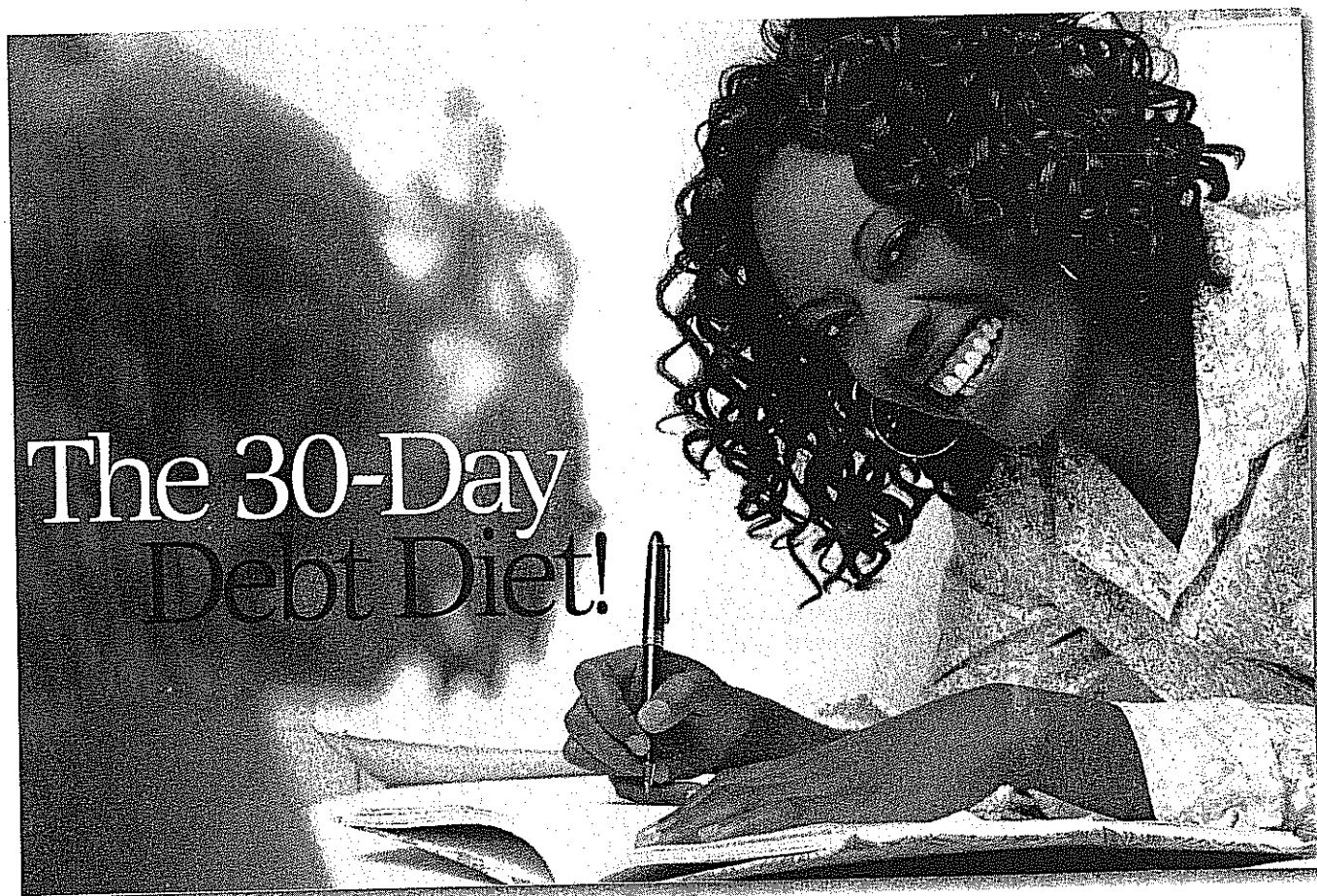


# WORK & WEALTH

manage money. get ahead. live free



## The 30-Day Debt Diet!

Free yourself from mounds of bills in no time at all **BY SAKINA P. SPRUELL**

**B**eing in debt not only weighs down your budget, but it can also dampen your self-esteem. Sadly, America's debt problem is worsening. The American Bankruptcy Institute reports that U.S. consumer bankruptcy filings increased 47.7 percent from April 2007 to April 2008. And the Federal Reserve reported that Americans' credit card debt jumped 6.7 percent in the first quarter of this year to \$957.2 billion. Whether you feel overwhelmed by exorbitant medical bills, excessive spending or the financial fallout of a bad relationship, here's how to take control of your money.

### STEP 1: Decide to Deal

**DAYS 1-5**  
Alicia Alston of Flemington, New Jersey, knew she had to face her situation when the utility company turned her lights off and she had to take her two sons to her mom's house for the night. "Because I was so embarrassed, I told her we had a blackout," recalls Alston, 38. She's hardly alone in the fight to become debt-free. Joy Carter of Moss

Point, Mississippi, was making \$50,000 a year as a civilian navy oceanographer when she realized she was in major debt. "I thought I was making big money," reflects Carter, 46. But the income couldn't cover her expenses. After her car was repossessed, she put her house in Diamondhead, Mississippi, up for sale and stopped answering the phone. "It was really bad," admits Carter.

Confronting the issue can be the most difficult step of a long, but doable, journey. When people are in denial, they avoid creditors. They don't open their bills; they even let debt dictate their living situation. "Some people owe so much, they constantly move so creditors can't find them," says Harrine Freeman, author of *How to Get Out of Debt* (Adept Publishers). If you're screening your calls for fear of creditors calling or you're too ashamed to tell anyone, then stop running and start dealing.

