



Don't let yourself drown in debt

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Getting into debt? Easy.
Getting out of debt? Much, much harder.
Too much debt can make it impossible to meet your repayment obligations. Yet you are legally bound to uphold each credit card or loan agreement you sign. Fail to do so and lenders can take legal action against you to recover what you owe them.

First, focus on creating a budget that will help you spend less than you earn and get in the habit of saving money so that you don't go into debt in the first place.

Your budget should include the minimum required payments for all your loans. If you can't pay the minimums, talk with lenders to arrange payments you can make. If you have money left after minimum payments, don't spend it on things you don't absolutely need (be honest here!). Use that cash to get out of debt by paying off more of your loans one at a time.

Start by applying any extra money to pay off the loan with the highest interest rate, not the loan with the largest balance. You don't want to pay any more interest than necessary. Remember, compounding interest works against you when interest payments on debt are concerned!

Next, tackle the loan with the highest interest rate and so on until the debt is under control.

Living within your means and socking away six months pay in an emergency fund can often prevent you from going into debt. But sometimes unexpected medical bills or a job loss bring on overwhelming debt.

If you're drowning in debt, take swift action. Two ways to do that include obtaining a debt consolidation loan or, as a last resort, declaring bankruptcy.

Banks and credit unions offer debt consolidation loans to help people regain control over their finances. With this loan, a bank or credit union pays off your creditors before consolidating all your outstanding payments into one loan. You then pay off this more manageable loan month by month. (A word to the wise: Once you consolidate your debts, be sure to close the credit accounts you've paid off and avoid opening new ones. Otherwise, you may be tempted to get yourself into another financial mess!)

Bankruptcy, a legal process that allows those with an unmanageable amount of debt to create a plan that gives them a chance to rebuild their lives, should be your very last resort. There are two common forms of



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Create a budget and save money now to avoid drowning in debt later.

consumer bankruptcy proceedings: Chapter 7, in which a debtor surrenders his or her

KEY POINTS

- The first step to avoid going into debt is to create a budget that will help you consistently spend less than you earn. Make sure you include the minimum required payments for all your loans in this budget.
- Apply any extra money to pay off the loan with the highest interest rate, not necessarily the loan with the largest balance.
- If you have unmanageable debt, take swift action to rectify your situation by obtaining a debt consolidation loan or, as a last resort, declaring bankruptcy.
- With a debt consolidation loan, a bank or credit union pays off your creditors before consolidating all your outstanding payments into one loan. You then pay off this more manageable loan month by month.
- Bankruptcy, a legal process that allows those with an unmanageable amount of debt to create a plan that offers a chance to rebuild lives, should be your very last resort.
- No matter how dire your circumstances, never pay anyone to help you become financially solvent again.
- Consider contacting the Consumer Credit Counseling Service of Western Pennsylvania at (888) 511-CCCS to inquire about its free financial services.

non-exempt property so that it can be liquidated to pay off creditors, and Chapter 13, in which a debtor retains ownership of his or her assets, but must repay creditors once he or she starts generating revenue again. Be aware that bankruptcy deals a big blow to your credit score and can remain on your credit report for upward of 10 years. This will make it more difficult for you to obtain credit in the future.

No matter how dire your circumstances, never pay anyone to help you become financially solvent again. Instead, consider contacting the Consumer Credit Counseling Service of Western Pennsylvania at (888) 511-CCCS about its free financial services.

Above all, avoid going into unmanageable debt by spending within your means and by setting up an emergency fund of six months pay to help you get through difficult financial circumstances.

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Check out these Web sites to learn more:

www.teachmeaboutmoney.org
www.eriefcu.org/savings/financial-literacy

www.unitedwayerie.org/financial-stability
www.goerie.com/nie

www.erie.ja.org
www.eriebc.edu



Erie FCU nabs first place social responsibility award

The Erie Federal Credit Union (Erie FCU) recently took top honors in the state for its outreach into the community that includes initiatives such as the Invest in your Future page in the Erie Times-News.

The Pennsylvania Credit Union Association bestowed the Dora Maxwell Social Responsibility Award based on Erie FCU's commitment to community projects and external activities that help solve core community problems, whether it be through fundraising on behalf of charitable organizations, tutoring students or helping organizations with events or projects.

The Erie FCU does all three of these things and more through its partnership with Junior Achievement, Newspaper in Education and United Way of Erie County.

By pairing with Newspaper in Education, the Erie FCU helps educate thousands of students about financial literacy and workforce readiness by sponsoring newspapers and conducting Save Up workshops



CONTRIBUTED PHOTO

Erie FCU's sponsorship of NIE helps bring thousands of local students copies of the Erie Times-News each week.

that teach kids about the value of money.

The Erie FCU will collect this award before its entry goes on to compete at the national level.

"Partnering with other organizations allows us to do more for our community," said Erie FCU Vice President Business Development Sandi Carangi. "We're honored to be recognized for our efforts and to collect this well-deserved award on May 17 during the Pennsylvania Credit Union Association Annual Convention in Atlantic City, N.J."

CAREER CORNER



Amy Swonger

Name: Amy Swonger

Occupation: Member Service Representative and Saegertown Branch Supervisor at the Meadville Area Federal Credit Union

Typical day: I help members open accounts, apply for loans and learn about what it means to belong to a credit union. I wish I knew this information earlier, which is why I serve as the Erie Chapter of Credit Unions Youth Ambassador and am a Junior Achievement volunteer.

Favorite part of job: I really enjoy getting to know our members. I want members to feel comfortable, and I always immediately give them my phone extension so that they can bring their questions and concerns to someone they know.

Education: I graduated from Edinboro University of Pennsylvania with a degree in Journalism and Mass Communication with a Broadcast Specialization.

1. Companies, like people, can get in over their heads in debt. Find an article about a debt-straddled company. How does this company plan to get out of debt? Is this company receiving assistance from the government? If so, do you think this is the correct course of action?

2. Do the newspaper articles you've read indicate Americans are tightening their belts more as a result of the recession? Have you or your family cut down on expenses lately?

Share your thoughts by sending them to nie@timesnews.com.

