

STEP OUT OF THE debt trap



If you regularly find yourself with too much month at the end of your pay cheque, you're probably one of the many South Africans living – and often drowning – in debt. Lynne Gidish finds out how you can take control.

While getting into debt is easy, says certified financial planner Kim Potgieter, it's unfortunately not as simple to get out of. With the festive season on our doorstep, and the annual January financial blues – school fees, insurance, medical aid and covering that Christmas spending spree – just around the corner, you may be feeling completely overwhelmed by your mounting monetary woes right now.

However it's not all doom and gloom, says Potgieter, as there are ways and means of stepping out of the debt trap. "The very first thing you need to do is to change your attitude towards money," she explains. "And this requires complete honesty. We are all creatures of habit and develop habits that get us into debt as well as habits that prevent us from getting out of it. Research shows that we avoid talking about money as a defence mechanism to avoid facing reality, which is why it's so important to come clean."

Potgieter suggests you sit down and take stock, and truthfully answer the question: "How

much do I really owe?" Then ask yourself: "Why am I in debt?" and take a good hard look at the way you spend.

Next, consider what your ideal life would look like and put together a plan for your life – and your happiness. "You need to understand that the only way to get out of debt is to commit to changing your lifestyle – and your decisions around what you spend your money on. This means aligning all spending with your life plan and disregarding the fluff – the buzz items that make you feel good for a short period of time."

She suggests seeking professional advice, as "debt can be an overwhelming experience and you're often so emotionally invested that it's hard to think clearly and make rational decisions". >



Visualising what your life will look like when you're debt-free will help keep you focused.



3 STEPS TO BECOMING DEBT-FREE

Potgieter offers the following tips:

1. Take ownership of the problem and be honest with yourself and others.
2. Ask for help. Chat to your bank, your creditors, a debt counsellor or a certified financial planner to help you to develop a realistic debt strategy.
3. Stick to your plan. If you do so religiously you WILL get through this.

GET SOME DEBT COUNSELLING

Neil Roets, CEO of Debt Rescue, concurs. "One of the biggest problems currently faced by people struggling financially is that they don't know what to do," he says. "And because they have no idea who to turn to, they usually end up incurring even more debt in an attempt to repay what they already owe."

This is where debt counselling comes in. "It was brought into place through the National Credit Act to assist over-indebted consumers struggling to make ends meet. It's essentially a legal process where you can apply to have your debt restructured by a debt counsellor, which gives you protection from any new legal action and room to breathe in your budget."

This is done by reducing your monthly instalments and extending your repayment terms, thereby easing your monthly debt repayment burden, which ensures that you have sufficient funds for your necessary budgeted living expenses, he explains. "Once it's confirmed that you're over-indebted, the debt counsellor will determine the reasonable amount that you can afford to repay to all your debt, and will then negotiate with your creditors. The process is finalised by having the new arrangements made an order of court. Once your debt has been repaid, you'll be issued with a clearance certificate, and will be on your way to a debt-free life."



THE EMOTIONAL IMPACT OF DEBT

Have you ever considered the emotional cost of living in debt? What it's doing to your life, your health and all your relationships?

"Unfortunately the saying 'Poverty (debt) in at the front door, love out at the back door' is often all too true as the impact of financial problems affects every aspect of your life, especially if you're in denial or not confiding in others because you feel ashamed," says Ilze Alberts, life strategist and wealth psychologist.

Living in debt, says Alberts, has the following emotional and physical impact:

- You become sleep-deprived as you stay up worrying all night long. Sleep deprivation has been linked to a whole range of chronic illnesses such as type 2 diabetes, cardiovascular disease and obesity, and also results in lack of concentration and decreased decision-making abilities.
- Your mind is filled with negative thoughts and you suffer from depression, which often goes hand in hand with debt. It becomes a vicious circle: you spend more because you're depressed and you're depressed because of mounting debt.
- You feel completely unmotivated and trapped in your 'debt cage'.
- You beat yourself up for your failures and suffer from a lack of self-confidence and self-esteem.
- You isolate yourself due to embarrassment and shame so your marriage and other relationships with loved ones suffer/ disintegrate.

What few people realise, says Alberts, is that the first step to getting out of the debt trap is actually an emotional decision. It requires:

- *An honest desire to get out of debt.* Remember that when you want something badly enough, you'll be motivated to put time into, pay attention to, set goals towards and take action on it. Visualising what your life will look like when you're debt-free will help keep you focused.
- *A willingness to take back control.* When you pay off debt every month, your debt collectors are in control of your life. When you acknowledge what you need to do and grab the steering wheel, you're in charge of your own destiny.
- *An acceptance that you need to change your behavior.* Especially when it comes to impulsive spending for immediate gratification. It's all about developing emotional intelligence.

The South African Depression and Anxiety Group (SADAG) offers the following guidelines on how to cope with the stress of being in debt:

- *Eat healthily* to keep your energy levels up. Limit sugar, caffeine and alcohol intake to reduce their 'unnatural' temporary highs.
- *Lift your mood* by exercising and spending time outdoors. Physical activity and natural sunlight are effective natural treatments for depression.
- *Never go it alone.* Talk to your spouse and your loved ones. If you're too embarrassed to do so, chat to your GP or call SADAG on 0800 70 80 90 for information and referrals to free counselling centres countrywide. 🍏