### TO-DO LIST

1. Accept that you have a problem.
2. Order your credit report from [Annualcreditreport.com](http://Annualcreditreport.com).
3. Open your monthly bills. ▶



**STEP 2: Make a Budget**

Creating a budget is critical. "You have to know how much money you have coming in and how much you have going out," advises Freeman. Alston's budget revealed that she was severely overextended. "I was making about \$30,000 before taxes, and in order to cover my expenses, I would have needed to make \$52,500," she says. Once she got past the shock, she wrote a new plan, and within two years she landed a more lucrative job. She's currently a director of public relations for a financial services company.

**TO-DO LIST**

1. Itemize all sources of income.
2. Tally all expenses.
3. Download free worksheets on budgeting from [Consumercredit.com/budget-sheet.htm](http://Consumercredit.com/budget-sheet.htm).



**STEP 3: Draw Up a Realistic Pay-off Schedule**

Now it's time to make a repayment plan. "Most companies will ask for much more than you can afford, so be firm about the payment you can offer," insists Freeman.

Jean Chatzky, author of *Pay It Down! From Debt to Wealth on \$10 a Day* (Portfolio), suggests that people break the challenge into manageable steps. "It's tempting to decide that you're going to get rid of every bit of your credit card debt this year, but you shouldn't aim that high," she says. Instead, set goals with a realistic time frame, such as paying off several small balances within a year.

**TO-DO LIST**

1. Figure out your total outstanding balances.
2. Budget how much you can allot to debt payments.
3. Use calculators such as [Bankrate.com/brm/calc/creditcardpay.asp](http://Bankrate.com/brm/calc/creditcardpay.asp) to determine how much you can pay and when.

