

Addicted to credit – choice or necessity?

➤ Life in the '50s and '60s.

We had:

- Employment
- Housing
- Education; but.....



➤ If you wanted a lounge suite you saved for it.

“This gargantuan pile of the ‘retail future’ arrives in time to stand as a giant monument to the hubris of the nation. (It is) a wavy-roofed, 46 acre museum to the credit-fuelled culture of irresponsible spending. Or, in other words, what is fast looking like the retail past” (The Daily Telegraph)

Addicted to credit – choice or necessity?

Credit crisis?

or

Debt crisis?



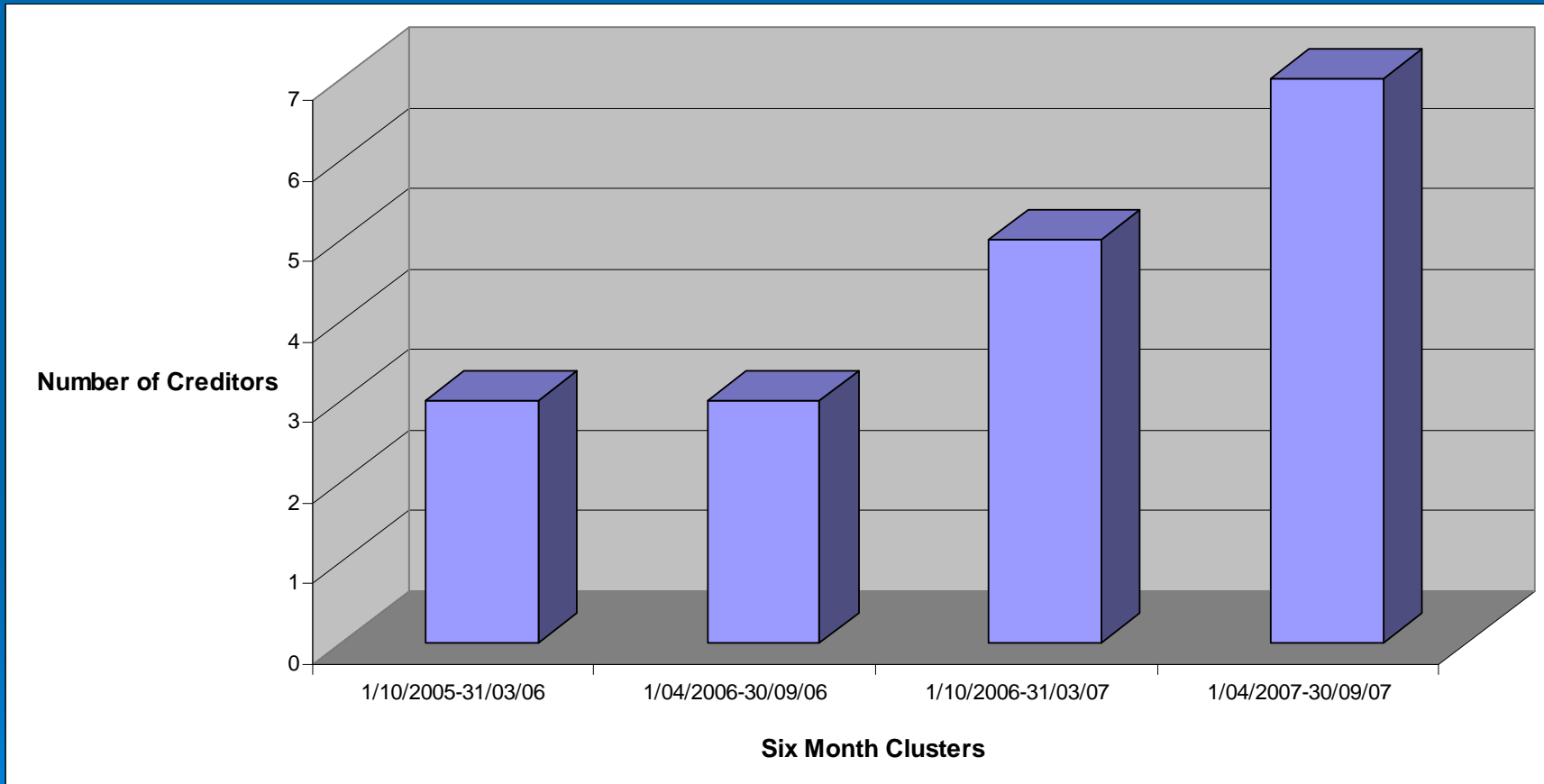
Addicted to credit – choice or necessity?

