

## Debt is Not a Dirty Word



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March: the month that Niagara residents carry spring coats and parkas in their cars because the weather changes hourly. The month when green occasionally appears on the ground and more often in local pubs on the 17<sup>th</sup>. The month when debt worries become overwhelming because it is well past Christmas and you still haven't paid down what you'd hope to on your credit cards. Ok, that last one may not appear in your Facebook feed, but take a gander at the bankruptcy trustee billboards that sprouted like dandelions on your neighbours lawn. Debt is a big issue in Niagara and you are not alone if you count it among your daily struggles.

Admit it. You spent a little more than you intended over the holidays. You're still paying the minimum amount on your credit cards each month, trying to pay back what you hadn't planned to spend in the first place. You're hoping to find room on your cards for a March break vacation, but, when you look at your full credit card bill (through eyes hidden behind your hands), you see your holiday spending getting cozy with the new patio set you got for such an amazing deal... last spring.

This spend--pay down--spend cycle can seem as crazed as a toddler circling a room after a cake-smash party.



## **So what do you do?**

You approach your credit union with bills clutched in shaky hands, and ask for help. Because that's what we're here for: to help. We won't judge your spending. That Boxing Day sale was too good to pass up. Your student debt wasn't going anywhere fast anyway. Right?

But the good news is, with our help, your student debt, and all the debt that came along after it like the dandelions you're always fighting (Am I the only one that cannot get a handle on those things?), can be managed. Debt doesn't have to be a dirty word.

If you're like a large percentage of Niagara's population (and beyond!), you carry some debt. What can you do? Consider consolidation. Consolidating your debt typically means combining several unsecured debts into a single, new loan that is more favorable. Specifically, debt consolidation involves taking out a new loan to pay off a number of other debts. The new loan may result in a lower interest rate, lower monthly payment or both. It may also result in increased cash flow, which allows you to save for emergencies and offers something even greater: peace of mind.

So where do you start?

### **Step One: Reach Out**

Bring your bills. Bring your investment statements. Bring your doubts and your dreams. Come into

the branch and prepare for an honest conversation. I want to know your expenses, your debts, your plans, and your goals. We'll make the latter achievable by managing and guiding the former.

For example, I met with a couple recently that came in with the goal of upsizing their small home. What was holding them back? A consolidated student loan debt that they had been carrying for almost ten years.

Adulting is hard. Adulting with student debt that you wish you'd outgrown is even harder.

## **Step Two: Assess**

At every life stage, your financial situation will evolve. I know you want it to evolve beyond a snowball down the mountain of debt. To help you achieve this goal, we can review your situation and assess the best course of action at this stage of your life.

That couple I mentioned above had the admirable goal of upsizing their home closer to Lake Ontario. Unfortunately, it quickly became clear as we separated the dandelions from the dirt, that their goal would mean living beyond their means. Although they were working well-paying jobs as self-employed health care professionals in St. Catharines, they had neither benefits nor pension. They also lacked a debt repayment plan. Buying a larger home would be putting the cart before the dandelion-munching horse.

## **Step Three: Plan**

With a clear picture of your debt, expenses, and goals, we can create a plan that helps you reduce your debt and live within your means. Don't worry, living within your means does not mean you have to live a life devoid of all the amazing stuff you love.

For example, that couple's goal of upsizing was not squashed -- just delayed. To achieve it, we started by creating a true financial plan that involved drastically paying down their government student debt, as well as their student lines with their bank. To begin, they applied for interest relief and government grants through the Canada Student loans program. We all did a happy dance when they were granted this relief and a large amount of their debt was thus granted. Can you see that? It's a green lawn appearing (Yes, the darned dandelions were disappearing!).

Next we looked at how they could live within their means at this stage of their life. We created a financial plan to help them build emergency savings (even health care professionals get sick), develop retirement savings, and reduce unnecessary expenses. As a key part of this puzzle, we also paid out their remaining student loans with a line of credit. The resulting interest rate and monthly payment amount fit within their new budget and their long-term financial plan. They would

be student-debt free and living in roomier quarters sooner than a toddler could start school.

### **And Cha Cha Cha**

At PenFinancial, we're not afraid to discuss your debt. You don't need to be afraid either. With an expert advisor to guide you, you can dance through greener fields in no time.

Link to life events planner calculators

<http://lifeeventsplanner.cuis.com/lep/pgLEC.jsp?CUID=10001334>