



Melbourne Veterinary
School

Personal financial management Debt

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VETS30030 / VETS90122

Intended learning outcomes – Personal financial management



Faculty of Veterinary
and Agricultural
Sciences

1. Interpret a cash-flow budget in order to monitor personal finances and diagnose behaviours that undermine financial security
2. Explain and apply the principle of compounding in order to maximise savings and minimize
3. Demonstrate an understanding of financial strategies to assess and manage debt in order to return to financial security
4. Demonstrate an understanding of saving and investing strategies on a limited budget, as well as the benefits of setting up one low-cost superannuation fund, in order to increase financial security

Debt outline

ILO: Describe financial strategies to assess and manage debt

- Types of debt
- Consumer debt - credit cards, BNPL, early access to wages and consequences of failing to pay
- Alternatives to consumer debt – debit cards, Unimeib loans, Austudy
- Strategies for managing debt



<https://www.freepik.com/free-photos-vectors/debt-cartoon>

Debt

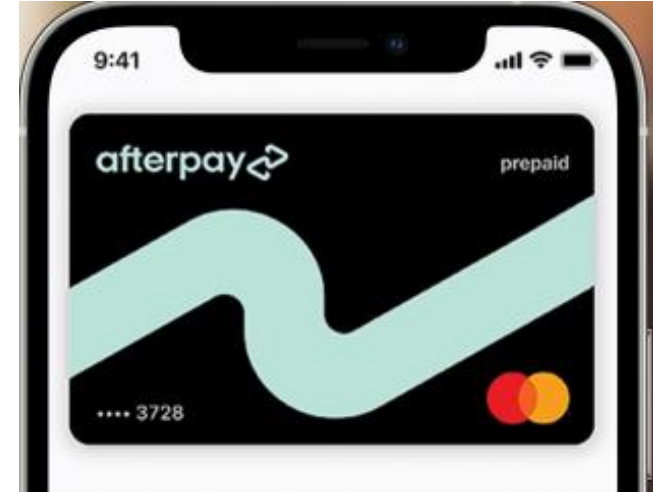
- Two very different categories of debt
- 'Good' debt: borrowing to buy something that will produce income and increase in value over time
- Student loans
- Safe car
- Own home



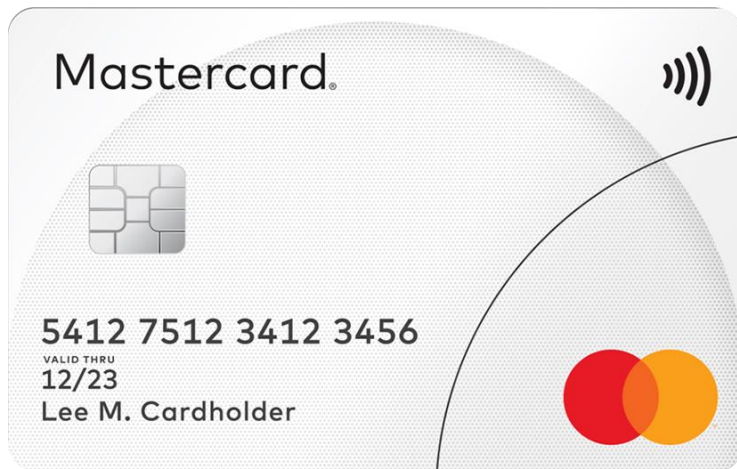
<https://www.shutterstock.com/search/home-buying-cartoon>

Debt

- 'Bad' debt: all other borrowing
- E.g. credit cards, buy now pay later (BNPL)



<https://www.afterpay.com/en-AU/afterpay-card-merchant>



<https://www.mastercard.com.au/en-au/personal/find-a-card/standard-mastercard-credit.html>



<https://mypaynow.com.au/>

Credit cards



<https://www.visa.gp/pay-with-visa/find-a-card/credit-cards.html>

MR JOHN SMITH
1 NERD HOUSE
WALLET ROAD
BOROUGH
NR1 2DS

Your credit card statement 13 January 20XX

Remember, when you purchase items with a credit card, you are protected under Section 75 of the Consumer Credit Act. This means that any purchase between £100 and £30,000 made with a credit card may be refunded by your credit card company if you were to find fault with the item or the seller.