- 1. Is there evidence of a personal debt crisis in Tasmania/Australia?
- 2. Fringe Lending – Is it really that bad?
- 3. Alternative Credit
- 4. Alternatives to Credit (Savings)
- 5. Other non-credit solutions

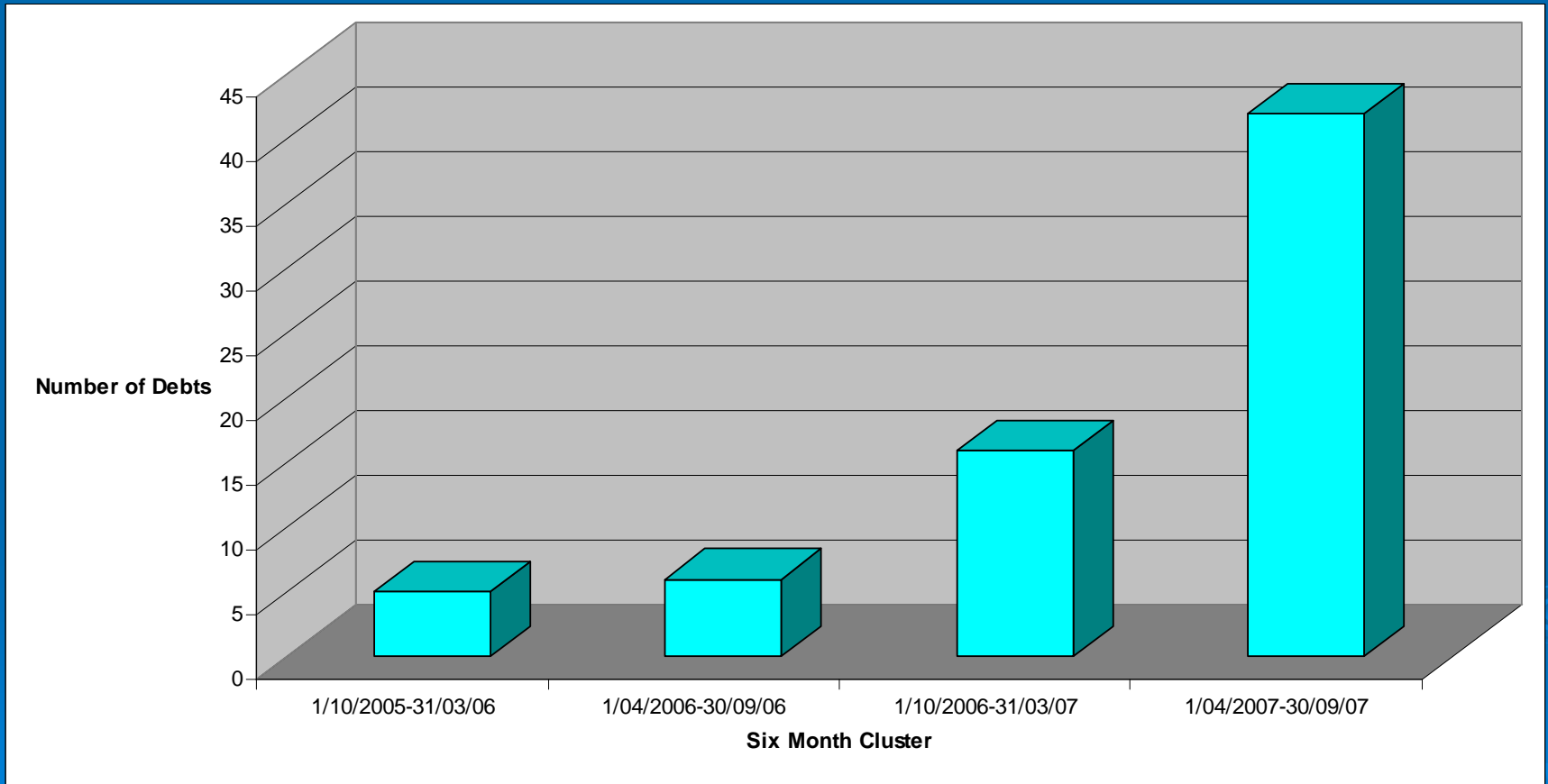
- **‘over the past decade, household debt in Australia has grown at an average annual rate of just under 15 percent. As a result, the debt to disposable income ratio has roughly doubled from 75 percent to 160 percent in the period....high in comparison to other countries.’**

- **in September 2004 the total outstanding on Australian credit cards was \$28 billion. By March 2008 the balance was over \$43 billion.**

