

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. (yes)
2	Oliver uses his bank card (debit card) to pay EUR 55 for a meal in a restaurant. (no)
3	Oliver buys a new television for EUR 2,000 online. He chooses the “buy now, pay later” payment option. (yes)
4	Oliver books a flight for his next vacation online and uses his credit card to pay EUR 300 for the ticket. (yes)

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?