

## Take Action to Survive the Financial Squeeze

With rising costs and flat wages, many people are experiencing a financial squeeze. Gas prices are up at the pump and for home heating costs. Merchants are passing on higher fuel costs by increasing prices for their products. Employees' costs from medical premiums, co-pays and deductibles are rising faster than their wages. What can hard pressed consumers do?

### Understand the rules of the game

Don't expect your employer to assure your financial success. Employment today is a more, better, faster lean journey. We're in an on-going economic restructuring that offers few financial guarantees. Work hard and maintain your skills. Play good financial defense, by minimizing your debt and increasing savings.

### When you have choices, choose wisely

While we cannot control the price of gas, can you reduce the number of miles you drive? Should you consider a more fuel efficient vehicle? Can you reduce spending on groceries? On eating out? On entertainment? What steps can you take to improve your situation?

### Restructure and reduce mortgage debt

Many homeowners have adjustable rate mortgages. When interest rates re-set, monthly payments may increase by hundreds of dollars. Contact your lender, explore your options, and eliminate the threat of ballooning payments. For greater peace of mind, plan to reduce and pay off your debt.

### Credit card debt has many causes

Excessive consumer spending is not the only cause of credit card debt. When money is tight and people have no savings to fall back on, credit cards are often used to pay for necessities like the rent, car tires, and medical care. Using credit cards like this as a "safety net" for needs can also result in debt.

### Credit card penalties increase the financial squeeze

Many credit card companies impose stiff penalties, like a \$35 fee for late payments or a \$35 fee for borrowing more than the credit card spending limit. In 2003, consumers paid \$31 billion in credit card fees.

Some credit card companies monitor credit scores. If a consumer's credit score declines, the company increases the interest rate, even though the consumer was never late paying the credit card company! Regardless of the causes of your credit card debt, don't remain stuck in debt or stuck paying these penalties.

### Get out of credit card debt

For many people, it is easy to spend money using credit cards, but hard to pay the money back. To get ahead, we must change how we use credit cards. To escape credit card debt:

- Stop charging consumer goods
- Pay more than the minimum payment
- Pay your bills on time
- Limit the number of cards you own and carry
- Save money and use that as your safety net

If credit cards are your safety net, you have no financial margin. If you have money in savings, you can use that for unexpected expenses.

If you are paying late fees, over the limit fees, and high interest rates, seek help. A non-profit consumer credit counseling agency can help you understand your options. The National Foundation for Credit Counseling can help you locate a credit counselor in your area. For more information, visit [www.debtadvice.org](http://www.debtadvice.org).

Develop long term strategies that work

Many people are feeling financially squeezed. While prices have gone up, focus on what you can do to make your situation better. Write down some options and work on one thing at a time. Taking action step by step can help make your life better.

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