

How to survive from debt stress when everyone else is complaining about the rising cost of living

For Immediate Release

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South African consumers are reeling from the tough economic conditions, which have led to many of them becoming over-indebted.

In June the repo rate was increased by 50 basis points to 12%, bringing the prime overdraft rate to 15, 5%. Higher fuel prices have also pinched household income and consumer sentiment has fallen to its lowest level in four years. As a result, the average household pays more than 10% of its monthly income servicing its debt.

But Peter Setou, Senior Manager: Education & Strategy at the National Credit Regulator (NCR), advises that there are survival tactics debt stressed consumers can use to survive the current economic onslaught:

- Know your financial status – It helps to know all your creditors.
- Communicate with your credit providers – When you are experiencing problems repaying your debts, contact your creditors and discuss your situation with them.
- Avoid getting more debt, rather downgrade and change your lifestyle – If you drive an expensive car consider a down grade for a less expensive car as it'll reduce your monthly instalment thus enabling you to pay other debts. Also consider using public transport.
- Look twice for a better price – When you do your groceries compare prices across major stores and settle for less.
- If you need professional support and a helping hand, contact the NCR for a registered debt counsellor on 0860 627 627. Remember that when you are under debt counselling you are not allowed to get further credit until your debts have been settled.
- If you are facing repossession, seek advice as you have rights.

Below is a list of items that Setou suggests that you can consider cutting from your budget in order to stay afloat:

- Alcohol
- Tobacco / cigarettes;
- Entertainment
- Club membership
- Pay TV / Satellite TV
- Holiday clubs
- Gambling

Setou stresses that this is the time for consumers to take control of their finances. "Know exactly where you spend your money – we all need to start making smart, conscious choices about our finances."

In addition, go to your financial advisor and review the insurance contracts that you have. You may find that you do not really need some of them. Remember to get advice on this before making any decision.

"Only buy items that you cannot survive without and look for specials. If you are used to buying takeaways or eating out cut on this and prepare your own food. This may also prove to be healthier," says Setou.

He concludes: "Use any savings you are making from your adjustment to pay the most expensive loans such as micro loans followed by your credit card."

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