



Overcoming Debt: The Way to Solvency

Personal Debt is Skyrocketing

With the exception of a small rise in middle-class wages in the late 1990s, real wages have simply not kept pace with inflation. In fact, the median income of average households has fallen steadily for five years in a row. Despite these facts, consumption continues to increase. How can this be? The answer, unfortunately, is that people are incurring an increasing amount of personal debt. We're talking here about the 95% of us who are not wealthy, who are not saving enough for retirement, and who are bombarded constantly to buy, buy, buy.

It's true that the nation's economy is growing—how many times have you heard politicians point that out, while you wonder why you're still so far in debt? What they fail to mention is that the economic expansion is largely the result of people overextending themselves, using credit to buy such necessities as food and clothing, and even taking cash advances on credit cards to pay mortgage payments. A Federal Reserve study showed that 43% of US families spend more than they earn. The only way to do that is to use credit. And it's pretty obvious that if you use credit to spend more than you earn, you are going to be in **debt**.

The credit card industry collected **43 billion dollars** in late-payment, over-limit, and balance-transfer fees in 2004. The major advertising ploy used by all the credit card companies sounds like a scene out of *Brave New World*—"You like it. You deserve it. Buy it." It's easy to fall into their supposedly people-friendly trap. But the truth is, they exist for one reason only, and that is to make money **from you**.

"Uh-oh, the mail is here."

With the typical American family now owing \$19,000 on non-mortgage debts, it's no wonder that mail deliveries have become something to dread. Which bill is due or overdue? How much are the finance charges on credit card A, B, C, D...and on and on. (The average family has 13 credit, debit and store cards.) Sandwiched between the bills are offers from other credit card companies—or even the same ones you've already got. "Transfer your balances! No interest for six months!" Many people go this route as a way out. It can buy you some time, but it doesn't work forever. The proverbial piper must eventually be paid—and when that time comes, it will be worse than ever.

"But I always make the minimum payment!"

Making just the minimum payments on your credit cards will keep your credit picture in focus as far as the credit reporting agencies are concerned. "Pays required amount. Pays on time." Sounds good, doesn't it?

Actually, you'd be playing right into the hands of your creditors. The less you pay on your balance, the more interest they make. Let's say you have a balance of \$6000 on a credit card and you STOP using it today. If your interest rate is 17.5%, a pretty average percentage, and you pay the minimum payment of \$90 every month, it will take you **almost 20 years** to pay



off the balance. You will have paid \$21,240 on that \$6000 balance. They made \$15,240 in interest—and maybe additional amounts in annual fees.

Think about what you could do with \$15,240! Wouldn't you rather be tucking that money into an IRA or a college fund?

Medical Expenses Are Enough to Make You Sick

A 2006 study conducted by the Center for American Progress showed that most older Americans who find themselves in debt do so because of the high cost of healthcare and prescription medications. In fact, anyone of any age with a serious illness or debilitating injuries suffered by any family member can soon find themselves in deep financial trouble. Even if you have health insurance, there are deductibles, co-pays, supplies and drugs that aren't covered. With today's astronomical healthcare costs, a policy's maximum lifetime payout can be reached with alarming speed. When they stop paying, and care is still needed, where do you turn? A medical emergency can be devastating to any but the wealthy.

When Keeping Up With the Joneses Is a Bad Idea

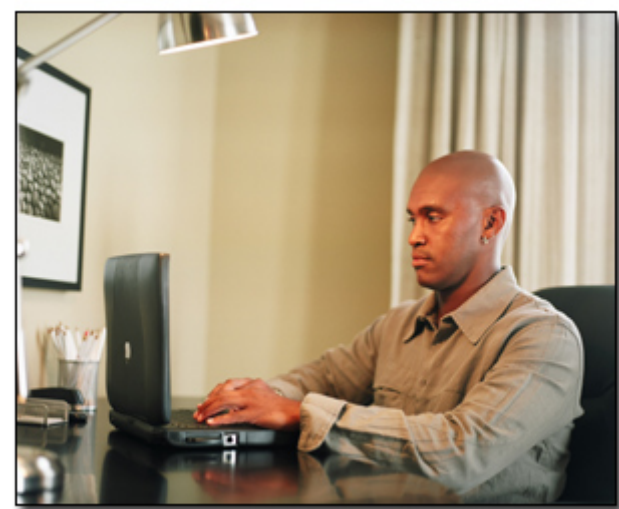
In recent years, low mortgage rates and steadily rising real estate costs made home ownership seem like an excellent investment. While that is still true, some people find themselves in trouble now if they financed their home with an A.R.M. (adjustable rate mortgage) or an interest-only loan. When the federal reserve began raising interest rates, ARMs started resetting, increasing mortgage payments by as much as 25%. If you took an interest-only loan to buy a dream house just before the housing bubble burst, prepare yourself for disaster. With prices declining, there's a high possibility that if you can't make your payments, you will have to sell the home for less than you owe—maybe a lot less.

“Wait! There must be a way out.”

You could take an equity loans on your house—assuming you have enough equity to make it worthwhile, and that you can handle the equity loan payoff. Although you could try a credit counseling agency, and IRS inquiry in May, 2006, revealed that the 41 so-called credit counselors they examined were of virtually no benefit to consumers. Investigations into other agencies are on-going.

“I can always go bankrupt.”

Recent changes in federal bankruptcy law have made the procedure so expensive that people in dire financial straits cannot even afford the filing fees. While people often think that declaring bankruptcy means you can toss out your bills and just pay cash until your credit rating improves, the new laws demand a payback percentage to creditors. Credit counseling is now mandatory, although the chances are you will find yourself paying a bogus “credit counselor” for nothing more than a checkmark on your bankruptcy record that you've completed the counseling.



”Is There a Reasonable Solution?”

Yes. Think about it. If you need more money to pay your debts, then you simply need to make more money. This doesn't mean you need to go out and search for a new job in a crazy job market. It simply means that you need another income source to add to those you already have.

Ideally, you need to find a way to bring in extra income without undue stress on yourself and your family. You should still have some down time for relaxation. If this sounds impossible, there is good news: It **can** be done. Thousands of other people have already proven it.

If you're determined to get out of debt, a **home-based business** is a viable method for generating a genuine second income. It's a far cry from working for peanuts at a night job in a retail store, warehouse, or fast-food joint. You'll save money on commute time and gas, and the only equipment you'll need is a computer and a telephone.

Your first goal will probably be to heave a huge sigh of relief as you realize your balances are declining and you're getting ahead. Like many others, you may discover that you were always cut out for running your own business and increasing your personal wealth more every day. Your second job could become so rewarding that you will decide to make it your only job. Imagine working from the comfort of your home, interacting with people who started out just like you and are now making fortunes.

The way to financial solvency—even wealth— is open now.

If you're ready to pop that steadily swelling debt balloon—ready to shape your future the way you've dreamed it could be—you can begin right now.