

Your Employee and Family Assistance Program is a support service that can help you take the first step toward change.

How to handle your debt load

We live in a society where a credit card is considered as essential as a phone, and where students learn to accumulate debt through student loans before they even start earning a pay cheque. Small wonder then, that so many of us are unable to fully repay our debts.

Understanding the cause of our debt accumulation is key to finding solutions and preventing a recurrence. Job loss or personal emergencies, for example, may not be preventable, but building a savings might make future situations more manageable. However, if the cause lies in compulsive spending, as it does for many people, understanding the habits and attitudes that lead to spending, will be key. Whatever the cause, you're taking a great first step in admitting that a problem exists.

Tips and Tools You Can Use

Begin by listing all your debts to get a clear picture of your situation. Consider whether it's manageable through stringent budgeting and lifestyle changes or whether your debt load is so out of hand that outside assistance is vital. Remember that you don't have to go through this alone. There are many resources to help you. Here are some tips to get you started:

Self-management. Here are some ways for you to independently manage your debts:

- Total your debt payments and draw up a budget to allow for them.
- Reduce your credit cards to one low-interest card. Keep it aside for emergencies.
- Consider whether you can use one low-interest card to pay off cards with higher rates.
- Reflect on the cause of your debt load and problem-solve to avoid future recurrences.
- If compulsive spending is at the root of your problems, consider outside counselling.

Credit counselling services. These services are offered by many non-profit organizations, and they may charge a small fee.

- They will put together a repayment plan to help you repay debts over a period of time—usually four years.
- Clients make a monthly payment to the service, which then pays all creditors.
- Negotiation with creditors usually enables debt interest to be frozen.
- The service helps to prepare a budget.
- Your credit rating will be affected—it usually goes to an R7.

Consumer proposals. These services are administered by Bankruptcy Trustees. You will only pay a percentage of your debts, however secured debts will not be included.

- Repayments are based upon your income, dependents and debt load.
- Payments to the Trustee can last from three to five years and are made monthly.
- You must attend two budgeting workshops.
- Your credit rating is affected—it usually goes to an R7.

Bankruptcy. Here are the important points you need to know regarding bankruptcy:

The best advice for handling your debt load is to take action before it's too late. Through consultations with a financial advisor, you will be able to effectively reduce your debt, and embrace ways to prevent similar issues from happening in the future.

- Administered by Bankruptcy Trustees.
- The approximate cost to go bankrupt is $1,600 to $1,800. The charge usually works out to around $200 per month.
- Bankruptcy lasts from nine months to just over a year.
- A discharge is granted after the nine month period.
- You must attend two budgeting workshops.
- Your credit rating is affected—it goes to an R9.

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