**Module 2: Debt Management**

What is debt?

For this specific module, let’s keep it simple.

It’s a duty or an obligation to pay back money under certain contractual agreement, generally with interest and a specified period of time, in either weekly, bi-weekly, monthly, quarterly, semi-annually or annual payments.

What is a good or bad debt?

Interactive

Examples:

* Borrowing for a house or investments is a good debt. Borrowing to buy goods that don’t appreciate in value or the interest cannot be written off for tax purposes is a bad debt.
* Buying with a credit card and not paying off the balance at the end of the month is a bad debt.
* Hurts your cash flow.
* Look for other examples of good or bad debt

Graduating from school with Debt:

Good or a bad idea now; you have good education but now you are in debt. Tackling this debt is a monumental task. Wouldn’t it be better if this had been planned better? In hind sight, if you had summer jobs during high school, college or university years a disciplined program to save and spend would have helped. What if your parents had a Registered Educations Savings Plan to fund your education?

How do you plan to fund your children’s education?

Cost of owning a car; Borrowing to buy a car or paying cash for a car. Buying a new or used car? The decisions you make will impact your cash flow.

Total Debt Servicing Ratio: All lenders look at this ratio to determine if you would qualify for a mortgage or other loans. Even though you may have a good credit score/rating, the TDSR is an important factor for lenders making a decision to offer a good rate on mortgage or personal loans. There are other factors. Your Net Worth will also be a consideration. Working with an advisor helps you build a solid plan, accumulate assets, increase your net worth, and decrease your debt.