

19 February 2007
Northern Territory News/Sunday Territorian
English
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BEING disciplined can help you manage credit card debt, writes JAMES BRYCE

THE fun of Christmas and the summer holidays is over, the children are back at school ... now we have to pay for it all.

More people than ever are having difficulty paying their holiday debts. Thousands of families are opening up credit card statements and scratching their heads about how to afford it.

Not only is the average household getting into deeper debt but individual debt levels are also rising.

A growing number are also "card hopping" by transferring card balances to new cards with low rates or interest free periods.

But unless they put the brakes on their spending the debt problems can escalate.

"Financial counsellors are telling us they are considerably busier this year than last year," Ian McIntosh, chief executive of the Financial and Consumer Rights Council of Victoria said.

"It's a pretty grim picture for a lot of people. Some economists are saying that the current economic boom is being driven by consumer debt, which I find a bit scary."

McIntosh says financial counsellors across Victoria are bracing themselves for an "onslaught" of debt problems in February and March. Jan Pentland is one such financial counsellor. She has helped people deal with their debt problems for 20 years but demand for her help has never been greater than now.

"January used to be a fairly quiet month for us, I used to clean up the office, but now we are seeing lots of people being referred through, there are waiting lists for our services," she said.

The booming debt agreements and consolidation industry is also expecting a record year in 2007 as families reach their financial breaking point, helped along by easy credit and unsolicited offers of credit cards and increased credit limits.

Debt industry leader Fox Symes is experiencing more calls than ever before.

"We are always busy post-Christmas, the peak period for bankruptcies is January to March," Fox Symes director Deborah Southon said. "This year we are seeing an uplift in the numbers of people in trouble and the amount of consumer debt that people are carrying."

Southon says previously the average household debt load clients would present with was \$12,000-\$15,000. This year the average is \$20,000.

An example is a St Albans household with a couple and two children and a home they bought in 2004 for \$400,000.

The couple brings home a combined \$1325 a week. Their mortgage costs them about \$500 per week. Since buying their home, they have racked up credit card debts of \$65,000 on 10 cards issued by most of the major institutions. The minimum repayments on cards total \$300 per week.

The bulk of the household income is going to debt repayments, leaving them very little for bills, groceries and back to school expenses. They have reached, and passed, their financial breaking point.

And refinancing the mortgage is not an option because they have very little equity in their home.

Deborah Southon says the family might have to sell their house and go back to renting.

"Hopefully, they will be able to find a rental for less than \$500 per week," she said.

What can not be budgeted for is the stress and strain on people and relationships that is produced by debts such as this family has racked up. She is concerned by the number of families getting into debt.

"Debt affects people's self esteem, their job, especially if they are getting calls from creditors, their relationships and their children," she said.

"It is a problem that we as a society must recognise."

There is plenty of marketing around suggesting that there are easy answers to consumer debt problems.

Refinancing or adding consumer debt to the mortgage is one such strategy but the costs can be high, especially if you move to a new lender, and there are traps for the unwary.

"Refinancing the mortgage to pay off the credit cards is common these days," said Pentland.

"It can be a useful thing to do if you are disciplined but you are likely to end up worse off in the long term as interest will be calculated on that debt for 25 years."

Consolidating credit card debts into a single personal loan is another solution being marketed heavily by lenders and the debt industry.