Date of transaction	Merchant name	Description	£Amount	
25/12/20XX	XXXX XXXX	XXXX XXXX XXXX	£XX.XX	
29/12/20XX	XXXX XXXX	XXXX XXXX XXXX	£X.XX	
07/01/20XX	XXXX XXXX	XXXX XXXX XXXX	£XXX	
NEW BALANCE			£XXX	
Breakdown of balance				
Balance Type	Simple Annual Rate (%)	Effective Annual Rate (%)	Outstanding Balance (£)	Interest (£)
XXXX XXXX	XX.XX	XX.XX	XXX	XX.XX

* This template is for illustrative purposes only, and will not reflect how every credit card statement will look.

Your Bank Credit Card

Credit card number	1234 5678 9123 4567
Cardholder	Mr John Smith
Your credit limit	£XXXX
Available to spend	£XXXX
Next month's estimated interest	£X.XX

Summary of your account

Previous balance	£XXX
Payments received	£XXX
New transactions, fees and charges	£XXX
Your new balance	£XXX
Minimum payment due to reach your account by	£X.XX 20/01/20XX

<https://www.nerdwallet.com/uk/credit-cards/credit-card-statement/>

Credit cards – main financial impacts

- Late payment fees if the minimum is not paid on time
- Interest on amounts not paid in full by the due date i.e. if you only make the minimum payment
- If you have an outstanding balance, interest-free period does not apply
- Late payments might be added to your credit history and so have longer term impacts.

<https://www.taxreturn.com.au/credit-card-interest-guide/>



Debit cards – a safer choice

- Debit cards only allow you to spend money that is in your account
- Be aware that some debit cards have a credit option
- Most debit cards can be used as contactless payment and have a digital wallet option like Google Pay or Apple Pay so you can use your phone or watch to pay
- Should be linked to your everyday expenses account (“Blow”)

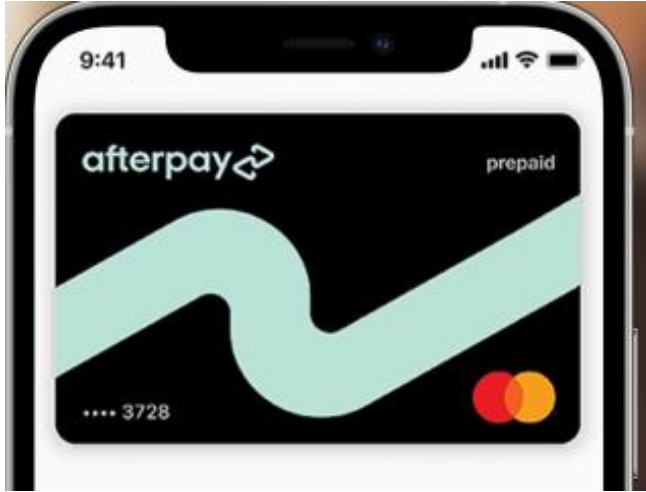
<https://moneysmart.gov.au/banking/transaction-accounts-and-debit-cards>



<https://www.regionalaustaliabank.com.au/personal/products/debit-cards>

Buy now, pay later

- Do not charge interest but have a number of fees



<https://afia.asn.au/BNPL-Fees>

Payday loans

- Let you borrow up to \$5000
- No interest, but a lot of fees e.g. establishment fee of 20% of borrowed amount



<https://www.finder.com.au/payday-loans/view-more-payday-loans>


Early access to wages

- Becoming more common in Australia
- Some companies are offering this to staff in-house e.g. Pizza Hut



Alternatives for borrowing money when needed

- Unimelb student loans – interest free
- <https://students.unimelb.edu.au/student-support/scholarships-and-financial-support/financial-aid/student-loans-and-grants>
- Youth allowance/Austudy (Aust residents only)
- Student loans in home countries

 Students > Student support > Finances and scholarships > Financial aid > Student loans and grants

Student loans and grants

Managing debt

- Make a list of debts – how much you owe, minimum payment, payment due date
- Work out what you can afford to pay using the cash flow budget
- Work out which are the highest priority debts e.g. rent
- **Seek help** if you cannot pay the high priority debts
<https://students.unimelb.edu.au/student-support/scholarships-and-financial-support/financial-aid>
- Once high priority amounts are covered, move onto other debts
 - Avalanche – minimum repayment on all, then concentrate on the loan with the highest interest rate
 - Snowball – minimum repayment on all, pay off the smallest debt first

Avalanche vs snowball

Nathan has the following debts:

Loan	Balance (\$)	Minimum payment (\$)/month	Interest rate (%)
Car	3000	100	5
Credit card	5000	100	20
HECS	12000	None	0 (although indexed to inflation)

Take home messages



Not all debt is bad



Beware of debt traps: avoid debt that has associated interest and fees



Look for alternative loans



Seek help from financial aid or another financial advising source if you are struggling