**My debt dilemma SOLVED**

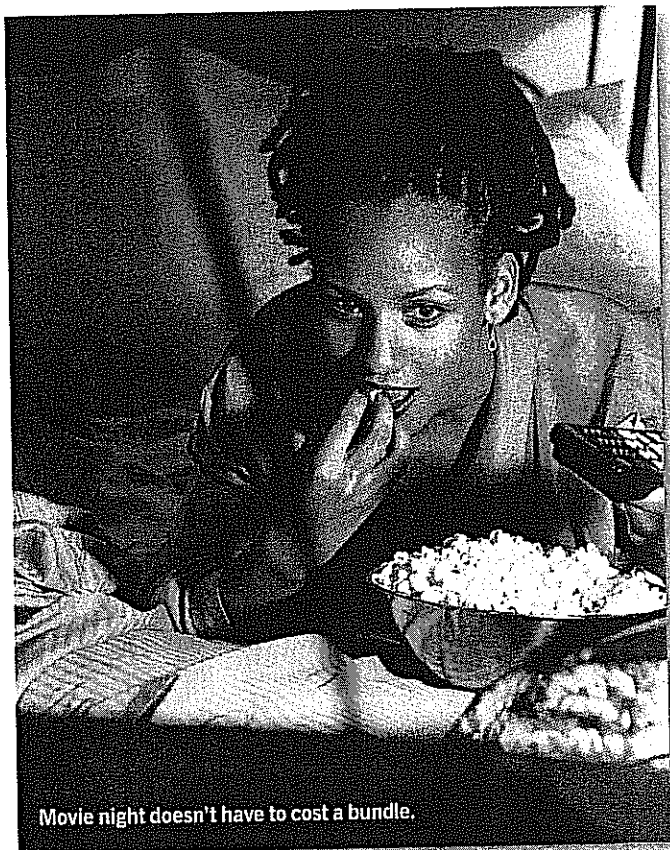
**Name:** Joy Carter, 46, Moss Point, Mississippi  
**Occupation:** President and founder, Architecture Systems & Technologies, Inc.

**The Debt:** Over a period of about four years, she fell three to six months behind on her monthly bills: mortgage, two cars and utilities.

**Debt-Eraser Tip:** "I created my own budget with a six-month projection, so when the caller ID said 'out of area,' I could answer and give the collection agency a realistic answer as to how much I could pay," says Carter.

“ Approximately 10.5 million people living in the U.S. could benefit from credit counseling services. ”

—David C. Jones, president, Association of Independent Consumer Credit Counseling Agencies



**STEP 4: Eliminate Frivolous Spending**

Focus on your ultimate goal of becoming debt-free, says Freeman, then choose to make some sacrifices. When tackling her debt, Alston stopped eating out and going to clubs with friends. Carter cut out her regular trips to the hair salon. "I had the worst hairdo in the world pulled back in a ponytail," recalls Carter. "But it was something I had to do." Another way to reduce spending is to carry cash. In *Everyday Cheapskate's Greatest Tips* (Running Press), author Mary Hunt says that by using cash, "You'll eliminate impulsive purchases and reap huge rewards." Calculate your weekly expenses, and then withdraw only the budgeted amount from your bank.

**TO-DO LIST**

1. Make a list of needs versus wants.
2. Cut back on entertainment, eating out and other extras.
3. Give yourself a weekly cash allowance. ▸

## My debt dilemma **SOLVED**

**Name:** Le Gina Adams, 38, Piscataway, New Jersey  
**Occupation:** E-ZPass customer relations representative, New Jersey Turnpike Authority

**The Debt:** About \$16,000 for credit cards and a car  
**Debt-Eraser Tip:** Adams used her income tax refunds to pay off her debt. "Also, I was paying more than the minimum on my credit cards for three years straight," she says. "I didn't have to take out any consolidated loans or get a second job." But she did slash spending and increased her debt payments during that time.



### STEP 5: Generate More Cash

Sometimes there are no extras to cut. In this case, you need to find a way to create more cash flow. To do so, find another source of income, or rethink necessary expenses. After her family's "blackout" experience, Alston didn't see any place to cut fluff, so she substantially

lowered her rent by moving in with her parents. This drastic step had big payoffs for Alston. Now married with four children, she commands a comfortable six-figure salary, has very manageable debt, and owns a 4,000-square-foot home. In extreme cases, Freeman suggests getting a roommate or boarder or trading in a car for a less expensive model.

