

# Good VS Bad Debt

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Week 1



What is debt?



Why do people take on debt?



What do people usually take a loan for?

Which ones are good or bad?



# What is considered good debt?

- Basically, anything that can build your net worth and develop yourself
- “It takes money to make money”



# Examples:

- For your education – Student loans
- To buy property – mortgage
- To help start a business



# Even good debt has its risks

- What if your business idea doesn't work?
- What if you buy a huge house and don't have the income to pay it off
- “Everything in moderation”
- You have to be rational with borrowed money – if you can't pay it off you may be liable – “Personal Bankruptcy”



# What is bad debt?

- Purchasing depreciating assets – putting money into things that will drop in value in the long run
- Can you think of any?



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# Examples:

- Cars!
- Consumables
- Homes in some cases – can you think of why?
- Trading on margin – if you are not an experienced investor



# How can you start practicing?

- If you borrow money from your friends – Pay back ASAP and in full amount
- Why? – In real life you will be charged interest



# Thank You

Next week Half Term!!

