



USING PERSONAL LOANS



The prudent, measured and controlled use of debt can play an important role in achieving your financial goals. In fact, it's nearly impossible to live debt-free; most of us don't have the personal wealth to pay cash for our homes or our children's college educations.

Ideally, experts say, your total monthly long-term debt payments, including your mortgage and credit cards, should not exceed 36% of your gross monthly income. That's one metric mortgage bankers consider when assessing the creditworthiness of a potential borrower.

Debt, when not properly managed, can cause serious challenges, damaging long-term financial goals and even causing bankruptcy. But avoiding debt at any cost is not smart either if it means depleting your emergency cash reserves. The challenge is learning how to ascertain what is "good debt" and what is "bad debt" while managing your financing accordingly.

GOOD DEBT

Good debt includes anything you need but cannot afford to purchase outright without wiping out cash reserves or liquidating all your investments.

In cases where debt makes sense, only take loans for which you can afford the monthly payments. Try our Cost of Debt Calculator to get answers for your situation.

BAD DEBT

Bad debts are for short-term consumables (expenditures that are not necessary like eating out or an expensive vacation). Credit card debt is especially challenging, as it typically carries the highest interest rates. It may be easy to toss down a credit card and forget about the debt you are accumulating. If debt is a challenge, try using the financial calculators at CNBankTX.com.

Sometimes, the decision to borrow relates to making your money work harder. For example, if interest rates are low, compare what you'll spend in interest on a loan versus what your money could earn if it were invested. If you think you can get a higher return from investing your cash than what you'll pay in interest on a loan, borrowing a small amount at a low rate may make sense.

If you are interested in tools to help you understand your debt, visit the CNB website (CNBankTX.com) to use our Personal Loan Calculator. We have several different financial calculators available to assist in planning your future.