

## Debt Warning Signs

Use the following self-test periodically to determine whether you have too much debt.

	Yes	No
1. Are you using your credit cards or borrowing to pay for items you once paid for with cash?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are you paying more to service your debts today than you did previously?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you paying your bills with money you had saved for another purpose?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are you using your savings to pay bills?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have an emergency fund of at least 3-6 months of basic living expenses?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are you only paying the minimum balance due on your charge accounts each month?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are you extending repayment schedules — paying in 60 or 90 days bills you once paid in just 30?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you maxed out or close to maxing out your credit cards and other sources of borrowing money?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are you taking out new loans before old ones are paid off, or taking out loans to pay an existing one?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are you unsure about how much you owe?	<input type="checkbox"/>	<input type="checkbox"/>
11. Are you usually late in paying bills?	<input type="checkbox"/>	<input type="checkbox"/>
12. Are you threatened with repossession of your vehicle, cancellation of your credit cards or other legal action?	<input type="checkbox"/>	<input type="checkbox"/>

### What do your answers mean?

**IF YOU ANSWERED:** "No" to all questions,  
**YOU ARE:** Managing credit well.  
**YOU SHOULD:** Continue practising good money management.

**IF YOU ANSWERED:** "Yes" to any question 1–5,  
**YOU ARE:** Getting out of control.  
**YOU SHOULD:** Stop using credit until current debt balances are paid.

**IF YOU ANSWERED:** "Yes" to any question 6–10,  
**YOU ARE:** On the verge of trouble.  
**YOU SHOULD:** Stop using credit. Develop a budget and debt payment plan.

**IF YOU ANSWERED:** "Yes" to question 11 or 12,  
**YOU ARE:** In serious trouble.  
**YOU SHOULD:** Consult a financial planning professional now, before your financial goals become impossible to achieve.



## Debt Resolution

There are some options you have when it comes to resolving your debt.

1. **Consolidate your debt into one loan.**
2. **Use a combination of reducing and/or eliminating non-essential expenses and paying down the debt.**
3. **Approach your creditors directly to initiate a payment plan.**
4. **Use credit counselling.**

Credit counsellors may help you negotiate with your creditors. They offer a debt management plan, which means that the credit counsellor will arrange a payment plan with your creditors in terms that you are able to afford.

Not all creditors co-operate with credit counsellors, the most notable being the government about debts such as income tax arrears. Be careful to determine the fees charged, and whether your counsellor is licensed.

5. **Arrange a lump sum cash settlement.**

Seek out the help of a credit counsellor or mediator to arrange a lump sum cash settlement in which a specific amount of money is offered to your creditors to eliminate the debt as an alternative to bankruptcy or a lengthy debt repayment proposal.

Usually a certain percentage of the debt is settled, e.g. a settlement of fifty cents on the dollar would mean that the creditor would accept 50% less on the debt.

Lump sum cash settlements are dependent upon the circumstances of the individual or family, e.g. compassionate grounds or hardship, and the willingness of creditors to accept them.

6. **Make a consumer proposal.**

A consumer proposal is an offer made by a debtor to his or her creditors to modify his or her payments. For example, you may propose that you will pay a lower amount each month, but over a longer period of time. Or you may propose that your creditors accept being paid a percentage of what you owe.

7. **File for bankruptcy.**

Bankruptcy is a legal action people choose to have their creditors (debts) discharged through a trustee in bankruptcy. One of the major purposes of bankruptcy is to provide a legal means to solve impossible debt problems and give families a fresh start.

To file for bankruptcy you must:

- Be insolvent (unable to meet your obligations as they become due and payable);
- Owe at least \$1,000; and
- Have insufficient assets to pay creditors.

Get legal advice or consult a bankruptcy trustee if you are considering this option.