

Tips To Prevent Debt Paralysis



Many Americans are drowning in debt, which can be attributed to various factors including the overuse of credit, unexpected expenses, a reduction of income or job loss, or an unforeseen illness or injury, among others. While some Americans are prepared for the inevitable, many often are blindsided by the overwhelming debt that has seemed to paralyze U.S. consumers.

Family Foundations offers some basic tips to prevent debt paralysis:

- **DON'T hide purchases from family members.** Being dishonest about your spending not only leads to financial trouble, but also can strain your personal relationships. Because your financial situation often affects others, honesty is the best policy.
- **DON'T apply for new credit cards simply because you've reached the credit limit on existing cards.** When your cards are taken to the limit, it is time to pay off the balance and adjust your spending habits – not apply for more cards. Requesting a higher limit or opening new lines of credit potentially causes more harm than good. These situations only mask underlying financial problems.
- **DON'T start charging when there is no money.** If you have no money left after paying your bills, you may be headed for trouble. It is not a good idea to routinely rely on your credit card to pay for living expenses when you don't have the cash available. As a general rule you should not be spending more than 20 percent of your take-home income on credit card bills or loans, and this includes your car payment.
- **DO make more than the minimum credit card payment.** Family Foundations recommends paying at least double the minimum required payment. A lot of cards come with high interest rates and only paying the minimum due will cause you to pay more in interest, and extend the term of your debt. If you are unable to pay more than the minimum payment, it's a definite red flag.
- **DO reduce expenses wherever possible.** Look for no or low-cost entertainment and cut back on other day-to-day spending. For instance, consider bringing your lunch to work, substituting video rentals for frequent trips to the movie theater, or visiting the local library as a resource for the latest books and magazines. Small reductions in daily spending quickly add up to big savings. Trimming \$5 from your daily expenses adds up to more than \$1,800 over the course of a year!
- **DO work with your creditors.** If you encounter any problems repaying your debts, contact the creditor immediately and explain the situation. Creditors often will work with you to come up with an alternate payment arrangement.

- **DO seek help from a credit counselor.** If you have been unable to resolve your finances on your own, consider working with a certified credit counselor to create a plan you can live with, one that helps you budget your money and repay your debt. An NFCC member agency can customize a spending plan that fits your lifestyle. There is a way out. To find it, contact us at (904)396-4846 or www.familyfoundations.org

Family Foundations stands ready to help. To reach us, call (904) 396-4846 or go online to www.familyfoundations.org.

About Family Foundations

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family Foundations, call (904) 396-4846 or visit www.familyfoundations.org.