#### TO-DO LIST

1. Obtain a part-time job.
2. Get a roommate.
3. Refinance your mortgage.

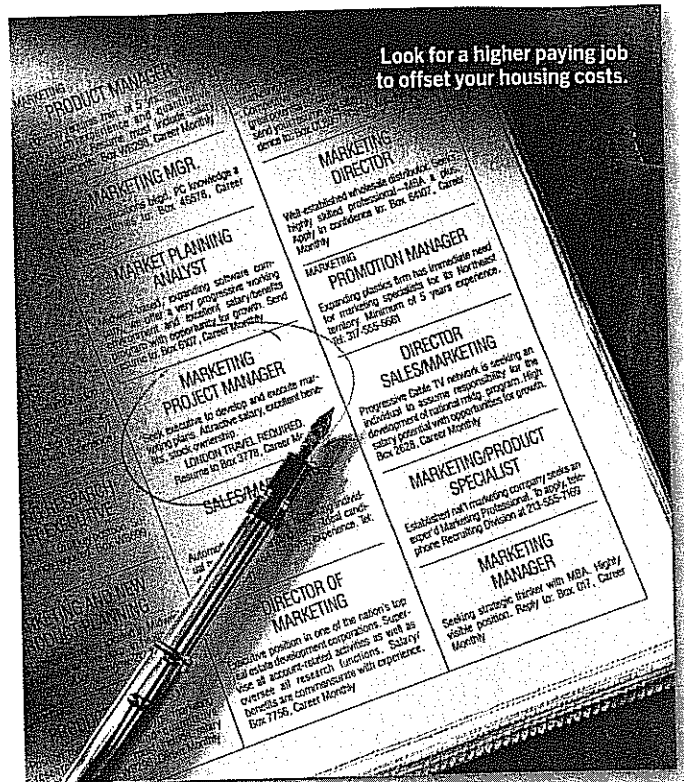


### STEP 6: Accelerate Payments

One way to speed up the repayment process is "to look at your debts and see which have the highest rates and accelerate paying those off," advises David C. Jones, president of the Association of Independent Consumer Credit Counseling Agencies. He says that if you make the typical minimum payment on a \$10,000 credit card balance with an 18 percent interest rate, it will take 42 years to pay off. Carter was so empowered by starting a business in March 2006 that she resigned from her job last year. She now owns Architecture Systems & Technologies, Inc., which integrates mission systems onboard navy ships. Though she has more than quadrupled her income, her satisfaction extends beyond the money. "Now if anyone calls me, I can answer my phone," Carter says.

#### TO-DO LIST

1. Use part-time income to increase payments.
2. Pay off debts with highest interest rates first.
3. After one debt is paid off, add that payment to the debt with the next highest rate.



Look for a higher paying job to offset your housing costs.

“It takes about four to five years for most people in debt-management programs to emerge debt-free.”

—Jean Chatzky, author of *Pay It Down!*  
 From *Debt to Wealth on \$10 a Day*

## Whom Can You Trust?

If you are living above your means, you may need some expert help from a credit counseling and debt reduction service. But beware of unsavory types looking to offer you money in exchange for using your bank account or having you pay for the next big idea. These tips will keep you clear of predators.

1. Find a nonprofit organization that provides free to low-cost credit counseling services, such as the Association of Independent Consumer Credit Counseling Agencies (aiccca.org) and American Consumer Credit Counseling (consumercredit.com).
2. Beware of anyone who charges a fee to repair your credit or get you out of debt. And remember, according to the Federal Trade Commission, no one can legally remove negative information from your credit report if it's accurate. For tips on recognizing scams, see [Ftc.gov/bcp/online/pubs/credit/repair.shtm](http://Ftc.gov/bcp/online/pubs/credit/repair.shtm).
3. Check with the Better Business Bureau (bbb.org). "There are a lot of people out there who promise to make arrangements for you, and then the bills don't get paid," explains Harrine Freeman, a debt expert.
4. Debt consolidation programs can reflect negatively on your credit report, says Freeman, so pay off debts individually.