

SPEAKING OUT

Batten down financial hatches to weather stormy economy



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Bankruptcies were up 40 percent nationwide in 2007 — and those were still the good times. Now the bad times are here for many consumers with:

- Too much credit card debt for things they really wanted but didn't need and couldn't afford unless they made minimum payments or used one card to pay another.

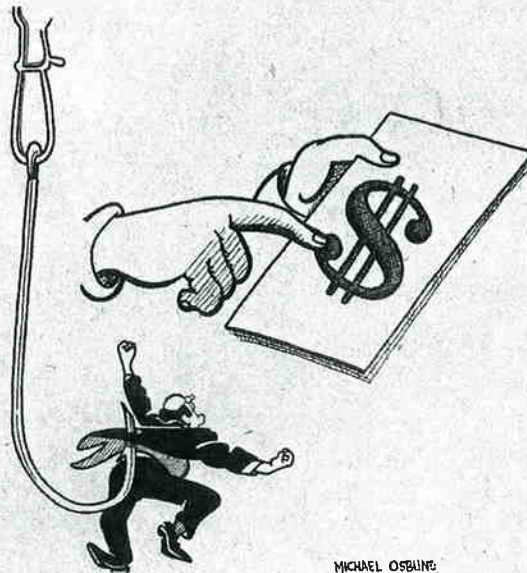
- Five-, six- and seven-year loans on vehicles they wanted but didn't need and couldn't afford, even with extended terms, unless they bought the vehicles with no down payment or rolled them into the balances due on their trade-ins.

- Mortgage payments and upkeep for homes they really wanted, and were easily led to believe they could afford, even though more than 25 percent to 28 percent of their gross incomes would be required for their housing costs.

Though these current hard times may be softened somewhat by government intervention, which is more designed to shore up our economy that is disproportionately dependent on consumer buying than anything else, this may be just the tip of the iceberg.

Will you be one of the many consumers floating on a sea of debt with no savings or financial plans who will sink when the next credit backlash hits due to our over-leveraged credit markets?

Do you really think this is the last time we will see rising gas and food prices, increased unemployment, stagnant incomes, a bear stock market, a slowing housing market and a credit crunch? Do you actually believe that there will never be a credit card or car loan crisis like the



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Stop living paycheck to paycheck with no savings like 70 percent of Americans. Start ... paying off your credit cards ...

subprime mortgage crisis? The default rates on those loans are already increasing.

This hopefully will be a wake-up call for consumers to get serious about their finances, to reduce their debt and avoid unaffordable and unnecessary debt by taking these steps:

- Prepare a budget to identify what you're actually spending your money on, analyze whether you really need and can afford all that "stuff," and find areas where you can cut back. How long do you think you and other Americans can continue to spend \$1.22 for each \$1 you earn?

- Stop living paycheck to paycheck with no savings like 70 percent of Americans. How much longer can you go without saving for emergencies and anticipated expenses (like repairs on a 6-year-old car) and continue paying for them with high-

interest credit? Remember, bad things happen to good people every day.

- Have six to eight months of net pay saved for when you or your spouse lose a job.

- Stop eating out seven times a week, like the average American family does between restaurants and takeout, if you have to go into debt with credit cards to do it. Remember, fast food may be fast, but it's not cheap.

- Do the math on all of your financial transactions — cars, homes, furniture, cell phones, rent-to-own contracts and credit cards, so that you don't continue to be taken advantage of by the credit and service industries. "Buy now and pay later" doesn't work at today's high consumer interest rates — you pay too much more. Remember, it's about the term and the interest rate, not the monthly payment

To learn more

Find more information about personal finances on the Web at www.careprogram.us.

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they will try to talk you into believing you can afford.

- Consider getting a second job if you are deeply in debt.

- Buy a less expensive or used car next time and take the loan out for the shortest term you can handle. Drive the car longer and, after you have paid off the loan, save the monthly payment every month to use as a down payment for the next car.

- Insist that your real estate agent only show you homes where the reasonable mortgages and carrying costs will not exceed that tried and true 25 percent to 28 percent of gross income.

- Stop taking out home equity loans and loans from your retirement account, or refinancing your mortgage to go on vacations you can't otherwise afford or to pay off your credit cards so you can reborrow on them.

- Start cutting back, building an emergency savings account and paying off your credit cards, starting with the one with the highest interest rate.

- Start seriously saving for those exponentially increasing college expenses so that your children will not have to incur so much student loan debt that it negatively affects their careers and lifestyle choices.

- Learn about credit scores and start improving yours so you can get better rates when you really need to borrow money. □

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