

How to be debt-free



Whether you owe £500 or £50,000, financial educator **Alvin Hall** shows you how to work off that money hangover

Credit cards, loans and overdrafts... oh my! Debt is scary, but there are ways to get on top of it. 'There's no quick fix and it will take time,' advises financial educator Alvin Hall (alvinhall.com).

'But don't beat yourself up for getting into debt. Realise you made a mistake,

then forgive yourself for making that mistake and commit to making a change. People often worry that once they're labelled as someone who is bad with debt, they will always be bad with debt. But it doesn't have to be that way.'

So whatever your financial overspend, just follow Alvin's simple steps to help you clear it – for good.

List what you owe

'First you need to itemise every debt individually and how much interest you're paying on them,' says Alvin. It sounds simple, but a lot of us are too scared to actually tot up all our separate debts.

DEBT	INTEREST RATE PER MONTH
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Sort out your spending

'Note down exactly how much income you're taking home each week or month,' says Alvin. 'Then it's time to pay a lot of attention to your discretionary and necessary spending.'

Necessary spending is everything you need to spend to keep your life on track and a roof over your head. This includes paying your bills, rent/mortgage, having a phone, putting food on the table

for your family and all the things that keep you going to work/earning money.

Discretionary spending is things like going to the pub, treating yourself to a new pair of shoes and spends that look like necessities; typical examples are buying too many kids' clothes and over-buying food (not looking in the fridge for what you already have/wasting food by not planning meals).

Face your debt today!
Add up all you owe

INCOME £ _____

DISCRETIONARY SPENDING

What _____ £ _____

What _____ £ _____

What _____ £ _____

NECESSARY SPENDING

What _____ £ _____

What _____ £ _____

What _____ £ _____



Cut 'n' save

'Paying off debt is all about where you can make individual savings,' says Alvin. 'There isn't a formulaic answer for how to do it. As a rough estimate, it takes people about four times as long to get out of debt as it took them to get into debt.'

'It's not what other people think you should do, or what they're doing, it's a personal project. There's no set benchmark, but everyone should be able to find around 10% of their take home salary to commit to paying off their debt, just by cutting back.'

Alvin's top tips

You'll get to see and feel how the quantity of money shrinks as you spend it – which makes you much more careful with it in future.

DO A TRIAL MONTH

Write down every single thing you save and spend – from petrol in the car to that 60p you didn't spend on chewing gum. Then review to see where you can make more cuts. Don't scrimp on necessities, focus on the discretionary spending, but not so much that it leaves you frustrated and causes you to yo-yo and end up in more debt. Get a handle on over-buying – gifts are a common area where this happens. Presents are associated with love, but that's not right. Buy just one gift for your child on birthdays.

will help improve your credit rating. You may then be able to apply for a credit card where you can consolidate all your debts in one place to pay off further down the line.

CAREFULLY EXPLAIN TO YOUR CHILDREN about cutting back. They may even come up with ways to help you save.

TURN FINDING MONEY TO PAY OFF YOUR DEBTS into a game. Let yourself get competitive; once you start doing it you'll want to go further and further.

MAKING HOME IMPROVEMENTS is another discretionary spending trap. Resist the urge of: 'Oh that would cheer the place up'. Instead make the most of sites like uk.freecycle.org where you can give away your unwanted stuff and nab other people's for free.

SET YOURSELF A TARGET of how far you can get in five to six months. If you're doing well, treat yourself to something small. Let this treat motivate you.

DO AS MANY FREE THINGS as possible (see page 58). Remember you don't need money to have a good time.

ALLOCATE MOST OF THE SAVINGS

you're making to paying off the debt with the highest interest rate first as this is the one costing you the most. Ensure you're making the minimum payment every month to all the others too. Doing this will not only shrink your debts, but

ONCE YOU HAVE TACKLED the biggest debt, take on the next one and then the next.

IF YOU STILL FEEL PRESSURED, get in touch with your local Citizens Advice (citizensadvice.org.uk) or Step Change (stepchange.org), the Government's debt charity. A third party can give advice, perspective and support on where to cut and how to cope.



♦ Alvin's new book *Your Money Or Your Life*, Revised Edition, (£13.99, Hodder & Stoughton) is out in May