

Get out of Debt and Keep it that Way

Debt solutions and strategies to get out of debt can vary for everyone, however, the sooner someone is able to deal with their debt, the more options they generally have available to them. Some options for dealing with debt include:

1. **Can income be increased?** Increasing hours at work, taking on a part-time or second job or asking an older child to find part-time income may be possible.
2. **Which expenses can be decreased?** This may mean spending less on recreation or entertainment, not eating out for lunch or dinner as often and learning how to stretch the dollars at the grocery store a little further. It can also mean filing taxes to receive assistance with premiums or government funds which are based on income levels, e.g. medical premiums, child tax credits or GST refunds.
3. **Are there assets which can be sold?** Is there a recreational vehicle, a second car or other asset that can be sold and used for debt repayment?
4. **Is a consolidation loan an option? For home owners, is refinancing the mortgage a possibility?** Refinancing might lower the monthly mortgage payment. A consolidation loan may reduce overall monthly debt payments, as long as no additional credit is used until the consolidation loan is repaid in full.
5. **Are creditors able to help?** Negotiate lower interest rates with creditors to pay debt off faster or obtain relief during a difficult time. This is particularly important early on with student loans.
6. **Could family or friends provide assistance?** If funds are borrowed, be clear about repayment expectations. If direct financial assistance is not possible, assistance to reduce certain costs might be, e.g. child care relief or providing housing.
7. **Is a settlement for a portion of the balance owing an option?** Depending on the circumstances, creditors may accept a written proposal to settle outstanding balances owing for a reduced amount.
8. **Could a debt repayment plan be a possibility?** For consumers with a surplus in their budget and the desire to repay their debt in full through a non-profit credit counselling organization, a voluntary debt management program supported by their creditors may be possible.
9. **Is there a need for a legal remedy to the debt through a Trustee?** Depending on the nature of the debts and a consumer's situation, a Consumer Proposal or Bankruptcy, might be options to consider.

What can we do to help? [Contact us](#) for more information.

Avoid Financial Disaster

Does it feel like your paycheque doesn't seem to go quite as far as it used to? Living costs have increased significantly for most consumers.

- Gas prices have gone up.
- Housing costs, including utilities, maintenance, taxes and insurance have risen, not to mention the price of the home itself.
- Groceries and consumer goods and services have become more expensive.
- The cost of borrowing has increased: long-term mortgage rates and variable rate loans and mortgages cost more now than they did just one year ago.

While many consumers feel that a few small increases won't affect them very much, the cumulative effect can be significant enough to destroy a budget. Just spending a little more each month; \$30 more on fuel, \$75 more on housing, \$150 more on loan or mortgage payments, plus an extra \$100 at the grocery store - where will the extra \$355 each month come from? What extras are you able to cut back on so that you have money to pay for necessities?

When costs increase, rather than looking for ways to decrease their expenses, other consumers turn to credit to supplement their income. Limit increases on credit cards, using one credit card to pay another, or depending on a line of credit to make ends meet, are not sustainable money management strategies.

Without a plan to manage the additional expenses, many people face an uncertain financial future. The good news, however, is that with a little preparation and planning, most people are able to avoid financial disaster.

Preparations to avoid financial disaster need to include:

- reducing debt and staying out of debt - some strategies are noted above in points one through nine, or [contact us](#) for help
- eliminating costly contracts that may be difficult to maintain during a financial crisis - only commit to services / features that you really can't do without
- building up a savings account to cover 3 - 6 months of living expenses and financial obligations
- having a budget so that you can quickly identify which extras you can do without if money gets tight

Over-committing to deferred payment plans or locking in to long-term contracts can make it difficult to reduce debt. Repay deferred interest loans before interest charges become payable. Avoid long-term obligations that you may want to eliminate from your budget during times of reduced income or when expenses increase.



For more information about budgeting, the wise use of credit and options for dealing with debt, please contact the Credit Counselling Society at **1.888.527.8999** or log onto **NoMoreDebts.org**.

We are a non-profit service, helping individuals and families with free, confidential, and unbiased counselling, information and referrals.

Save for the Unexpected

Building up a savings account may seem like a daunting task, especially when trying to eliminate debt at the same time. Some tips to jump start a savings account include:

- Save unexpected funds, such as tax refunds, gift money or bonuses from work, in a separate account.
- If you are paid bi-weekly, you will have 2 extra pay cheques during the year - add them to your savings account.
- If you receive a pay increase, continue your budget as if you were still earning the lower amount.
- Make savings automatic - ask your employer or financial institution to direct deposit a set amount to your savings account each pay day.

Eliminating debt, using credit wisely and saving for the unexpected are all part of a responsible money management plan which, in turn, reduces the possibility of a financial crisis.

We can help you get started with a budget that works for you! Our free booklet, *Money Management Basics*, is a short, step-by-step guide to teach you how to develop a plan that will put you in charge of your money. Our friendly and helpful counsellors can help you assess which debt management strategy might be right for you. We can also provide you with tools to help you track your spending. Our goal is to help you get in charge of your money - [contact us](#); how can we help?



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