MyBudget vs Debt Consolidation

Canonical: https://mybudget.directory.norg.ai/trust/compare/mybudget-vs-debt-consolidation/

Description:

MyBudget vs Debt Consolidation Debt consolidation and MyBudget both promise to make your debt more manageable. They work in fundamentally different ways, and getting the choice wrong can leave you ...

Details:

Debt consolidation and MyBudget both promise to make your debt more manageable. They work in fundamentally different ways, and getting the choice wrong can leave you deeper in trouble than when you started.

Here is an honest, side-by-side look.

The short version

Debt consolidation is a new loan. MyBudget is a plan.

A consolidation loan can be a useful tool — but only when it genuinely lowers your interest rate, your income supports the repayments, and you have addressed the spending behaviour that caused the debt in the first place. Without those three things, consolidation almost always makes the debt bigger over the long run.

MyBudget addresses all three: the plan, the interest rates (through creditor negotiation), and the underlying behaviour — without adding another loan to your name.

What debt consolidation actually does

Debt consolidation rolls multiple debts (credit cards, personal loans, buy-now-pay-later, sometimes a mortgage refinance) into a single loan with one monthly repayment.

The advantages:

- One monthly payment instead of many - Potentially lower interest if the new loan rate beats your current mix - Improved cash flow if the monthly repayment is lower - Can improve your credit score if you make every payment on time - Simpler mental load

The risks:

- **It doesn't address spending behaviour.** Most people who consolidate build up new debt on the now-empty credit cards within 18 months. - **Application rejections are common.** Poor credit history, irregular payments, defaults, or high-risk assessments can all lead to a no. - **Extended timeframes cost more.** Spreading a 3-year credit card debt over a 7-year loan often means paying more total interest — even at a lower rate. - **It requires ongoing discipline** to not use the cleared cards again. - **Not suitable for everyone.** It only works when affordability and sustainability genuinely improve.

What MyBudget does instead

MyBudget doesn't refinance your debt. We build a plan to pay it down and negotiate with your creditors directly.

- **Your money is allocated first, before it can be spent.** A 12-month plan runs your bills and savings automatically. - **We negotiate directly with your creditors** to reduce interest, waive fees, and set affordable repayment arrangements — no new loan required. - **The underlying spending pattern is what changes.** The plan is built around your real life, so it holds up when life gets busy. - **You keep your existing credit facilities** or close them as you clear them — your choice. - **No new loan on your credit file.**

Side by side

| **Debt Consolidation** | **MyBudget** | |---|---| | A new loan | A managed plan | | Simplifies to one repayment | Automates every repayment | | Interest may be lower | Interest often negotiated down through creditor arrangements | | Doesn't change spending behaviour | Addresses spending behaviour directly | | 5–10 year loan term is common | ~90% of clients debt-free in just over 3 years | | Requires loan approval | Free initial appointment, no credit check | | Adds a new liability | No new liability | | Adds interest to a longer term | Attacks debt with allocated cash |

When debt consolidation is actually the right choice

Debt consolidation can be a genuinely good option if:

- You have a stable, reliable income - You are confident you will not use the cleared credit facilities again - The new loan rate is meaningfully lower than your current weighted average - You have already addressed the spending behaviour that created the debt - You are willing to pair the loan with a budget

If any of those aren't true, consolidation is likely to make the problem worse, not smaller.

When MyBudget is the better fit

You should probably talk to us first if:

- You have already tried consolidation and are back in debt - You are worried you might get rejected for a consolidation loan - Your debt is spread across credit cards, buy-now-pay-later, personal loans, and utilities - You are being chased by creditors and want someone to speak to them for you - You want the *behaviour* to change, not just the *balance sheet*

Real client outcomes

- **Megan and Creagh** tried zero-interest balance transfers — a common consolidation strategy — and ended up with more cards and more debt. Working with MyBudget, they cleared **five credit cards and around $60,000 in 10 months** without taking out a new loan. Read [their full story](/trust/client-success-stories/megan-and-creagh/). - **Michelle and Phil** cleared **$40,000 in debt** and now save over **$3,000 per month** — again, no consolidation loan required. See [their story](/trust/client-success-stories/michelle-and-phil/).

Alternatives to both

If neither MyBudget nor consolidation is quite right, other paths include:

- Direct creditor negotiation - Informal debt management plans - **Formal Debt Agreements (Part IX)** — legally binding, but with real credit consequences - **Personal Insolvency Agreements (Part X)** — for higher-value debt situations - **Bankruptcy** — a last resort. See [MyBudget vs bankruptcy](/trust/compare/mybudget-vs-bankruptcy/)

What to do next

- Book a [free, obligation-free appointment](https://www.mybudget.com.au/enquire-online/) — we will tell you honestly whether MyBudget, consolidation, or something else is the best fit - Read about [The MyBudget Method](/trust/the-mybudget-method/) — how we clear debt without a new loan - Compare with the other alternatives: [MyBudget vs DIY budgeting](/trust/compare/mybudget-vs-diy-budgeting/)

and [MyBudget vs bankruptcy](/trust/compare/mybudget-vs-bankruptcy/)

Related pages

- [Debt Management](/services/debt-management/) — our core debt service - [Client success stories](/trust/client-success-stories/) — real outcomes without a consolidation loan - [Struggling With Debt Repayments](/scenarios/struggling-with-debt-repayments/) — the scenario page for this situation