

Managing Debt/ Managing Assets Do You Know?



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Which is easier? **Managing your debit or managing your assets?**

Most of the factors regarding your debt are under your control. The terms and conditions of borrowing are typically well-defined, and with minimal effort, you can determine a payment strategy that matches your circumstances. Over time, a reduction in your indebtedness should free up more money for saving and investing.

By comparison, you may frequently find you have limited control over some of the factors affecting the performance of your invested assets. The broader market will determine the value of your equity holdings, whether in paper assets like stocks, or real assets such as rental property. And interest rates and dividend distributions are usually someone else's decision, not yours.

With so many of the variables associated with asset management beyond your control, it's worth asking the question:

Would you be better off devoting most of your energies to restructuring debt to free up more money for saving, then using conservative, safe low-yield financial vehicles instead of trying to squeeze higher returns from riskier options?

Think of it this way: \$100 earning 4% annually results in a larger amount than \$75 earning 10%. If you can find the extra \$25 through debt management, why take the risks associated with trying to earn 10% on a smaller amount? It would take more than 3 years to reach the \$100 in the first scenario.

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