



Sat October 14, 2006
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Kelley Keehn

Sun, September 24, 2006



A symbol of debt culture

By Kelley Keehn



It's sad to see the otherwise charming 124 Street between about 107 and 104 avenues peppered with convenient cash centres.

With individual debt levels reaching all-time record highs, how much do these kinds of companies assist in tipping individuals to the breaking point of bankruptcy?

Are Edmontonians buying the message that they can just walk into these establishments, no matter their credit status or lack of stable job, and come out with a no-questions-asked loan for dining out, taking a vacation or whatever leisure activity they desire?

Or is it more realistic to conclude that Albertans are more inclined to incur excess debt? And when that debt can't be paid, that they'll resort to a fast-cash centre to get their fix, no matter what the interest or repayment consequences?

According to Industry Canada, the latest annual number of bankruptcies in our country was a little over 50,000. What's alarming is that although corporate bankruptcies declined by 35% between 1990 to 2005, consumer bankruptcies increased a whopping 98% in the same time, according to www.bankruptcycanada.com.

Consumer bankruptcies are up

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Scott Dumas, formerly with the Bank of Montreal, but now a stand-up comedian, says it's "no laughing matter." Dumas was tired of trying to help clients with their financial future, only to be encouraged by the bank to "push more debt even when the client couldn't afford it."

He opted for the life of a stand-up comedian because he could at least help the public laugh if he couldn't help them clean up their money problems.

Dumas, living in Calgary, notes that when he surveys a crowd of 300 or more about their debt levels, cheers, applauds and roars from the audience prove that most are barely making it, as opposed to the lavish lifestyle Albertans supposedly lead. "Everyone looks rich, but it seems we're all just deeper in debt," he said.

Ron Nordstrom, a trustee with Alger and Associates, said increased values of homes and the ability to access equity have helped reduce bankruptcies.

However, he warned that if there is a downturn or correction in the housing market, people leveraged at 95% or even 100% of their home's value could be in trouble.

Red flags

There are red flags that should not be ignored, Nordstrom said. Early warning signs of looming bankruptcy include making the minimum payments to service debt or juggling payments. Don't despair. Financial troubles don't always lead to bankruptcy.

During the early stages of debt overload, Nordstrom suggests being open with creditors and contacting them if payments cannot be made. He notes that most creditors are happy to make suitable arrangements, but open dialogue is the key.

No new debt

To turn things around, first and foremost, declare, "Today, I will incur no new debt." The lure of no-payment programs or enticing loans often leads to high hidden costs. Second, don't create a budget - they rarely work, because most individuals don't know what they spend.

Instead, document every dollar you spend monthly. Then, categorize purchases and look for patterns of waste or areas that could be trimmed.

For example, if you were to take \$20 out of an ATM machine every few days, that could add up to about \$18 a month in service charges that could be saved, enjoyed or used for debt repayment.

Take all cash needed for the month at one time. Once you've identified financial "fat" that can be trimmed, use those extra dollars for paying down debt.

Most trustees in Edmonton provide a free, confidential analysis to help you explore your options. For information on the net, try www.creditcounselling.com, www.alger.ca or www.billhelps.com for a free, online assessment.

The exuberant Alberta economy has created great opportunity and prosperity for many. For others, financial difficulties may seem insurmountable.

There are options available to consumers and the best course of action is to recognize when trouble is present and work to regain control. You might start with a visit to a trustee or contact Credit Counselling Services of Alberta to explore your options.

Kelley Keehn is a lecturer, elder planning counsellor and author of three books including *The Woman's Guide to Money* and *The Prosperity Factor*. Visit Kelley at www.KelleyKeehn.com or call her at 780-732-0144.

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