

Young People Warned About Debt Risks

Many young Brits are putting their financial futures at risk by trying to fund a fashionable lifestyle that is beyond the reach of their wallets, it has been claimed.

May 1, 2008 (FPRC) -- Cliff D’Arcy, a personal finance commentator, has stated that debt in itself is not the root of such young people’s problems - it is overspending that causes them to build up their borrowing until it is no longer manageable.

To avoid getting into a situation where consolidation loans might be necessary, he suggests avoiding impulse buying and ensuring that money is spent as efficiently as possible.

“Try and get more bang for your bucks,” Mr D’Arcy explains. “Instead of going out on impulse and buying, sit down and try and make the most of your money. Try and shop around online – you can get 30 to 50 per cent discounts – haggle, bargaining, look around rather than just buying the first thing you see. Maybe you don’t need it today and next week and at half the price, it’ll be better.”

Anyone who has found that debts on credit cards and loans have already been accumulated to the point where they are no longer able to service them might consider debt consolidation. By combining existing debts into a single lump sum it is possible that such borrowers could start to repay their borrowings, putting them back on the path to financial stability,

A second danger that the writer identifies is failing to keep a close enough eye on overdrafts. By spending beyond the limit of an overdraft, consumers can end up paying not only for their purchase but also whatever charge the bank elects to impose for breaching the agreed limit. Mr D’Arcy, who writes on occasion for the Motley Fool, remarks that “bling-itis” can be identified as a further cause of debt among young people, as they feel that they have to purchase flashy items to keep up with their peers. Gadgets, clothes and cosmetics can make individuals feel good in the short term but their high cost can lead to spiralling debt, he warns. “Two-thirds of ... young people have admitted that they are still trying to clear credit card debts that they built up two years ago. This ‘Bling-itis’ is edging them towards bankruptcy.”

His observations follow recent research released by mobile banking firm Monilink which found that more than one in five young people prefer to spend their money on treats rather than saving it. Additionally, 56 per cent believe that they are judged on their appearance and possessions, while more than one in five (22 per cent) find repaying debts such as loans and credit cards a strain.

The debt consolidation loan route has recently been described as a “welcome lifeline” for those whose spending has resulted in debts that they are struggling to manage. Head of personal finance at the Motley Fool David Kuo has said that applying for such a loan can be instrumental in putting those with much borrowing back on the road to financial recovery.

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