

Getting Out Of Personal Debt

The world in which we live has become a materialistic one, where owning the latest gadget and dressing in the trendiest styles has become a must. This pursuit of material happiness however comes at a high cost as most people end up spending too much money on things that they don't really need. Not to mention the increase in the cost of living where hikes in food prices and other basic necessities have skyrocketed. It is no surprise that the average consumer can accumulate a large portion of debt over a relatively short period of time. Ask any individual consumed in debt of the constant struggle that they face to reduce their arrears. Unfortunately, it appears that it is not as easy to get rid of this liability as it was to accumulate it in the first place.

Additionally, with the Christmas season fast approaching, many individuals have already started preparing their homes for the festivities; painting around the house, purchasing Christmas trees and decorations while general fix ups and minor renovations have begun. Of course we can't forget the long list of gifts that also have to be purchased for loved ones. With all these expenses, consumers can easily get caught up in a mountain of debt and these financial obligations, if not controlled or at least kept to a minimum, can lead to financial worry and feelings of distress and anxiety.

In preparation for not only Christmas but the Carnival season as well, where expenses tend to be high, I have listed below some tips to help you get your debt under control.

Stretch your dollar

Save money on lunches

A simple and easy way that you can save money daily is by bringing leftovers to work for lunch a few days a week rather than buying lunch everyday. On average, you can spend as much as \$100 to \$150 a week on lunch or \$400 to \$600 a month. Also, those cups of morning java can really add up too. Your daily caffeine fix whether it's a café latte, mocchachino or cappuccino can run you around \$15 to \$20 a cup, which averages to about \$300 a month, assuming you are a daily consumer. Instead settle for a regular cup of coffee at work and maybe treat yourself every now and again instead of every morning. As you can see, the savings are already starting to add up, which can in turn be put towards reducing your debt load.

Snack and shop smarter

Those mid-afternoon munchies and cravings can have you running to the vending machine day after day emptying your pockets by a couple of dollars, which in the long run can add up. A chocolate bar or a can of Coke can cost up to \$1 extra while a small bag of chips is usually an additional 50 cents. Instead buy your snacks in bulk at the grocery and bring them into work. The same applies for your soft drinks, juices, or bottled water. Buy a case and bring one can or bottle of your favourite beverage to work every day.

Also the next time you are in the supermarket, check to see if regularly used toiletries, cleaning products, and groceries are on sale and stock up on these items. Another general rule that you should always remember is not to go grocery shopping when you are hungry as you tend to pick up items, which you really do not want, to curb the hunger pangs. Everything always looks more enticing when you're hungry.

Save on utilities

Be frugal on your use of electricity and water as it can save you quite a bit of cash monthly. Turn off the lights when you leave the room and don't leave the television on when you're not watching it. Likewise with water, try to conserve your water use where you can by turning off the tap, say when brushing your teeth, instead of leaving it running. In addition, ensure that you are on the best phone plan suitable for your needs, both for your land line and your cellular phone.

Save on entertainment

We all love to have fun and enjoy ourselves with our family and friends and to do so does not mean that we need to spend a lot of money. There are times when, say, instead of eating out at an expensive restaurant you can maybe host a dinner party at your house where everyone brings a dish. Instead of running to the movie theatre every weekend, have a movie night and invite close friends over or that special someone. The same could apply to girlfriends that love to get together and catch up. Instead of going to the spa, have the spa day at your home and ask your girlfriends to come over. And for the guys, arrange to have your pals come to your place to watch the big football or basketball game instead of going to the bar and running up a huge tab. Remember it's the company of the people that makes it all worthwhile not the amount that you spend.

Consolidate debt

Debt consolidation is simply combining several loans into one loan. By taking out a new loan to pay off a number of your other debts such as credit card debt, car loans or loans taken to further your education you make it easier for yourself as there is only one repayment to worry about. Usually, an individual would also consolidate their debts in order to attain a lower interest rate on the single loan. This is particularly beneficial for credit card debt as credit cards tend to carry very high interest rates.

Wants versus needs

A need is something that you have to have, a necessity, in order to live and survive such as food, shelter, medical attention and clothing. A want, on the other hand, is something that you long for, or something that you would like to have but is not necessary for survival. A want can be thought of as a "nice to have".

Unfortunately we live in a world where the distinction between needs and wants can sometimes be blurred for individuals due to the power of advertising and the expectations of the society in which we live. I am not suggesting that you don't indulge and treat yourself now and again, I am merely stating that you should observe and limit giving in to your buying urges. A helpful tip to follow is to avoid the initial urge before making your purchase. In most instances that desire to buy will pass by the next day, which would indicate that you really didn't need that item. If, however, some weeks have passed and you still "want" the item then by all means, after careful consideration, go for it.

By resisting your "wants" you control your spending and in turn take charge of managing your debt. Do not fall to the temptation of instant gratification.

Explore your hidden talents

By exploring and utilizing your God-given gifts, you can come up with a creative business idea that can be marketed to bring in some extra cash. This additional income can be used to reduce your debt or to contribute towards monthly expenses. Maybe you have a knack for working with crafts such as crochet, knitting, sewing or embroidery. Or you may be a good baker and can offer your treats for sale. Of course this will not be your primary source of revenue but additional wealth can be generated simply by pursuing hobbies and recreational activities that you enjoy doing.

Preventative steps to avoid getting into debt

- Leave the credit card at home
- Pay with cash whenever it is possible
- Try to avoid bank overdraft charges by keeping an eye on your account balances
- Pay bills on time to prevent late payment charges
- Avoid or control impulsive buys
- Always compare prices before making major purchases
- Live within your means and stay within the spending limits you have set for yourself

Some say that the more money you make, the more money you spend and this of course could lead to the accumulation of more debt. While that may hold true, at the end of the day we are all faced with the same challenge; that of trying to cover expenses with a fixed income. With a little help and the few tips offered, the task of reducing your debt burden is not as unattainable as you might think. Take the steps now to lead a more financially responsible lifestyle.

Nancy Chen
Research Analyst
West Indies Stockbrokers Limited (WISE)
nancyc@wisett.com