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6 ways a bank loan can help you achieve financial freedom

Neil Thompson, Head of Product and Customer Value Proposition at African Bank, says borrowing money need not be a bad thing. In fact, a loan can help you achieve financial freedom.

“The South African Reserve Bank reported in June 2019 that consumers’ finances were under pressure from a prolonged period of weak economic activity, rising unemployment, an increased tax burden and successive fuel price increases.

“As consumers battle to repay debt, many are filling in an online loan application for personal loans or a consolidation loan into which they can pool all their debt to ease the burden of high interest rates and having multiple creditors,” Thompson said.

Is this good consumer behaviour?

Thompson says yes, a personal or consolidation loan can be a viable option in a variety of circumstances.

6 ways a loan can help you:

1. **Improve your credit score:** Adding a personal loan to your credit card or store debt often improves your credit score. Meeting your repayments timeously will also add to a healthy credit score.
2. **Pool debt:** A consolidation loan is a practical way to put all your debt eggs in one basket. You use the loan to pay your creditors and then only have one repayment amount and date to think about going forward. You will often also save on the overall cost of credit.
3. **Afford a big purchase:** Depending on what the purchase is and how much you need, like a car for example, it may be cheaper for you to take out a personal loan than to finance it through a dealership. Investigate a personal loan option before deciding on car finance.
4. **Finance a big occasion:** Events like weddings and funerals can happen unexpectedly quickly ... and cost a fortune. Unless you have been diligently saving and have an emergency fund to cover these types of costs, a personal loan may be just the right lifeline.
5. **Pay for education:** Parents who have worked hard to put their children through school may be in a position to have a loan approved to pay for their children’s tertiary education too.
6. **Emergency cover:** Medical help is especially expensive. When a loved one is in need of emergency care, a personal loan can be secured in as little as 24 hours to give the family peace of mind.

“As you can see from the above, being able to improve your credit, afford education, buy a car to get to work and keep your loved ones healthy are things which all add to creating wealth in the long run,” Thompson points out.

“A personal or consolidation loan can pave the way to financial freedom if you are cautious and get the right advice. Our advice when you apply for a loan is to always seek the lowest interest rate and look at the bank’s loan calculator to see what the repayments will be.”

It is also important, he adds, to identify why you want to borrow money.

“It is a big commitment so be honest with yourself. There are no-questions asked when you take out a personal loan and you can do with the money what you want, as long as you can afford to repay it. However, it’s important to use the money wisely.”

Find out more about a personal loan in this informative African Bank [blog](#).

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