

WHAT TYPE OF BORROWING IS BEST FOR ME?

Most of us will probably have to borrow money at some point in our lives. Whether it's getting your first car, buying your first home or even travelling the world, it's important to know what your different options are.

Q1

You've got a lot of social events coming up this month which will take you over your budget. You think you'll be around £300 short. What might be the best borrowing option to tide you over?

- A.** Personal Loan
- B.** Credit Card
- C.** Arranged Overdraft

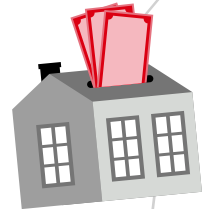


Why?

Q2

You've been renting for the last five years, and you're sick of your flatmate's terrible singing. It's time to think about buying your own place. You've saved £20,000, which is more than 15% of the value of the house, but you still need £105,000. How are you going to get your hands on that amount of money?

- A.** Personal Loan
- B.** Credit Card
- C.** Mortgage



Why?

Q3

Congratulations, you've just bought your first home. Now it's time to decorate. You want to start with a kitchen renovation and have managed to save up £3,000. You need another £1,000 to get the job done. What may be the two best ways to get the rest of the cash?

- A.** Personal Loan
- B.** Credit Card
- C.** Arranged Overdraft



Why?

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ANSWERS

Q1

ARRANGED OVERDRAFT

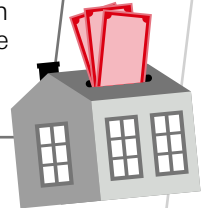
£300 is a relatively small amount of money so an arranged overdraft would be best here. If you can save £100 every month for the next 3 months then you'll have your debt completely paid off, with only the interest left to pay. Just remember not to go over your arranged amount.

-£

Q2

MORTGAGE

The best option here would be a mortgage, a type of loan especially for property. It allows you to borrow large amounts of money to be paid back over a longer term, usually between 5 and 35 years. You'll also need to consider how you'll pay the moving costs and solicitors' fees, as those also add up and won't be covered by your mortgage loan.



Q3

PERSONAL LOAN OR CREDIT CARD

A personal loan or credit card is best here. You need to make a payment each month with both. With a personal loan, you agree the time and amount you pay back up front. With a credit card, the repayments are up to you, so you have to be more disciplined and make sure you pay off an amount each month.

