



## Borrow Smart: How To Use Credit Without Letting It Use You

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You don't think of yourself as someone who has taken out a loan. But let's do a quick tally. There's the Buy Now Pay Later (BNPL) plan for your new phone. BNPL has grown fast in Singapore, often marketed as interest-free, but late payment penalties can quietly change that calculation. That alone runs roughly \$120 to \$150 a month. The 12-month instalment for that facial package you signed up for, perhaps \$115 to \$250 a month. The hair treatment bundle on your credit card's easy payment plan, another \$40 to \$80. And the gym membership that's been quietly renewed, somewhere between \$95 and \$185 every single month.

Add it all up, before you've bought a single meal or paid a single bill, somewhere between \$370 and \$665 of your monthly pay is already spoken for. And this is before we even get to a car loan, a renovation loan, or a personal loan to cover a gap. Each of these commitments makes sense on its own. Together, they quietly reshape your financial life, and not always in your favour.

So here's the question worth asking: when is credit genuinely working for you, and when is it quietly working against you?

### Needs vs wants: The foundation of smart spending

Before we talk about debt, let's talk about decisions.

A need is something essential to daily life, such as housing, food, utilities, getting to work, and basic healthcare. A want is something that adds comfort or perhaps a little status, like a newer phone when the current one works fine, premium beauty treatments, dining out several times a week, and upgrading a car that still runs. The tricky part is that the line is deliberately blurred. BNPL providers and instalment schemes are specifically designed to make wants feel like needs. When something is split into 12 easy payments, it stops feeling like a big purchase, even when it is.

What makes this worth paying attention to is not just the money leaving your account today. Every dollar spent on instant gratification is a dollar not working towards something that will matter far more later: a home, a child's education, a career break you actually want to take, or simply the freedom to retire on your own terms. The wants of today have a habit of quietly borrowing from the needs of tomorrow.

A simple exercise worth trying: for one month, label every purchase either N (need) or W (want) before you spend. You don't have to change a thing. Just make the choice conscious, and you'll be surprised by what you see.

### The real cost of borrowing

When a credit card says 26% per annum interest, most people read that as a number without really feeling it. So let's make it concrete.

Say you put \$1,500 on your credit card for things like a skincare haul and a birthday dinner, and only make the minimum payment of about \$50 each month. The amount seems manageable, but the interest keeps building, so your balance barely goes down. By the next month, you may have just enough credit to spend again, keeping you stuck in a cycle.

At 26% per annum, that \$1,500 can take nearly four years to repay, and you'll end up paying more than \$500 in interest alone on top of what you originally spent. Minimum payments may keep you current, but they also let interest snowball, making it much harder and more expensive to get out of debt.

Before taking on any new credit commitment, it's worth asking yourself honestly:

- Can I afford the repayments if my income drops by 20%?
- Do I know the EIR, not just the headline rate?
- Am I borrowing for a need or a want?
- The rule of thumb is to have 3-6 months of savings set aside for an emergency fund. Do I already have this in place?
- Will this commitment still feel manageable a year from now?

If you answered no to any of those, it's worth pausing before you sign. Managing debt well is also one of the ways to [beat inflation effectively](#) because high-interest borrowing can quietly erode your purchasing power faster than inflation itself.

### Protecting yourself while managing debt

Even the most disciplined borrower can face an unexpected disruption: retrenchment, a serious illness, or even an accident. When something like that happens, debt doesn't pause, but your income might. This is where financial protection becomes part of smart debt management.

Before you spend on anything, whether a need or a want, insurance deserves a place in your budget. It is the foundation that stops a single bad event from unravelling everything else you have built. Two types of cover are particularly worth having in place:

1. **Term life cover** – Affordable, high-sum-assured protection during your working years. If you have a mortgage or dependents, this ensures that your loved ones are not left with your debt should the worst happen. China Taiping Singapore's [term life insurance plans](#) are designed with exactly this in mind, offering flexible coverage from short-term protection to long-term security up to age 65, with the option to convert to a life insurance plan.
2. **Critical illness cover** – Pays out a lump sum on diagnosis of a serious illness such as cancer, heart attack, or stroke. This replaces income during recovery, preventing a health crisis from becoming a financial one. China Taiping Singapore's [critical illness insurance](#) offers coverage against up to 161 medical conditions across early, intermediate, and advanced stages, making it one of the more comprehensive options available in Singapore.

The Life Insurance Association Singapore (LIA) [offers helpful guidance](#) on how to assess how much coverage is appropriate for your life stage.

### Conclusion

Credit, used wisely, is genuinely useful. It can help you smooth out a major purchase, build a credit history, and manage short-term cash flow. The people who manage debt well aren't those who earn more. They're those who consistently distinguish between needs and wants, and build financial protection alongside their commitments. Insurance is the starting point. Knowing that you and your loved ones are protected changes the way you make every financial decision that follows, from how much you borrow to how confidently you plan ahead.

If you'd like to review your protection needs and build a clearer picture of your financial foundation, speak to your preferred financial adviser. That conversation is the first step to making better choices tomorrow.