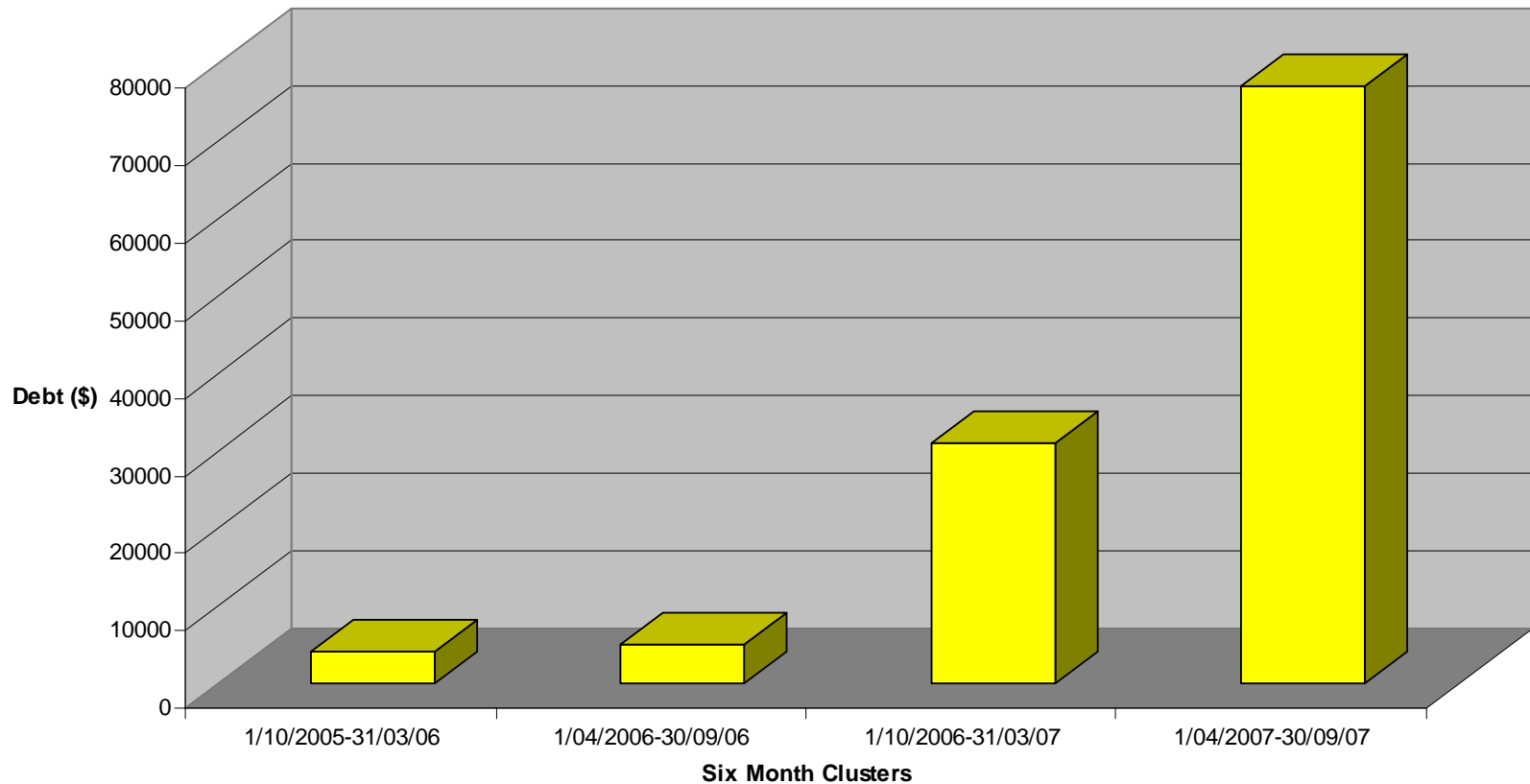
The Number of Creditors in Each Six Month Period



