



RESPONSIBLE DEBT MANAGEMENT

Taking out a loan/financing is a common part of financial planning. Whether it is for buying a home, pursuing further studies, or starting a business, responsible debt management can help you achieve your financial goals. Poor debt management, on the other hand, can lead to financial stress and instability.

In conjunction with National Financial Literacy Day (NFD), here are some tips for managing debt responsibly:

1. Understand Your Debt

Do you know how much of your income goes to paying off loans? This is your Total Debt Service Ratio (TDSR). It shows the percentage of your monthly income used to repay loans or financing. While banks may allow you to borrow up to 60% of your monthly income, it is wiser to keep it under 35% so you have enough left for your daily needs and do not feel overwhelmed.

To get started, list all your monthly financial commitments, including the amount, interest rates, and due dates for payments. Having a clear picture of your debt helps you stay in control, avoid late payments, and build strong financial habits for the future.

2. Prioritise Repayments

Have a clear strategy to repay your debts. One effective approach is to prioritise high-interest debts first, such as credit cards, known as the avalanche method, which aims to reduce the total interest paid over time. Alternatively, you can consider the snowball method, which focuses on paying off the smallest debts first to build momentum and stay motivated.

3. Check Your Credit Report Regularly

Make it a habit to check your credit report regularly. This helps you stay informed about your credit health, spot any errors, and ensure you are not a victim of identity theft. Banks use your credit report to assess your creditworthiness when you apply for loans/financing. Maintaining good credit health is a crucial part of financial planning and can enhance your chances of securing more favourable financial terms in the future.

4. Seek Professional Help

If you are overwhelmed, consider speaking with your bank or a qualified, certified financial planner from the Financial Planning Association of Brunei Darussalam (FPAB) to address these issues. Addressing your concerns early can prevent them from escalating. You can reach out to FPAB by emailing persatuankewanganbrunei@outlook.com to get a consultation.

Responsible borrowing can help you meet your financial goals in a structured and manageable way. With the right strategy and support, you can ensure your commitments are well-managed without compromising your long-term financial stability.

National Financial Literacy Day is a financial literacy event led by Brunei Darussalam Central Bank (BDCB) and supported by the National Financial Literacy Council. Among the objectives of this event are to:

1. Enhance the level of financial literacy in Brunei Darussalam
2. Promote smart money management
3. Increase awareness of financial products and services available in Brunei Darussalam.

Together, we can create a financially literate and resilient society.