

Money Matter\$ - 22 February 2024

By Standard Chartered Bank

Title: Personal Loan – A Financial Management tool

Loans are thought to be a negative financial tool, often associated with being financially unstable, however with proper financial planning and information, personal loans can help spread financial burden and make heavy expenses more manageable.

One of the most flexible credit products available, the personal loan is now being used by many as a tool that helps households manage their finances better and consolidate their debts to spread it out. Here are some benefits when considering whether to take on a personal loan:

The better short-term credit product

In terms of interest, a client taking on a personal loan would pay about 7.5 per cent per annum when compared to a credit card's 18 per cent per annum. Credit card debt can potentially become "revolving" debt. You have a limit on how much debt you can have on the card; the amount of credit you have available from month to month depends on how much you spend and how much you repay.

Use a credit card only for purchases that you'll be able to pay off by the due date, like daily expenses or monthly bills. By clearing your credit card bills before the payment due date, your credit card bills will not attract any interest for the month.

Unlike credit cards, a personal loan is "instalment" debt where you receive the funds in a lump sum and then make fixed equal monthly repayments over a specified period, usually between two to five years. Your loan payments will include principal and interest.

Personal loans are best used for longer-term financing. Since personal loans typically have lower interest rates than credit cards, they're a "cheaper" option if you aren't able to pay off your balance in full each month.

Cash Disbursement

When a customer takes on a personal loan, the customer receives cash in their account. This means that they can use the cash for various personal and professional payments. It can include making payments to contractors for minor home repairs, it can be paying for medical fees or university fees. It can even be for small purchases like a laptop, or as large as purchasing an automobile. If your loan entitlement allows it, it can be for all of the above.

Quick Application and Disbursement

The beauty of a personal loan is that it is one of the quickest lines of credit to obtain. It also is the simplest credit product to apply for. Many banks often require up to date payslips, official identification and employment letter or contract. Upon approval, a client can have their personal loan disbursed in as quick as 24 hours.

The basic requirements to apply for a personal loan include, a copy of your identity card/passport, salary slips (normally the past three months) and an employment letter or contract.

Flexibility

Customers can generally take out any amount that they want (up to 18 times their salary) in Brunei. The financially savvy customer has already calculated what they need and would take up that amount to ensure that they aren't going to spend beyond what they can afford. In some cases in the past, customers would take up their full entitlement landing themselves in unnecessary additional debt. Nowadays, the financially savvy customer takes out what they need for a specific purpose, and manages their finances based on that.

No matter what your use for a personal loan is, it pays to shop around for the best offers in the market. Many banks tend to have promotional rates or packages that could end up saving you more money. This is especially true during the festive seasons. The idea is always to plan ahead and only take out a loan when necessary. When used properly it could lighten your financial load and save you money in the long term

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