

HOW WILL I KNOW IF I HAVE TOO MUCH DEBT?

Fortunately, potential debt problems can be spotted before they reach the serious stage. By knowing what danger signals to look for, you can take steps to prevent a problem before it occurs.

Go through the checklist below. If any of these danger signals looks familiar, you may be headed for financial trouble.

- You think of credit as cash, not debt.
- Your debts are greater than your assets.
- You owe more than seven creditors.
- You are an impulsive or compulsive shopper.
- You and your spouse are dishonest with each other about your use of credit.
- You don't know how much your monthly living expenses are or the amount of your total debt.
- Your expected increase in income is already committed to paying off debts.
- You depend on extra income, such as earnings by a second person or overtime by the breadwinner, to help you make ends meet.
- You have less than two months' take-home pay in cash or savings where you can get to it quickly.
- You have to pay back several installment payments that will take more than 12 months to pay off.
- You have more than 15 percent of your take-home pay committed to credit payments other than your home mortgage.
- You get behind in utility or rent payments.
- You have to consolidate several loans into one or reduce monthly payments by extending current loans to pay your debts.
- You cannot afford to pay for regular living expenses or credit payments.

- Creditors are sending overdue notices.
- The portion of your income used to pay debts is rising.
- This month's credit balances are larger than last month's.
- You are usually late paying some of your bills.
- You borrow for items you once bought with cash.
- You don't know how much installment debt you owe and you are afraid to add it up.
- You have borrowed money from a new source to pay off an older, perhaps even overdue debt.
- You have borrowed money to pay for regular household expenses such as rent, food, clothing, gas or insurance.
- You have reached your credit limits.
- You hurry to the bank on payday to cover checks already written.
- You no longer can contribute to a savings account or have no savings at all.
- You pay bills with money earmarked for other financial obligations.
- You pay minimum amounts or less on your outstanding debt.
- You use a cash advance from one credit card to make payments on others.
- You've applied for more credit cards to increase borrowing.
- You have drawn from savings to pay regular bills.
- Your liquid assets total less than your short-term debt.
- ...and on and on!

This causes you to....

- Take out a loan.
- Withdraw savings.

- Skip payments.
- Pay only the minimum amount due on your charge accounts.

If you identified with two or three of these, it's time to do something about it. If at least four of the above statements applied, examine your budget and look for ways to tighten your belt.

If you identified with five or more, you are probably headed for financial trouble.

If you identified with seven or more, then your financial health is in trouble. You are in financial danger!