



How to settle your debts for less than you owe

When your finances seem to have overtaken your life and you find yourself unable to make your payments each month, before you decide to declare bankruptcy you should attempt to obtain debt settlements with each of your creditors.

Many people don't even consider debt settlement an option, but you would be surprised how easy it actually is to get a creditor to settle with you if you have a history of making your payments late, or if you consistently miss your payments altogether. Creditors would prefer to receive part of the money owed to them than none at all, which is what they receive if you were to file bankruptcy!

Just be sure that you insist on getting agreements in writing – because there have been some creditors that agree to the debt settlement offers on the phone and then once they receive your payment, they deny ever agreeing to the debt settlement offer in the first place!

Do you dream of living without the burden of excessive debt hanging over your head? It's possible, but not easy. Living debt free requires financial discipline, all the time. To become debt free and maintain a debt-free life, try the following three steps:

1. Get rid of existing debt. This is obviously your first step to living a debt-free lifestyle. Cut up any credit cards and do not apply for or accept any other cards. Pay your bills on time, sending as much as possible to one account while paying the minimum due on all of your other accounts until the account is paid off. Do this until all of your debt has been paid off.

2. Create a budget. Every single person who lives without debt has a financial budget and follows it. Without budgeting for expenses and incidentals, people overspend on unnecessary items and then when things just "happen" unexpectedly, (otherwise known as unplanned for expenses)

these individuals rely on credit cards to make ends meet.

3. Avoid credit like the plague. Make all of your purchases with cash and you will never fall into the debt trap again.

Manage your money

As you are starting the process to a debt-free life, you should be extremely mindful as to where your money is going. It's important that you track your spending habits for a period of time in order to see where money is being wasted, or where you can cut costs without completely changing your lifestyle.

Another option for debt reduction is to get a debt consolidation loan. Instead of a credit card, this is a loan that you can use to pay off all other debts, including consolidating credit card debt.

How to remain debt free after recovery

One of the biggest mistakes people make after making a financial recovery is to allow themselves to fall back into old habits. Before they know it, they've racked up another few thousand in credit bills, and they're heading down the same path to having a desperate situation where they just can't make their payments on time each month.

To avoid overspending, you may want to keep one credit card with a reasonable limit in your wallet for purchases that do require a credit card. Think long and hard before using the card, and if it is possible to buy it with cash, do that instead.

Reducing your credit card debt is a great way to decrease your overall debt and have more control over your financial life.

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