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DEBT CONSOLIDATION

Take Control of Your Finances

Many Australians juggle multiple debts — credit cards, personal loans, car loans, store cards, even Buy Now Pay Later accounts. Each comes with different interest rates, repayment dates, and fees. This can feel overwhelming and expensive.
Debt consolidation helps by combining these debts into a single loan facility (often a home loan or personal loan), leaving you with just one repayment to manage — usually at a lower interest rate.

How Debt Consolidation Works

1. **Identify Debts –** List your existing debts: balances, interest rates, and repayments.
2. **Combine Debts –** Roll them into one new loan facility.
    - Commonly **a home loan** (if you're a homeowner).
    - Alternatively, a personal loan.
3. **Single Repayment –** One monthly payment replaces multiple smaller ones.
4. **Lower Interest** – Secured loans often carry far lower rates than credit cards.

Benefits of Debt Consolidation

✅ **Simplify Finances:** Replace multiple due dates and bills with just one.

✅ **Lower Interest Costs:** Mortgage and personal loan rates are typically much lower than credit card rates (6–8% vs 15–22%).

✅ **Improve Cash Flow:** Reduced interest and extended terms can free up monthly income.

✅ **Reduce Stress:** Easier to manage, reducing risk of missed payments.

✅ **Potential Credit Boost:** Paying off high-interest revolving debts may improve your credit score over time.

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Things to Consider

⚠️ **Loan Term Extension**: While monthly repayments may fall, extending the loan term can mean paying more total interest over time.
⚠️ **Security:** Consolidating into a home loan means your property is on the line if you can't meet repayments.
⚠️ **Discipline Needed:** Consolidation only works if you avoid accumulating new debts afterwards.
⚠️ **Fees:** Some lenders charge exit or set-up fees.

Example Scenario

Current Debts:

- Credit Card: $12,000 @ 18% ($450/month)
- Personal Loan: $8,000 @ 12% ($300/month)
- Car Loan: $15,000 @ 10% ($400/month)
  Total: $35,000 across 3 loans, approx. $1,150/month.

Debt Consolidation into Home Loan:

- New loan: $35,000 added to mortgage @ 6%.
- Monthly repayment (over 10 years): ~$390/month.
- Immediate cash flow saving: $760/month.

👉 ***Caution:*** Over 10 years, total interest could exceed the original short-term loans if not repaid quickly.

Strategies for Success

- **Maintain Higher Repayments:** Keep repayments at the same level as before consolidation to pay off debt faster.
- **Close Old Accounts:** Cancel credit cards and store accounts once consolidated.
- **Set a Budget:** Use freed-up cash wisely — avoid lifestyle inflation.
- **Seek Guidance:** A broker or financial advisor can help structure consolidation in a way that saves money long term.

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Debt Consolidation Options

- **Home Loan Refinance:** Roll debts into your mortgage. Lowest rates, but longer terms.
- **Personal Loan:** Shorter-term option, still lower than credit cards.
- **Balance Transfer Credit Card:** Promotional 0% interest periods, but discipline is key (avoid spending and pay it off before the promo ends).

Common Myths

❌ *"Debt consolidation wipes out my debts."*

- It doesn't. You still owe the same amount — but structured differently.

❌ *"It always saves money."*

- Not always. Extending the loan term can cost more overall. Success depends on repayment discipline.

❌ *"It's too risky."*

- It can be very effective if managed well, but risk increases if new debts are taken on.

Quick Reference Summary

- **Purpose: Combine multiple debts into one facility.**
- **Best For: People juggling high-interest debts (credit cards, personal loans).**
- **Main Benefits:** Simpler management, lower interest, better cash flow.
- **Risks:** Higher total interest if loan term is extended, discipline required.
- **Tip:** Use savings from lower repayments to pay off debt faster, not to spend more.

Professional advice before making decisions.

📞 **How We Can Help: Call - 0402 684 199**

At *Etairos Finance*, we help clients explore whether debt consolidation is the right fit. We'll review your debts, compare options, and structure a solution that reduces stress and helps you regain control of your finances.

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