

Dealing with Debt

Tips on taking the First Steps

Feeling cornered is one of the most stressful things about being in debt. Anger, frustration and a sense of hopelessness over financial problems can take over other aspects in your life, such as relationships or job performance. However, there are some things that you can do to regain control over your debt problems.



Taking Stock

- Record all your monthly expenses including rent, groceries, childcare, car bills, entertainment, etc. *Be honest with yourself. Even though you intend to quit smoking, if you presently spend \$100 on cigarettes a month, you should record it.*
- Include annual or irregular expenses - *eg an \$800 ICBC car insurance bill represents \$67 a month.*
- List all your debts. Record monthly payments, including the amount owing as well as the interest rate.
- List your net monthly income (after deductions). *If you have a partner, also list their income if expenses are being shared.*

Add up all your total monthly expenses and payments to service debts. If the total is less than your income, you either do not have a debt problem, or you have overlooked your expenses. If you find that you cannot account for the total amount of your expenses, review the charges made to your credit card on each monthly statement and review your cheque book for extra expenses. Are you in denial about the amount you spend on entertainment, alcohol/drugs, food, clothing etc? These items are usually minimized when it comes to budgets because they are thought of as *guilty pleasures*. What about late payments? Just because credit collectors have not contacted you yet does not mean they won't soon. Pestering phone calls can be very stressful, so prevent further problems by initiating contact with the lending institution. Remember late payments usually mean additional charges.

Getting Serious About Your Debt

- Stop all unnecessary spending.
- Destroy or remove credit cards to resist spending.

- Target the money leaks. *For example, review your monthly telephone, internet and cable costs.*
- Confront a partner/family member who is being irresponsible with money. *Work out a plan together about how they can follow a budget.*
- Revise your budget and be more realistic with how money is being spent. *For example, a monthly food bill of \$800 for a family of four might be lowered to \$600 but \$400 is probably unrealistic.*



Tips for Paying Off Loans

- Keep communicating with the financial institution providing the loan. *Even if you can't make the full monthly payment, send a lesser amount. This shows that you are punctual and are acting in good faith.*
- Consolidate all your high interest loans into one lower interest loan. *See your bank or credit union. They will ask for collateral such as your car. RSPs cannot be used as collateral.*
- Join a Debt Management Program (DMP) to consolidate your unsecured debts without borrowing more money. *It will allow you to get out of debt by making one monthly payment that fits your budget.*

Only accept help from family members or friends if you are absolutely positive you can honour the agreement. You can quickly fall out with friends and family members over money matters—so make sure the terms are clearly written out. Different expectations can cause controversy.

Taking Stronger Measures

- Liquidate your assets. Sell off property that you cannot justify holding on to, such as a car, or cash out an RSP to pay off a loan.
- Apply for an Orderly Payment of Debts (OPD). It will consolidate your debts and protect you against further legal action (like your wages being garnished).
- Apply for Bankruptcy. This is the most drastic option, as you must liquidate any assets over \$2000 in value.

If you are feeling overwhelmed by debt issues, contact your EFAP provider.

You can also visit www.nomoredebts.org for more information

on how to handle financial issues.

Your Logo

**For confidential assistance
Brown Crawshaw 1.800.668.2055**

www.browncrawshaw.com