

# Do not rob yourself of future income

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How would you take the thought that you are stealing money from your future income? That is what bad debt will do to you if you're not careful with how you spend.



I will classify bad debt as money borrowed for debts that were spent on non-emergency situations. A funny definition of a bad debt is “using money you don't have, to buy things you don't need, to impress people you don't like.”

But how will you avoid reckless spending that leads to debt? Here are some ways:

Change the way you see money.

The reason why most people go on a spending ban and binge spend after a month or so is because they view budgeting not as a lifetime goal but a short-term goal.

There are instances when you'd do it for a trip or for an immediate purchase but not as a lifetime habit.

This is just the same as being in a debt cycle.

You weren't born wanting to have debt for unnecessary purchases. This is fostered through time and repeated actions.

Make the most of your age.

Are you below 30 years? This is the time that it will be beneficial for you to start investing and saving. You have more time to build your savings for retirement. If you are over 30, don't fret.

There is still time to build your funds.

It will be challenging at first because it is not mainstream to live below our means. Achievement will be looked partially through your new gadgets or new car by your peers. Remember that your true friends will not care whether you have the latest models of anything but for your friendship. Avoid giving in to peer pressure.

This is also the best time to begin investing. If you invest P2,000 a month at 25 and you increase it by just 5 percent every year, you will have close to P7 million\* by the time you are 55.

\*(10 percent a year average return).

Imagine if you invest more and in diversified investments? You may want to look at pooled equity funds like mutual funds or UITF; or you can start buying select stocks yourself. Remember, study the investment first and never invest in something you don't comprehend.

Protect your loved ones.

This doesn't mean that you will stop causing debt, but this can go on until you die. I don't think you'd want your loved ones to pay for your wrong financial decisions.

Look through your life insurance coverage you have. Can this be used as collateral commitment to your loans so that no one will be bugged by this in the event that you die? Look at every debt you have and assess if this will be stretched until 20 to 30 years. Discuss this with your family members and your co-makers so they will get an idea and provide their insights on how you can bring this down.

Don't borrow money which will not help you make more money.

If you are borrowing money to put up a business, then that's good debt. If you are borrowing just to keep up with your neighbors or siblings, then that's a bad one.

Ask yourself these questions before buying anything with borrowed money: "Do I really need this?" "Can I find a more affordable option?"

"Will this make me more money?"

Compare prices before making major purchases.

Find other streams of income.

Let's face it: one definite way to avoid debt is to have multiple sources of income since this can empower you to buy items in cash. Find ways to get other sources of income through online portals. Multiple streams of income is a good idea!

You can achieve anything you concentrate and focus on and avoiding bad debt is no exception. Keep in mind that having bad debt robs you of your future income so avoid it as much as you can. Debt can be good, bad or ugly; wisdom dictates you know which is which. Planner of RFP Philippines. He is best-selling

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