

How millennials can reduce lifestyle borrowing

EMI financing and medical expenses are the top reasons why salaried millennials availed loans in 2018, according to a report by CASHe, an online digital lending company for working professionals. The company, which gives out instant personal loans, surveyed the buying and borrowing behaviour of about 100,000 active customers on its platform. "Easy access to borrowing, living away from parents, and independence from needing to support dependents, along with low levels of financial literacy on the true cost of borrowing are common reasons why millennials are borrowing more. In addition, lack of focus on creating a contingency fund is a cause for borrowing for health emergencies," said Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors. While 31% millennials borrowed for medical expenses, 23% opted for loans to finance their EMIs. "Millennials are becoming more independent. They want their own personal space to live, their own vehicle, and so on. They do not wish to compromise on the quality of life they are leading," said Navin Chandani, chief business development officer, Bank Bazaar. The report said that 23% millennials in India resort to lending for travel and lifestyle expenses and the average frequency of repeat loans is 60 days. 41% of the total demand came from people who earn between ₹ 15,000 and ₹ 25,000 while those who earn upwards of ₹ 1 lakh made for just 3% of the total borrowers. It is always better to plan your finances rather than borrowing for your everyday expenses. Make a budget and plan how much you should shell out on your fixed and discretionary spends. Don't get tempted to spend more just because somebody else is. Their earning capacity could be very different from yours. "Save before spending; separate your fixed and discretionary expenses. Have a portion of your income move to investments as soon as your salary is credited to cover contingencies. Remember that incomes can fluctuate and, therefore, avoid borrowing for today's spends just because you expect your future income to increase," said Dhawan.