

Title:

Are You Living Beyond Your Means?

Word Count:

829

Summary:

How easy is it to get into debt these days? Too easy. But how can you tell how much debt is too much and what can you do about it? Well if you've got money problems, here's the answer. Just take the simple test to see if you've got a debt problem and then read the answer for what to do about it.

Keywords:

debt, money, finance, credit cards,

Article Body:

Do you find that keeping control of your finances is becoming increasingly difficult?

In today's society, advertisements bombard us with offers which encourage us to Spend! Spend! Spend! With promises such as-

"Easy Credit!"

"Pre-approved loans!"

"3 years interest-free credit!"

"Free gift when you apply!"

To most people this can all seem rather tempting, given the current "live for today" attitude. But too much can be spent on luxuries, leaving not enough to pay the bills.

Certain kinds of debt may be appropriate, such as a mortgage or a car. Many people, however, try to buy more than they can afford. Indeed, banks and businesses encourage us to do so.

Credit cards can be too easy to obtain yet too difficult to maintain, especially when people find themselves borrowing from one card to pay off another.

Credit may even be advertised as free - but we still have to pay in the end. Many families can loose up to £1,000 a year in instalment debts, resulting in a

drop in their future standard of living. Families often live from payday to payday with little or no savings for emergencies.

In America personal bankruptcies have doubled in the last 10 years. Most of these people had jobs yet unexpected bills or reductions in pay caused their bankruptcy.

Many economists agree that a global recession is on its way. British people have over £130 billion of personal debt. It is estimated that, on average, there is £3,000 of debt from credit cards, loans and overdrafts for every adult in the country - and that's excluding mortgages.

The amount borrowed from credit cards has more than doubled in the past 4 years.

Debt is fine, if you can afford the repayments. But what if you lost your job?

The time to get out of debt is now!

One major benefit of getting out of debt is avoiding interest payments. For instance; if you owe £1,000 on a credit card with an interest rate of 18.9% per year, and you only pay the minimum, say 3% per month, it will take over 13 years to pay it off plus a HUGE £848 in interest.

But if you double your payments to 6% per month, the debt will be gone in less than 5 years and the interest paid will be £292.

Savings can be gained by switching mortgages and if you fix your interest rate for 2 or 3 years then you can rest easy knowing what your repayments will be for the next few years. But make sure your mortgage is flexible so that you can pay off more if you do have some spare money.

Bank loans or hire purchase agreements can be trickier to pay off, as there may be penalties for early repayment. Just stick to the repayments and make sure that you don't get tempted into any more debt. Remember that covetousness (i.e. desiring what we see) = debt! This is because we often get into debt over what we want, not what we need.

There are warning signs to indicate whether you are heading for financial difficulties. Look at the following list of 10 signals. If any one applies to you then it's time to take a closer look at your budget. If more than one applies then you could already be in financial difficulty.

- Using a credit card for purchases that you normally pay for with cash.

- Taking out loans to pay off debts.
- Paying only minimum amounts due on credit cards.
- Receiving "overdue" notices.
- Using savings to pay bills.
- Cashing-in or borrowing from, life insurance policies.
- Working overtime to make ends meet.
- Using your overdraught to pay bills
- Juggling debts and only paying the most demanding.
- Obtaining credit card cash advances for day-to-day living expenses.

If you're seriously worried about your overspending, The Citizen's Advice Bureau offers free debt information.

Once your debt is under control, you need to think about saving. A standing order straight into your savings account is a good idea as the money goes straight out of your current account every month along with the bills.

Always remember never to get into debt over things that have no long-term impact on your life. For instance, do you really need an upgrade on your computer? Is a new DVD player really such a necessity? And what about a second car? Is it really essential or just an expensive convenience?

Don't forget to also take a close look at the small things in life. For example, do you really need to go and have a cappuccino every time you pass a coffee shop? And packing a sandwich for work instead of buying one can save you about £40 a month.

But by far the most important thing to do when it comes to personal finance is to keep a constant check on your outgoings. Don't wait for your bank statement to scare you next time it comes through your door. Remember the old saying that an ounce of prevention is worth a pound of cure.