

Debt: Management and Relief

Many people experience an unforeseen financial crisis during their lifetimes while others may find themselves in dire straits financially as a result of unformed decisions, lack of budgeting or money management skills. Help is available.

Individuals can prevent a financial situation from becoming worse by first taking a financial inventory. Initial steps usually involve a recording of all sources of income followed by a monthly total of (1) fixed expenses i.e., monthly rent or mortgage payment, car payment, student loan etc., and then (2) variable cost expenses such as food, clothing and entertainment. It is important to list all expenses incurred, including incidentals in order to get an accurate account of where the money is being spent which allows for needed adjustments to assist with stabilization and creation of an initial debt relief plan.

After setting the initial target goal to first meet basic needs and necessary expenses (food, shelter, transportation to work, etc.) one can then make a listing of other expenses in order of importance to allow for elimination or adjustment of non essential spending. Once the above actions have been taken a determination can be made on how much leftover cash is available to help pay down debt each month.

Debts are either secured (tied to an asset like an automobile) or non secured such as credit card balances etc. It is important to recognize the implications for each. In the example of the fixed debt, a car or truck (the secured property) can be repossessed so all factors must be weighed carefully before deciding which payments to prioritize in a particular month.

Many creditors will work with customers on a relief or repayment plan. Contact creditors immediately if difficulty making payments is anticipated. Budgeting assistance can usually be found via local libraries and sample budget templates can be accessed online with a simple search. There are many debt relief, debt consolidation and credit counseling services available. Be diligent to ensure that you end up working with a reputable outfit.

For others bankruptcy may be a consideration. Chapter 13 bankruptcy usually leads to a restructuring of existing debt and a reasonable payment plan over 3-5 years while a Chapter 7 bankruptcy discharge can mean the elimination of debt altogether. Before moving forward with bankruptcy a broad understanding of the potential impact and related implications to personal credit history must be considered. The Labor Law Compliance Center provides this number for free bankruptcy advice 1-800-379-0985.

A highly regarded and no cost resource for those with debt and spending issues is the 12 Step group Debtors Anonymous. There are local meetings on Long Island and call in meetings available. Information for both can be accessed online. Visit the web site at: www.debtorsanonymous.org to learn more.

For further assistance call LECSA EAP (631)-851-1295