06 Keep an eye on your spending and avoid debt.

"Every time you borrow money, you're robbing your future self". - Nathan Morris

Nobody sets out to be drowned in debt. People usually get into debt after a series of 'bad' financial decisions. Here are some practical steps you can take to better manage your finances and avoid debt.

7 tips for avoiding debt

1. **Have a budget and stick to it**: This simple tip can save you more money than you think. Experts advise spending 50% of your income and splitting the other half between savings (investments) and wants on a 20:30 ratio. With this, you are able to live below your means, have extra cash in case of emergencies and afford the 'nice' things of life.

2. **Prioritize your needs over your wants:** Even with a strict budget, you need to draw the line between what you need to spend on and what can wait. Avoid impulse buying and other unplanned spending.

3. **Pay with cash/upfront whenever possible:** Don't develop the bad habit of postponing payment even though you can afford it. After a while, these compound to become unwanted debt. If you have the money, pay for it. If you don't, consider postponing the purchase too.

4. **Plan ahead:** Annual events like birthdays, Christmas, and family vacations, etc. will come around every year so it would be good to plan ahead for them. Decide how much you would like to spend on them and invest towards it. Similarly, you should plan for large purchases so you can invest for them instead of taking a loan.

5. **Develop good financial habits:** Some practices that can help you save more money over time include buying things in bulk or on sale, cooking instead of eating out, and investing any extra cash from bonuses or pay raises. Though small, these habits have a huge impact on your finances over time.

6. **Have an emergency fund:** An emergency fund is your fallback account for unexpected events such as an accident, appliance breakdown or a job loss. Emergency accounts are important because life is unpredictable. Instead of borrowing anytime an expected cost comes, you can fall back on the money you've invested.

7. **If you cannot avoid borrowing, use the lender that offers the lowest interest rate:** If you must take on debt, consider offers with low interest or no interest at all. Loans from friends and family usually have lower interest rates than those from loan sharks or financial institutions. But before you take it, ask yourself if it is absolutely necessary.

If you are already in debt ...

- **Know who and what you owe:** Make a list of the people/ banks you owe, the interest rates, and when payments are due. Then plan how you intend to repay them.

- **Pay off the debts with the highest interest first:** Starting with high-interest rate loans will save you from compounded interest. But pay them off quickly so you can tackle the smaller ones too.

- **Consider other financing options in the future:** If are already in debt, try not to take on other loans. Instead, consider either payment in instalments or investing towards your goal.

How your investment can help you enjoy a debt-free life

Debt is debt – whether it is a small loan from a colleague at work or start-up capital from a bank. Debt not only affects your finances but also your mental and emotional wellbeing.

At Databank, we believe that you can be debt-free and financially independent. Whether it is capital for a new business, money for large purchases, education or emergencies, you can count on our range of short-to-long-term investment solutions.

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