

More on debt

I owe, I owe, so it's off to work I go.

Hopefully this is not your weekly theme song?

Here are a few interesting points on debt and how to better manage it!

Assets – Liabilities = Net Worth

Liabilities are your debts. Debt reduces net worth. Plus, the interest you pay on debt, including credit card debt, is money that cannot be saved or invested, it's just gone.

Debt is a tool to be used wisely for such things as buying a house. If not used wisely, debt can easily get out of hand.

For example, putting day-to-day expenses like your groceries or utility bills - on a credit card and not paying off the balance monthly can lead to debt overload.

Lots of people are struggling with debt. In some cases, they could not control the causes of their debt. However, in some instances they could have.

Many people get into serious debt because they:

- Experienced financial stresses caused by unemployment, medical bills or divorce.
- Could not control spending, did not plan for the future and did not save money.
- Lacked knowledge of financial and credit matters.

Tips for Controlling Debt

- Develop a budget and stick to it.
- Save money so you're prepared for unforeseen circumstances.
- You should have at least three to six months of living expenses stashed in your rainy day savings account, because as the poet Longfellow put it, "Into each life some rain must fall."
- When faced with a choice of financing a purchase, it may be a better financial decision to choose a less expensive model of the same product and save or invest the difference.
- Pay off credit card balances monthly.
- If you must borrow, learn everything about the loan, including interest rate, fees and penalties for late payments or early repayment.