



Getting through the Storm

I was sitting in my conference room the other day looking at a picture on the wall. It's of a ship from the 1800s sailing on a very stormy sea. You are standing on the boat looking forward as huge waves crash against the bow creating massive spray over the deck. The boat is heeling at about 15 degrees. Quite challenging for the sailors but if they know what they're doing they get through the storm. If not, well we know what happens.

That picture reminded me of not only what we have already been through but what could lie ahead. Our own storm swallowed up jobs, home values, and investments while heightening our awareness that excessive debt can put us at real risk.

I'd like to ask a favor. Go to the internet and at the top type in defeatthedebt.com. A number will appear. As you watch, the number will change very quickly. That is the national debt mounting. The cumulative deficits now total over 12 trillion dollars. Incidentally, a trillion seconds = 31,688 years. It's a mountain and it's time to demand of our representatives to rein in the deficits. This can't go on forever. Otherwise, it's broken promises and higher taxes.

In a larger sense these numbers are simply a reflection of the general population. We have over spent, over borrowed and over lent. So

what can you do now to help protect yourselves? Here are some thoughts if you are over-debted.

Creating a budget to reduce debt.

Start an emergency fund of at least 6 months expenses.

With carryover credit card debt, pay off the smallest debts first then use that extra money to increase payments on the higher rated cards, while trying to consolidate cards down to lower rates.

Once you have 6 months money saved, take the monthly payments you were using to build the fund and add them to your debt reduction plan. Pay off the smallest debt first then use that extra money to increase payments on the higher rated cards.

Budget your purchases for the week. (food, clothing, etc.) Use cash...yes cash. Statistics show you'll spend less because you're using real money.

For larger purchases use your check book or a debit card, but know what's in your account at all times to avoid expensive overdraft fees and charges. Credit cards should only be used if they can be paid off every month. No more debt increases!

Creating long term financial security.

Save at least 10% of your income for retirement. This massive federal

debt could very well affect Social Security. Savings is not an option, it's a necessity.

Your home is not an ATM.

Financing/re-financing your home? Look at a 30 yr. fixed rate. It's the safest and lowest payment. You can shorten the years through extra principal payments. You're in control.

Purchasing a home? A good rule of thumb is 1/3 of after tax income for principal/interest, taxes and insurance.

Just starting out? One credit card paid off every month is enough. Carryover debt makes credit card companies rich at your expense!

When buying a new car, ask the dealer about cars with 10,000 miles on them that some sales manager drove for a couple of months. You should be able to buy it for a substantial discount with the warranty.

Finally, excessive debt is not your friend. It's a deep hole as many people are finding out. ●

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