

Managing Your Finances



Taking Control Of Debt: Practical Tips

by John Addison

(NAPSA)—Whether it's a matter of convenience or instant gratification or just keeping up with the neighbors, it's easy to find yourself in debt, buying things you don't really need.

The really bad news is that an item purchased in a second on credit can often take years to pay off.

The Real Cost Of Debt

Consider the following: If you have a \$3,000 balance at 19.8 percent interest and you pay the minimum of 3.5 percent of the balance, or \$20.00—whichever is greater—and you make no new purchases, it will take more than 10 years to pay off the loan. Plus, you will end up paying more than \$2,300 in interest charges.



Addison

When Compound Interest Works Against You

While compound interest can be a powerful tool, working for you when saving, it can also work against you when applied to a debt.

When you pay just the minimum balance on a credit card, for instance, each month, your new balance is the principal plus the interest and that amount gets compounded over and over again.

Tips On Managing Debt

• **Use the right card**—Credit cards are a fact of life. The key is to use the kind that you pay off each month. That can help keep

you out of unmanageable debt. And don't use it on a whim, only when you must.

• **Do you really want to co-sign?**—Co-signing a loan for someone is a big responsibility. Take a deep breath and think twice before you do it. If the other person defaults on the loan, you are responsible for repayment. Failure to pay can hurt or ruin your credit. Also, co-signing a loan will count against your debt ratio and could cause you to be refused an auto or home loan.

• **Let your lender know when things change**—If your marital status changes or any other situation in which you have a joint account changes, contact your lender immediately. Any joint accounts that you signed off on are usually still yours.

• **Know what you are agreeing to**—Before you sign a credit card application, make sure you know what the “cost of the credit” really is. It's usually best to go with the card with the lowest annual fee and the lowest interest rate.

Learn More

Financial professionals at Primerica have created a guide that can show you how to take control of your financial life. To get a copy of “How Money Works,” write to Primerica, 3120 Breckinridge Blvd., Duluth, GA 30099. ATTN: Corporate Relations, or call (770) 564-6329. For more information, visit www.primerica.com.

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