

### **Suggested Solutions Learning Task 5.7**

See Personal Credit Review Questions - Solution outlines.xlsx for numerical solutions and embedded comments.

Q. Are they using credit wisely?

A. The high credit limit and balance outstanding, and the monthly increase in the level of the balance, suggest that Allen and Meagan may be too reliant on this form of consumer credit.

Q. What does the credit 'rule-of-thumb' suggest about the sustainability of their consumer credit position?

A. The credit 'rule-of-thumb' suggests that Allen and Meagan are very close to the limit with respect to their ratio of consumer credit payments to after-tax income.

Q. Do you have any recommendations for Allen and Meagan?

A. Allen and Meagan should consider debt consolidation, so as to reduce their interest costs, particularly on the credit card. They should also address their spending habits, and reconsider their frequent use of the credit card for payment, as this may have an impact on the discipline they apply to their spending decisions.