

https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-options-when-you-cant-pay-your-bills/article_f0b5f835-6da3-5f70-bd83-ed594ea41d77.html

Marc A. Hebert's 'Money Sense': Options when you can't pay your bills

Dec 5, 2020

PERHAPS your hours are reduced at work, you just got divorced, or perhaps you lost your job, and the result is less money to pay your bills. It happens.

Unemployment compensation, government assistance or insurance may be there to help. In these situations, the actions you take now can impact your financial future and how serious your financial problems may become.

Increase your income, decrease your expenses: This may seem the most obvious solution. If possible, you might want to increase your hours, get a better paying job, or find a second job. Another option is selling assets or property that you no longer use.



Next, evaluate your expenses. Try to eliminate or reduce nonessential ones. Examples of expenses in this category include dining out and entertainment. Make sure to cover your four essentials: food, utilities, shelter and transportation. Prioritize the remaining monthly bills.

Review your debt: List your current debt and the terms of each obligation. It might be possible to restructure these. To increase cash flow, you might try to increase the repayment term. This will cause you to take you longer to repay the debt and may add to the interest costs, but your ability to make the monthly payment might be a more important consideration. Refinancing may also be a good option if you can secure a lower interest rate. Consider the cost of the restructure versus the benefits.

Consolidating multiple debts into a single obligation might be another option. This strategy could allow you to pay overdue loans by rolling over the debt into one single loan. Debt consolidation may also result in a longer payment period, allowing for lower monthly payment amounts.

Even if you can't do either of these actions, contact your creditors and tell them you are having problems financially. They may be able to work with you on a payment schedule. Calling early can facilitate the process. Be sure to document your efforts and have any agreements you reach be made in writing from the creditor. Don't give creditors access to your bank account and don't incur any new debt.

Credit counseling: If you aren't able to do these things on your own, you may want to consult a reputable professional. Credit counselors will contact your creditors and attempt to negotiate. Sometimes they can reduce interest rates, get penalties and late fees waived or extend repayment terms. They are there to offer you advice as well. Before engaging a counselor's services, do your homework on the company.

Consumer Credit Counseling Service: You may find help at your local Consumer Credit Counseling Service (CCCS) or at another nonprofit credit counseling service. These agencies provide the same basic services as a credit counselor but at little to no cost.

Restructure your debt through bankruptcy: Bankruptcy allows the debtor a fresh start. There are multiple types of bankruptcy that make it possible to restructure your debts. Under Chapter 13, an individual with a regular source of income may gain court approval of a repayment plan. Another type is Chapter 7, which allows the debtor to keep certain assets but sell the rest in order to use the proceeds to pay off creditors. The remaining debt is potentially discharged. Chapter 12 is the same process but applies to family farmers and commercial fishing operations. Chapter 11 is for businesses.

Consider bankruptcy carefully and seek the advice of an attorney and accountant when considering this option. Filing for bankruptcy can have significant impact on your finances down the road.

Marc A. Hebert, MS, CFP, is a senior member and president of the wealth management and financial planning firm The Harbor Group of Bedford. Email questions to Marc at mhebert@harborgroup.com. Your question and his response might appear in a future column.

<|