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Hands on Banking®
Money skills you need for life

Debt Warning Signs & Tips

Twenty warning signs of financial trouble

1. You're always late in paying your bills.
2. Your checking account is frequently overdrawn.
3. You race to deposit your paycheck because you've already written checks that require the money in your paycheck.
4. A small reduction in your income or an unusual expense would make you unable to pay all of your monthly bills.
5. Your credit accounts are usually at their maximum limits.
6. You apply for more credit cards because you have reached the limit on the ones you have.
7. You are spending more than 20% of your take-home pay on credit payments (not counting your rent or mortgage).
8. Your loan or credit card balances stay the same or go up each month.
9. You can make only minimum payments on your revolving charge accounts.
10. It takes you 60 or even 90 days to cover bills you once could pay monthly.
11. You don't have a savings account, or have stopped making deposits to it.
12. You are always worried about your debts.
13. You argue with your spouse or partner over bills.
14. You're still paying off purchases you made a year ago.
15. You use savings or credit cards to cover everyday living expenses, such as groceries.
16. You sometimes wonder why you made certain purchases.
17. You juggle payments to keep creditors satisfied.
18. You ignore the mail or telephone to avoid dealing with creditors.
19. You put off medical and dental visits because you cannot pay the bill.
20. You feel free to spend more after clearing up a debt.

Debt warning signs & tips (continued)

Reducing your debt

If the amount you owe others is at an uncomfortable level, you're not alone. Millions of Americans have spent too much on credit and then learned—the hard way—how difficult it can be to pay it off. If you find you're having difficulty making payments, here are some tips for lowering your debt and getting your finances under control:

- **Contact your creditors.** Contact your creditors and discuss payment schedules that you can afford. Try to get your rate lowered or a different payment plan worked out. Creditors will want to work with you to find a payment solution. Follow-through on your commitment by making your payments on time, as agreed.
- **Don't take on any new debt.** Stop using your credit cards. Say no to offers for credit cards, debt consolidation, and second mortgages.
- **Make a written plan.** Make a list of all your bills and their amounts. Review your budget and determine the total amount you can afford to repay each month. Set a date when each bill can be paid. Remember, even though it pays to get out debt quickly, keep sufficient savings to cover several months of living expenses in case of an emergency.
- **Pay off your highest interest rate debts first.** To get out of debt more rapidly, first pay down the balances of loans or credit cards that charge the highest interest, while paying at least the minimum due on your other debts. Once the highest interest debt is paid off, start on the next highest, and so on.
- **Make more than the minimum monthly payment on credit cards.** You will save lots of money on interest and reduce or eliminate your debt much sooner.
- **Be aware of credit card rates and fees.** Educate yourself about the annual fees, current interest rates, finance charges, cash-advance fees, late fees, penalty pricing and any other fees tied to your card. This knowledge can help you make better decisions about which card to use and how to manage your card.
- **Cash advances can be trouble!** Only get a cash advance when it is absolutely necessary. Higher interest rates (than you're paying for card purchases) are usually charged, and the rates are put into effect immediately, without a 30-day grace period. Most banks also charge a service fee based on how much cash you're withdrawing. The same applies to personalized "checks" some credit card companies may send you.
- **Transfer balances to cards with lower interest rates.** Find credit cards that offer a low introductory rate (usually for six months), and transfer the balance from your previous credit card to that credit card. Before you take this step, however, make sure that, after the introductory rate has expired, the new card offers the same (or lower) interest rate as your current card.
- **Ask for help.** Many nonprofit debt counseling centers across the country will advise you for a low fee or at no charge. Contact the Consumer Credit Counseling Service in your area. (Check the White Pages in your phone book.) They can often help you work out a repayment plan with your creditors.
- **Don't give up.** Reducing your debt is challenging, but don't stop trying. It's one of the most important things you can do for a better financial future.

Debt warning signs and tips (continued)

How different debt-reduction strategies compare

Where will you find the money to pay down your debts, especially high interest credit cards? There are advantages and disadvantages to tapping different sources of funds. Here's a comparison of four possible strategies:

Stop spending

Advantages: This is the surest strategy for climbing out of debt as quickly as possible. You'll have more money available for paying off your debts and learn to live within your means.

Disadvantages: Making debt repayment your priority will probably mean postponing or doing without some other purchases.

Home equity loans

Advantages: The interest rate is usually lower than credits cards and the interest is tax-deductible. Monthly payments are much lower because the term of the loan is spread out over a long term.

Disadvantages: Remember, home equity loans are secured by your home. If you fail to make your payments, you could lose your home! Additionally, home equity loan balances reduce the amount of money you'll receive when you sell your home. Because payments are spread out over a long term, you'll be in debt for a long time, too.

Debt consolidation loans

Advantages: Debts from several credit cards are consolidated into a single payment, often at a lower interest rate. This can make it easier to keep track of monthly bills.

Disadvantages: Watch out for predatory lenders who may try to take advantage of you. Some companies that promise to negotiate with credit card companies on your behalf charge enormous fees and can't get a better interest rate than you could by simply calling the company yourself!

Transfer balance to another card

Advantages: Many credit card companies will let you transfer balances and charge no interest for six months or even a year, allowing you to save on interest charges.

Disadvantages: Before you transfer a balance, be sure to read the fine print in the disclosure statements: there could be hidden finance charges. Remember that the introductory rate your being offered is only temporary: if you can't pay off the balance before the permanent interest rate kicks in, you may end up with higher payments than you had before. Also, be sure to close your old credit card account. Otherwise, the balance transfer may tempt you to pile on even more debt in the old account.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at **wellsfargo.com** or any Wells Fargo store.