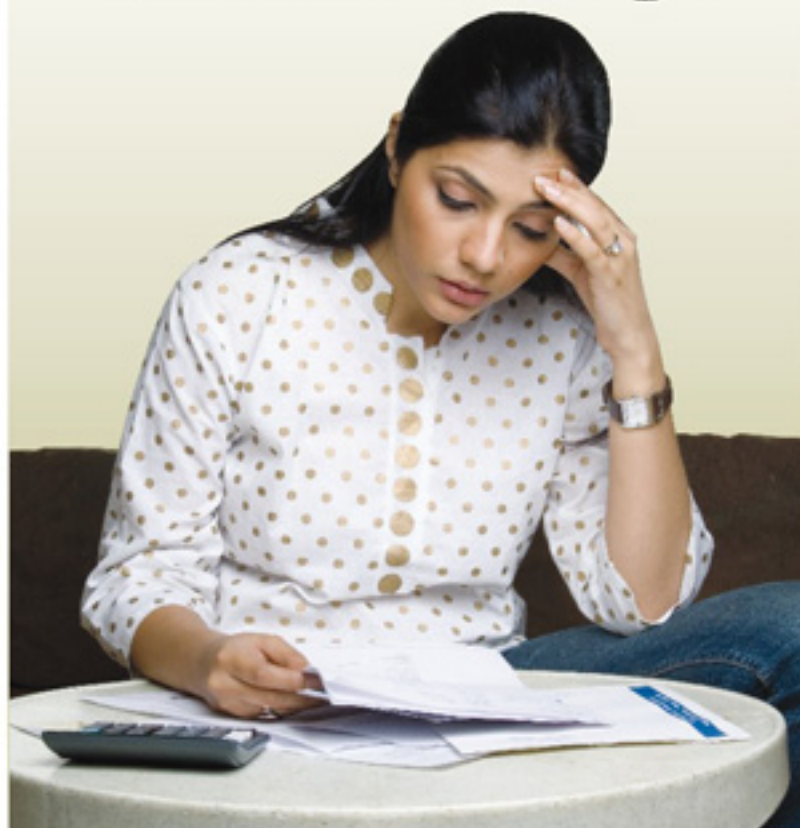


Need Financial Counselling?



Anita is a working professional doing very well at her job. But she wants to quit. She has run up large credit card bills that she simply cannot pay. When she came for financial counselling, all she wanted was to leave the city. Can counselling help Anita? How can she move to a better financial life?

Power



Being employed brings with it the power to spend. To be able to buy what one fancies can create unhealthy spending habits. The amounts are small, but add up over time. Anita needs a behavioural change away from instant gratification.

Budget



Anita finds it a bore to make the monthly budget. She feels it cuts into her freedom to spend on impulse. Even if she does make a budget, it is only on paper. A budget can help Anita ensure that her spend is within her income. She will also know where she is spending too much and thus can cut back.

Shop-a-holics



Psychologists have analyzed shopping addiction. The power to choose, bargain, get approval from the salesmen and co-shoppers, the possessing of the object of desire, the jealousies of the peer group – all these provide the shopper with a feeling of well being. Anita's problem is her emotional intelligence, not her credit card alone.

Pain and Pleasure



Shopping with a credit card tends to separate the pleasure of buying and the pain of paying. When the bills arrive, Anita knows that she has over-spent. By postponing the payment, she almost wishes it away. She should use a debit card until she is able to rein in her spending habit.

Roll-over



By paying the minimum balance in a credit card, Anita tells the issuing bank that she is taking a loan of the unpaid amount. Rolling over postpones the payment, but builds up a high-cost loan. Anita should not roll over her dues, until she learns to spend more carefully.

Multiple Cards



Anita kept taking on new cards, and holds eight of them with various amounts outstanding. These have to be settled by her anyway, whichever be the card. She should stick to a single card, or a maximum of two cards. Spreading her loans does not make them lesser.

SMS CONTEST

Question

Paying the minimum amount due in a credit card bill amounts to ____.

Answer

- A. making the full payment
- B. taking a credit card loan
- C. eligibility for interest waiver

To answer SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.* Contest open for the day of publication.

*Terms and conditions apply. Visit www.dishafc.org for details and winners.

Consolidate



Anita should meet her banks. She should consolidate the outstanding debt into one or two cards. She should convert the outstanding payment into a lower-cost personal loan, and repay over time.

Anita's decision to see a financial counsellor can help her understand her problems and sort them out. Counsellors can also help her present her case to her banks, and may seek to negotiate the repayment of her dues. She now knows that running away may not be the solution: Standing up to her debt and paying them off over time, is. We will see where to seek financial counselling and how counselling can help in the next, concluding part of this series.

Center for Investment Education and Learning

DID YOU KNOW?

Taking a high-cost loan to repay another, low-cost loan will ultimately lead to a debt trap, where repayment cannot be done without further borrowing.

FAQs

Should I take private loans to pay off my debts to the bank?

Private loans can be much more expensive than loans from banks. First, take the facts to your bank and seek their help and try to negotiate a settlement. Second, try and convert your outstanding loans into personal loans that can be repaid as EMIs. Never get into a higher-cost debt to pay a lower-cost debt.

Will a bank give a personal loan to repay the credit card amount outstanding?

Yes, banks do provide personal loans, but the borrower needs to satisfy the other conditions for such a loan. If the borrower is eligible on the basis of repayment capability and the assessment by the bank of the credit risk, a personal loan may be given.

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send as an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

DISHA Financial Counselling

www.dishafc.org

**Can't repay your debt?
Walk in for free counselling**

For guidance, SMS DISHA to 53030.

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