

# Your Money Matters

TIMELY ADVICE FOR CLIENTS OF GOLD KEY FINANCIAL

## When debt becomes a four letter word

This spring, Jill and Ryan will celebrate their seventh wedding anniversary. Jill has been teaching full time since shortly after university, and Ryan's carpentry business, although it struggled early on, has shown a small profit the last two years.

While they enjoy a comfortable lifestyle, Jill and Ryan have ignored the telltale signs of an impending credit problem. In their words, "There's still too much month left at the end of the money."

Jill and Ryan have very little in savings and when confronted with an unexpected expense, they turn to their credit cards. The last time was almost \$1200 for repairs to the mini-van.

As their credit balances soared, they found it increasingly difficult to make even the minimum monthly payment. It was depressing knowing that most of their payment went to interest charges. The outstanding balance was barely reduced. Jill felt that more and more of their income was simply going to pay off debt.

Just this afternoon at the grocery store, Jill's credit card had been declined for a purchase of \$250. With all three of their cards near the limit, she had to pay for groceries using debit. She knew the \$250 was coming from their overdraft, something she and Ryan had promised to avoid using.

At least they were both resolved to fix their credit problems. She knew of friends who were in such denial that they actually hid the monthly statements from each other.

As Jill eased the car into the driveway and turned off the ignition, she paused for a moment to study her reflection in the mirror. The person she saw staring back was tired of

letting debt control her life. With a quiet determination, she opened the door and started up the walk towards the house. It was time to make some changes.

That night after the dishes were cleared away and the kids were down, Jill and Ryan sat at their kitchen table and got to work.

They first made a list of everyone to whom they owed money - including their vehicle loans, the overdraft at the bank, the line of credit, three credit cards and their mortgage. Seeing the balances and monthly payments was both frightening and empowering.

Falling victim that night to a sharp pair of scissors were the two credit cards on which they owed the most money and carried the highest interest rate. The other card went into a drawer. Temptation removed.

"I think we need a consolidation loan," Ryan suggested. "Combining this high interest debt into one loan will reduce our interest costs, and if we keep our monthly payments the same, more will be going towards the principal." Jill nodded her head in agreement.

"We also need a budget," Jill stated. "Neither of us really knows where our money goes each month." It was Ryan's turn to nod. He knew that \$5 and \$10 dollar purchases each day can add up to a lot over the course of a month.

They talked into the evening and a game plan took shape. Slowly, the sense of frustration over their debts gave way to a quiet and determined resolve.

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