

## Handout

# Debt and overindebtedness

**Note:** We recommend that you read Debt and overindebtedness before completing the tasks in this handout.

Oliver is a plumber and has been working in his job for several years. He receives a monthly net wage of EUR 1,800. In his bank account, Oliver currently has savings of EUR 5,000.

### Aufgabe 1:

In which of the following situations is Oliver in debt?

|   |                                                                                                            |
|---|------------------------------------------------------------------------------------------------------------|
| 1 | On a night out, Oliver borrows EUR 20 from a friend for a taxi home.                                       |
| 2 | Oliver uses his bank card (debit card) to pay EUR 55 for a meal in a restaurant.                           |
| 3 | Oliver buys a new television for EUR 2,000 online. He chooses the “buy now, pay later” payment option.     |
| 4 | Oliver books a flight for his next vacation online and uses his credit card to pay EUR 300 for the ticket. |

### Questions for reflection on your own debt situation

**Think about your current debt situation and ask yourself the following questions:**

- Have I borrowed money from friends or family lately and not paid back yet?
- Are there any bills I haven't paid?
- Before buying something, do I think about whether I can really afford the purchase, or do I tend to make spontaneous buying decisions?
- Do I know my credit quality, has it been affected by my debt situation?
- Do I have reserves for unforeseen expenses or emergencies, or does my budget leave very little room for extra expenses?
- Is there enough money in my account so that it won't go into the red?
- Why am I taking on debt? Am I borrowing money for consumer goods or services like furniture, electronic devices or leisure activities?

- What is the value of the things I have bought on credit, and how high is my debt by comparison?
- Am I able to pay back my debt in time?
- Would I be able to pay back my debt even if my income were lower?
- Have I taken out a loan that still needs to be repaid?
- Have I bought something on installments for which there are still outstanding installments?

## Question for reflection: debt traps

### Which of the following are potential debt traps for me?

#### *Going out and ordering in:*

How often do I eat out? How often do I order takeout instead of cooking? How often do I buy snacks on the go? How could I save money?

#### *Subscriptions and memberships:*

Do I have memberships that I hardly use at all or use only rarely? Are there subscriptions I could actually cancel? Are there cheaper alternatives to certain subscriptions?

#### *Telecommunications and new media:*

How much does my mobile phone plan cost? Is it more expensive than plans by other providers? How much does a new phone cost compared to an older or refurbished phone?

#### *Insurance:*

What insurance policies do I have? What do they cover? Are there any overlaps?

#### *Overdrafts and payment in installments:*

When was the last time my bank balance was negative? Have I bought something on installments recently? How much interest does my bank charge on overdrafts?