



**PUBLIC MUTUAL**

WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

DEBT MANAGEMENT

# Break The Cycle And Live A Debt-free Life



**Nurturing Your Investments With Care**

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No.1\* in Unit Trust & Private Retirement Scheme

PUBLIC MUTUAL BERHAD (197501001842 (23419-A))

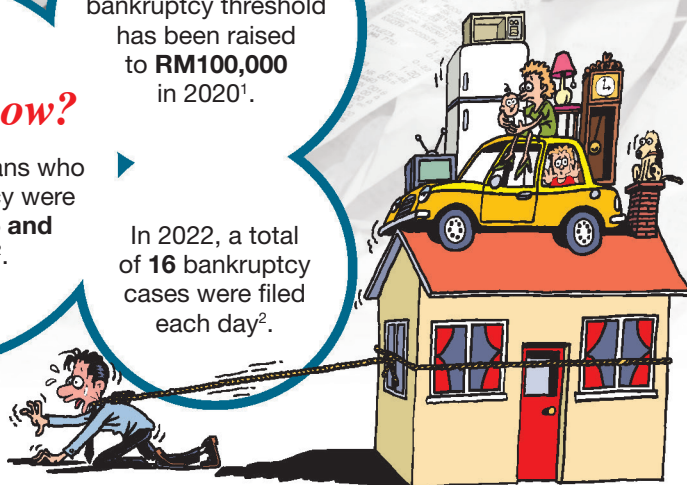
**“You might get 85 years on this planet - don’t spend 65 paying off a lifestyle you can’t afford.”** – Cait Flanders –

## ***Did You Know?***

37% of the Malaysians who declared bankruptcy were aged between **35 and 44 years old**<sup>2</sup>.

The minimum bankruptcy threshold has been raised to **RM100,000** in 2020<sup>1</sup>.

In 2022, a total of **16** bankruptcy cases were filed each day<sup>2</sup>.



Debt is a double-edged sword. If debts are managed well, they will improve our lives and help us accomplish our goals, for instance obtaining an education, purchasing a home or expanding our businesses. If they aren’t, they will invite problems into our lives.

So, how do you know if your debt is kept at a healthy level? Let’s take a look at the debt-to-income ratio (DTI):

$$\text{DTI} = \frac{\text{Monthly Debt Payments}}{\text{Gross Monthly Income}} \times 100$$

### **EXAMPLE**

Gross income:	RM6,000
Monthly debt payments:	
• Home mortgage	RM1,500
• Car loan	RM600
<b>DTI:</b> $(\text{RM}2,100/\text{RM}6,000) \times 100 =$	<b>35%</b>

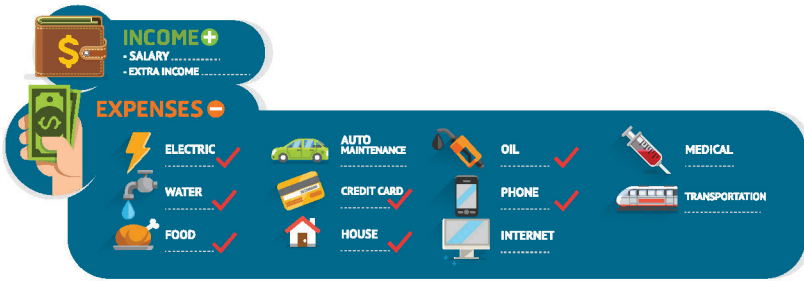
### **GENERAL RULE OF THUMB**

**The ideal DTI is 36% or less.**

Anything beyond that implies a need to either cut down the debts or increase the income.

<sup>1</sup> Section 5, Act 360 Insolvency Act 1967

<sup>2</sup> Malaysian Department of Insolvency, Bankruptcy Statistics 2022 (data from 2018 to September 2022)



**Dealing with debt is not as difficult as you think. Just follow these steps!**

## 1 ANALYSE YOUR DEBT



Identify debts that do not create or add value to your net worth.

### EXAMPLE

- Debt with high interest rate such as credit card debt
- Debt arising from the purchase of items that depreciate in value over time such as a car loan

## 2 RANK YOUR DEBT

### EXAMPLE

- Although the car loan balance is lower, rank the credit card debt first as the interest rate is higher.
  -  **Credit card debt:** RM30,000 with 18% p.a. finance charge
  -  **Car loan:** RM10,000 with 3% interest rate

## 3 PAY OFF THE HIGH INTEREST DEBT FIRST

- If you could not make payment for all your loans, delay making payment for loans with the lowest interest rate.

## Here are some tips for managing your money effectively to avoid debt:

### START PLANNING

- Make a budget and stick to it
- Set realistic financial goals

### STAY DISCIPLINED

- Continue repaying the debt
- Track your spending
- Pay off your credit card bill on time every month
- Be a smart buyer and avoid impulsive purchases

### START SAVING / INVESTING

- Save to purchase something you really need
- Invest every month to achieve your financial goals

## Get In Touch with Us



Unit Trust Consultant



Public Mutual Branch/Customer Service Centre



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