



THE DEBT TRAP

A debt trap is a situation in which a borrower is led into a cycle of re-financing, or rolling over their loan payments due to their inability to afford their scheduled loan principal payments. These traps are usually caused by high-interest rates and short financing tenures.

The dangers of debt and it causes.

Uncontrollable spending can strain your finances and push you towards a debt trap. People who cannot control themselves often end up buying things on credit and paying it on fixed monthly instalment basis. This will lead to shortage of money that can be spent every month, making it difficult for you to save for retirement or vacation. Debt can lead to stress, depression, other health issues, and in some serious cases, even suicide.



How do I avoid debt trap?

Avoid taking on too many additional loans. While you're already loaded with considerable debt, you should avoid taking on even more. Ideally, all your loans should be no more than 40% of your take-home income.

How do I overcome debt trap?

Opt for debt consolidation, one of the best ways to get out of a debt trap is through debt consolidation. This means that you can take a new, lower-cost Personal Loan and pay off several of your pending debts. Through debt consolidation, you will be able to combine multiple number of debts into a single debt.