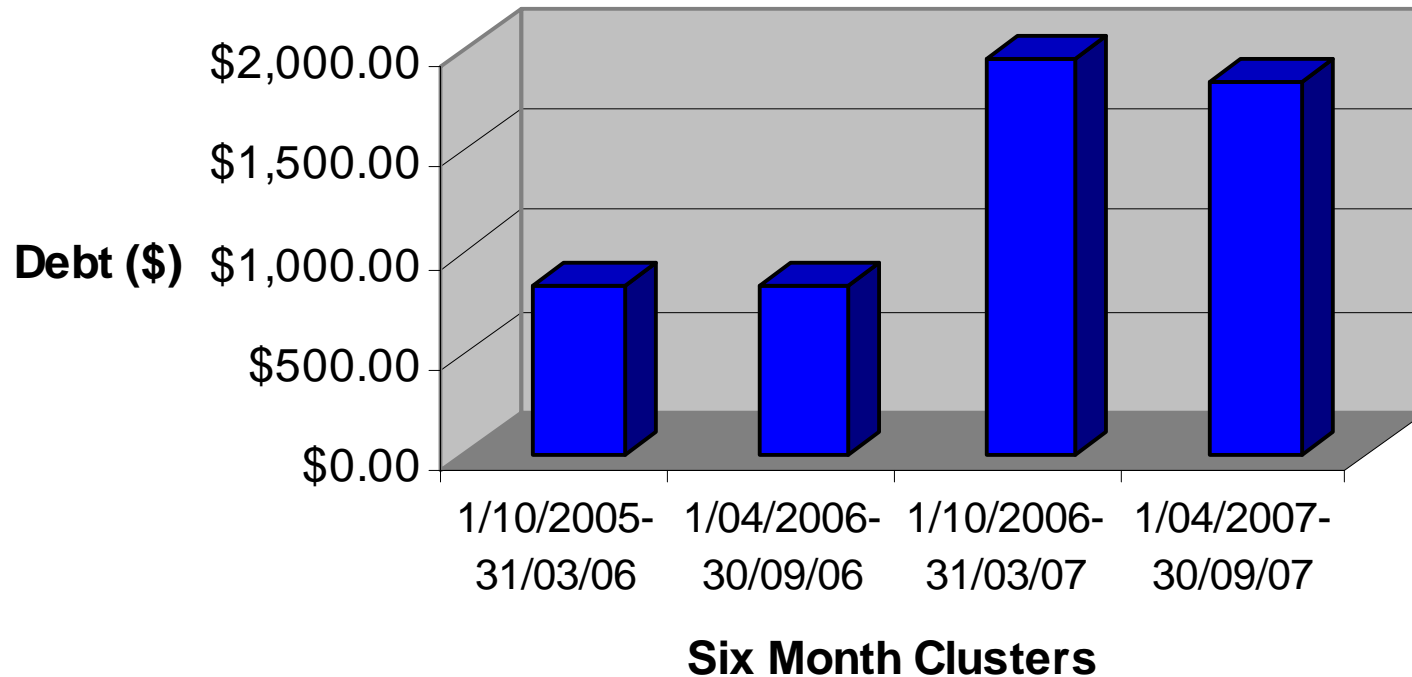
Number of Debts Disclosed for Each Six Month Period



Total Amount of Debt Owning for all Creditors in Each Six Month Cluster



Average Debt Disclosed for Each Debt Holder



Fringe Lending in Tasmania

Pan Pacific	Tassie Cash
Cash Converters	ANR Loans
Safrock Finance	AMX Loans
Credit Corp	Fast Access Finance
GE Money	Cash Store
Cash Stop	GlobalMoneyLine (GML)

Pay Day Loans

- cash loans to meet short-term requirements such as car registration, rent, food.
- average loan might be \$250.
- Loan period: 7-62 days.
- Fees and charges instead of interest.
- loans quickly approved (often inside an hour).

Mary:

“ I borrowed \$250 so I had enough to take the kids to the show. I paid them (Cash Converters) \$336.”

Coogan's

Fisher/Paykel 248 Litre Fridge

- cash price \$719
- 12 months @\$15.69/week \$815.88
(cost \$96.88 or 13.5%)
- 36 months @\$6.51/week \$1015.56
(cost \$296.56 or 41.25%)

Consumer leasing

- NEC 6.5kg Auto Washer
- Retravisision
On special for \$595
- Radio Rentals
 - \$9.95/week
 - 36 month rental agreement - \$1552 (then you can buy the product or similar for \$1)
 - 160% mark-up on the Retravisision sale price

The Internet


➤ www.cashdoctors.com.au

➤ www.mypaydaymate.com.au

Alternative Credit - 1. NILS

- Household Loans
- Micro-enterprise
- Humanitarian travel
- Women's Safety and Support Fund

Alternative Credit – 2. StepUp

- National Australia Bank
 - Low-interest (currently 7.24%)
 - ‘Asset-building’ purpose
 - ‘relationship’ development
- 

Alternatives *to* Credit (Savings)

Commercially available options:

➤ Chrisco etc

➤ Lay By

Alternatives *to* Credit (Savings)

- Saver Plus – ANZ & The Smith Family



Matched savings for education combined with financial literacy program (MoneyMinded).

Alternatives to Credit (Savings)

➤ Credit Unions

➤ e.g.:

- Fitzroy and Carlton Credit Cooperative
- New England Credit Union

Alternatives to Credit (Savings)

➤ Micro-Credit/Savings Cooperatives:

- Grameen Bank (Bangladesh)
- Stokvels (South Africa)



Non-credit solutions

- Buying services
- Micro-finance and housing
- Financial Capacity (eg MoneyMinded - ANZ)

