

Taking Care Of Your Debt Situation

You can determine a financial emergency once you experience a situation that can render you moneyless, homeless or without any important property. You should differentiate this kind of emergency from a threatening phone call or letter from a bill collector.

When experiencing such emergency, it is crucial to act immediately and begin by contacting the creditor. Doing so enables you to work out a temporary solution, which can help you keep your properties. However, it does not always work and if so, getting in touch with your lawyer to negotiate with the creditor is helpful.

Face the Problem

The common misconception in debt problems is "the less you know, the less it hurts". However, you must learn how to face your debt problems. You must be able to do this since rebuilding and repairing the credit will not take place when you do not know exactly where your money goes or where it must go instead.

Although it is not harmful to overestimate your debt, it is always beneficial to know how much money you really owe. You can do this by taking a look on the bills you have received. In case you have thrown out your bills without even opening them, you can still call customer service and inquire about the bills.

There are several creditors that use automated telephone systems. This can provide a balance and information regarding the payments automatically. Additionally, information about your account might also be available on your creditors' Web sites. After acquiring the necessary details, sum it all up, especially those past due installment bills and your monthly obligations.

Options Available for Your Debts

There are several options available when dealing with

debts. One is to do nothing. This option is probably the most popular approach used by those who are deeply in debt. Most often, these people have very small income and property and do not normally expect any change in their lifestyle. If you do not anticipate any steady income any time soon, you can consider this option.

However, if doing nothing does not help, you can find money to pay your debts. You can do this by, first, selling a major asset, like a car or a house. This can be a good choice if you can no longer afford your car or house payments. Instead of waiting for a repossession or foreclosure to happen, selling a property is always a better.

The proceeds you gain from the sales can help lessen your debt and enable you to pay off anything you still owe. More so, you should remember to pay off the liens placed by the creditors and use anything that is left to aid you in paying your other debts. However, before taking this step, make sure that you already came up with an alternative for your housing or transportation needs.

Another way, which can help you pay off your debts, is to cut your expenses. Not only will this eventually aid you in the payment but also in negotiating with your creditors. Try to shrink the cost of your food by clipping coupons, purchasing generic brands, buying when there is a sale or shopping at outlets with discounts.

Yet, if you cannot seem to cut your expenses, you can always borrow money from a tax-deferred account. Tax-deferred retirement account, like IRA or 401(k), can help pay off debts by withdrawing money from them before retirement. However, since you may need to pay a penalty or taxes, this should only serve as your last resort.