

Creditline

Contributed by Administrator

EXPLANATION OF LINE OF CREDIT

Your finance package may incorporate a Line of Credit which is simply a combination of a bank account and a loan. As a bank account, you will receive a cheque book and a cash card allowing you to access cash via an ATM EFTPOS machine, or over the counter at a Branch or a Post Office. As a loan, the Line of Credit will be overdrawn.

To operate a Line of Credit effectively you need only the Line of Credit and a Credit Card with an Interest Free period.

If you have an Investment Loan this is set up separately, the payments are made automatically from the Line of Credit as follows:

Put all
income,
savings,
salary,
rental,
tax benefits etc.
into the
Line of Credit

Line of Credit

AUTOMATIC PAYMENT

INVESTMENT LOAN

FIXED INTEREST ONLY.

*AUTOMATIC PAYMENT

Credit card with interest free period.

*Note for automatic payments to the credit card, it needs to be with the same institution as the Line of Credit. Otherwise payment needs to be done manually.

Use the credit card wherever possible for all your spending i.e. Grocery shopping, Entertainment, Clothing, Petrol/Repairs, Phone/Gas/Electricity etc.

The more money you put into the Line of Credit and the longer you leave it there the less interest you pay and the more Principal you pay. The more Principal you pay the less interest you pay etc. etc.

The faster your Line of credit balance reduces, the more you are able to redraw in case of unforeseen financial hardship or for a larger purchase item.

LIMIT \$50,000

In this example you can see how in month 13, \$15,000 was taken out to buy a new car, still leaving a \$10,000 buffer for unforeseen emergencies.