

Dealing with Debt

Are you having trouble paying your bills? Are you getting dunning notices from creditors? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?

You're not alone. Many people face financial crises at some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming. But your financial situation doesn't have to go from bad to worse. Consider these options:

- Realistic budgeting
- Credit counseling from a reputable organization
- Debt consolidation
- Bankruptcy

How do you know which will work best for you? It depends on your level of debt, your level of discipline, and your prospects for the future.

Developing a Budget

The first step toward taking control of your financial situation is to do a realistic assessment of how much money comes in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses, those that are the same each month, such as your mortgage payments or rent, car payments, and insurance premiums. Next, list the expenses that vary, such as entertainment, recreation, or clothing.

Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify the expenses that are necessary, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, insurance, and education.

Your public library has information about budgeting and money management. Low-cost budgeting counseling services are available in most communities. They can help you analyze your income and expenses and develop a budget. Check your Yellow Pages or contact your local bank or consumer protection office for information about them. In addition, many universities, military bases, credit unions, and housing authorities operate nonprofit financial counseling programs.



Contacting Your Creditors

Contact your creditors immediately if you're having trouble making ends meet. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, the creditors have given up on you.

Dealing with Debt Collectors

The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not:

- Call you before 8 a.m. or after 9 p.m.
- Call you at work if the collector knows that your employer doesn't approve of the calls
- Harass you
- Make false statements
- Use unfair practices when they try to collect a debt
- Debt collectors must honor a written request from you to stop further contact

Credit Counseling

If you aren't disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling service.

Your creditors may be willing to accept reduced payments if you enter into a debt repayment plan with a reputable organization. In these plans, you deposit money each month with the credit counseling service, which in turn pays your creditors.

A successful repayment plan requires you to make regular, timely payments, and could take 48 months or longer to complete. Some credit counseling services charge little or nothing for managing the plan; others charge a monthly fee that could add up to a significant charge over time. Some credit counseling services are funded, in part, by contributions from creditors.

While a debt repayment plan can eliminate much of the stress that comes from dealing with creditors and overdue bills, it doesn't mean you can forget about your debts. You still are responsible for:

Paying any creditors whose debts are not included in the plan

Reviewing monthly statements from your creditors to make sure your payments have been received



Making sure that your billing statements reflect any agreement your creditors made to lower or eliminate interest and finance charges, or waive late fees

A debt repayment plan doesn't erase your negative credit history. Accurate information about your accounts can stay on your credit report for up to seven years. A demonstrated pattern of timely payments, however, will help you get credit in the future.

Auto and Home Loans

Debt repayment plans usually cover unsecured debt. Your auto and home loan, which are considered secured debt, may not be included. You must continue to make payments to these creditors directly.

Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the full balance due on the loan, as well as towing and storage costs, to get it back. If you can't do this, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt: you would avoid the added costs of repossession and a negative entry on your credit report.

If you fall behind on your mortgage, contact your lender immediately to avoid foreclosure. Most lenders are willing to work with you if they believe you're acting in good faith and the situation is temporary. Some lenders may reduce or suspend your payments for a short time. When you resume regular payments, though, you may have to pay an additional amount toward the past due total. Other lenders may agree to change the terms of the mortgage by extending the repayment period to reduce the monthly debt.

If you and your lender cannot work out a plan, contact a housing counseling agency.

Debt Consolidation

You may be able to lower your cost of credit by consolidating your debts through a second mortgage or a home equity line of credit. But think carefully before taking this on. These loans require your home as collateral. If you can't make the payments, or if the payments are late, you could lose your home.

The costs of these consolidation loans can add up. In addition to interest on the loan, you pay "points." Typically, one point is equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.



Bankruptcy

Personal bankruptcy is generally considered the debt management tool of last resort because the results are long-lasting and far-reaching. A bankruptcy stays on your credit report for 10 years, making it difficult to acquire credit, buy a home, get life insurance, or sometimes land a job. However, it's a legal procedure that offers a fresh start for people who can't satisfy their debts. Individuals who follow the bankruptcy rules receive a discharge – a court order that says they do not have to repay certain debts.

There are two primary types of personal bankruptcy: Chapter 13 and Chapter 7. Each must be filed in federal bankruptcy court. Both types of bankruptcy may get rid of unsecured debts and stop:

- Foreclosures
- Repossessions
- Garnishments
- Utility shut-offs
- Debt collection activities

Both also provide exemptions that allow you to keep certain assets, although exemption amounts vary. Personal bankruptcy usually does not erase:

- Child support
- Alimony
- Fines
- Taxes
- Most student loan obligations

Also, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or lien on it.

Workplace Goals for the New Year

The new year brings hopes and dreams for the future. You've made your resolutions -- to lose weight, exercise, or plan a dream vacation. Don't forget, however, that you also spend one-third of your day at work. You can improve your on-the-job enjoyment and your productivity by making the following work resolutions.

Learn new skills

To keep your career moving forward and prevent burnout, learn some new skills. Investigate which ones you'll need for a promotion or for your dream job, then make sure you acquire them. Make a resolution to always be learning something new.

Keep organized

Most people don't function well in the midst of chaos. The clutter on your desk likely distracts you and muddles your thinking. If your office is disorganized, the time you spend getting organized will be paid back in less stress and increased productivity.

Make a resolution to spend the last 15 minutes of every day clearing your desk and getting organized for the next day.

Take daily breaks

Human beings aren't built to sit at a desk for hours at a stretch -- that's why the coffee break was invented. But, there are better ways to use your breaks -- quick, simple techniques that rejuvenate the body, mind, and spirit so you can return to work refreshed and ready to accomplish great things.

The following energizing breaks take less than two minutes: Count down from 10 to one, taking a deep breath with each number. Read affirmations, inspiring quotes, or poetry. Read a couple of pages of a book. Put your hands over your eyes and visualize a favorite vacation spot. Gaze out a window. Listen to your favorite music. Stand up and stretch your muscles. Doodle. Drink a full glass of water. Eat a healthy snack. Take a short walk.

Structure your time

Are you wasting time taking care of things that just aren't important? If so, you'll be frustrated when you fritter away your workdays doing things your boss would consider insignificant.

The solution is to block off one or two hours of quiet time each day that you spend focusing on your important tasks. Since most people concentrate best in the morning, choose your quiet time early in the day. Then transfer your calls to your voice mail and put a "Do Not Disturb" sign on your door.

Make a resolution to set aside quiet time every day to work on your important projects.

Keep an accomplishment journal

- Buy a separate notebook for an Accomplishment Journal. At the end of the day, write the date on a new page and write something that you accomplished. It doesn't have to be something major. Even little steps of progress need to be acknowledged.
- For example: "I dealt with Mr. Jones, a difficult customer, in a very kind and professional way." "I wrote two pages of a special report."
- Writing such a journal increases your enthusiasm as you look for things to accomplish and write in your journal. Your focus will be on what you did instead of what you didn't do. Keeping the journal will also give you more confidence during employee reviews or when asking for a promotion.
- One last thought: When you follow through on your work resolutions and make them daily habits, you'll experience increased productivity, more energy and enthusiasm, and the joy of accomplishment.