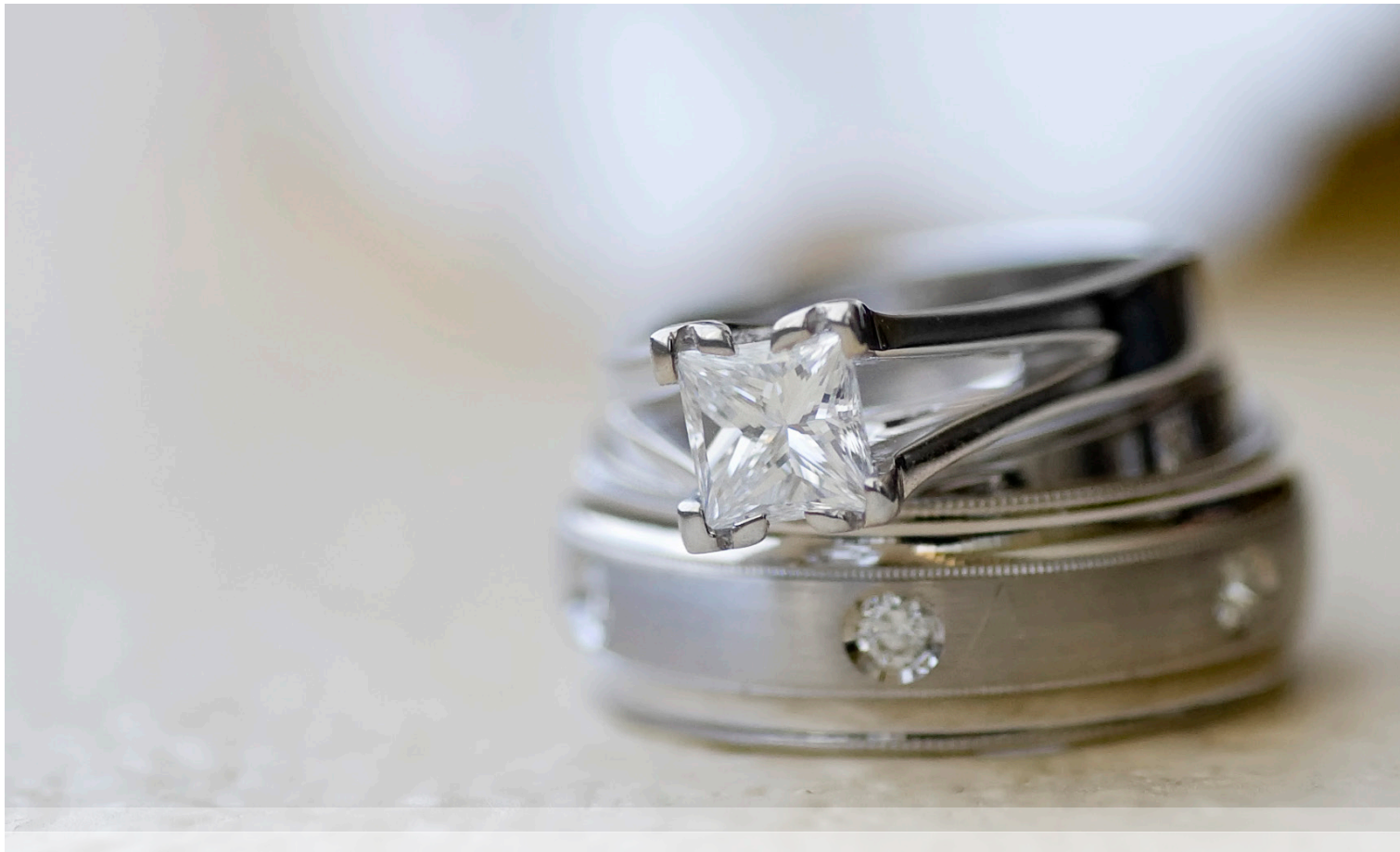
**Good debt versus bad debt.** Good debt is taken on as a way to build wealth in the long term, eg a home loan to eventually own your own home or an investment property mortgage that allows you to earn income from a property you rent out or re-sell at a higher price in the future.

Bad debt diminishes your wealth over time, eg a loan for a car that depreciates in value or credit card debt.

## Beware of your debt to income ratio

Your debt to income ratio is the amount of your total debt compared to your income.

Australia's debt levels continue to increase. In fact the ratio of household debt to income has nearly doubled between 1995 and 2020 from 104% to 185%<sup>1</sup>. Although the majority of this is good debt, 8.2% is bad debt<sup>2</sup> meaning if each Australian household owes an average of \$250,000, then \$20,500 is bad debt. This has to be a very conservative average!



## Beware of payday loan sharks

So you need cash urgently to pay an unexpected or unbudgeted bill but your bad credit history stops you from getting a loan from a lender? Beware the pay day loan sharks!

When someone has a bad credit history and doesn't qualify for financing from a reputable bank or lender, they may turn to alternative short term/pay day lenders for help.

While it may seem like a good short term solution, it can lead to long term financial grief. High fees and high interest rates come with this short term fix.

## But wait there's more

There are even more finance options such as in-store finance, personal lines of credit and credit cards to pay for your next rewarding purchase but they all have pros and cons (and hidden fees and interest charges) you should be aware of.

There are many options to choose from, many of which can leave you with larger debts!

**Call us before handing over your credit card or applying for a loan. We will review your options to find the best solution that suits your current situation but leaves you in a healthy financial state for future investments.**

### Sources:

1. CoreLogic – Could household debt levels be a trigger for another round of credit tightening? Nov 2020
2. Finder, Credit Card Finder, Australians' household debt nears highest worldwide, July 2018