



By Rana Jewell

IS DEBTING ADDICTIVE?

Is Debting addictive? I believe it is. Whichever way I look, we are being encouraged to borrow, borrow, borrow!!! Buy now, and pay later!

In the *Business Review Weekly* (Aug 1999) it was stated that: "In the past 20 years, Australians' household debt has almost tripled, now averaging 90 per cent of after-tax income. Household savings are down to just one per cent of after-tax income. Personal debt is growing four times faster than income." In *The Bulletin* (Nov 28, 2000) Diana Bagnall says: "...that last year saw a doubling of the number of bankrupts citing credit as the reason for their fall from grace."

In *Sunday Life* (May 2000), an article by Kate Nancarrow opened with the following: "...you'd think an income of \$150,000 would set you up pretty nicely. But once you've covered the private school fees, the renovations and the payments on the Volvo in the driveway, there's not much left. No wonder the middle classes are going broke ..."

It seems that as the income levels rise, so do the spending habits. People on lower incomes often believe that an extra \$5,000 or \$10,000 or more per year would solve all their problems.

As an accountant, I have looked at the books and lifestyles of people on \$100,000 plus incomes. The majority of them have no more money left over each week than a family who earns \$25,000-\$30,000. The former group eats out more often, buys more expensive clothes and holidays, has a bigger mortgage, employs house cleaners and gardeners ... but at the end of the day, the money just disappears on day-to-day living.

Many years ago, it dawned on me that a feeling of prosperity comes from having a healthy gap between our outgoings and our income, ie having a cushion surrounding our expenses, not being stretched to the absolute limit every single day of every single week.

Some of my clients are on the dole and manage to save money, while others earn \$70,000 plus and require personal debt to make ends meet. What makes the difference?

How much of our debting is cleverly disguised as instant gratification, no different really from a hit of heroin, or sugar, or alcohol? How much of our overspending is justified to ourselves as a reward for working so hard, or for living an unfulfilling lifestyle, or for staying in a job that you may not even enjoy?

How many of our spending choices are accepted from external sources as being normal and necessary, and how many are choices of our own, emanating from our inner voice, heart and soul?

How do I know if I have a debting problem?

One of the common characteristics of overspenders I have observed, is that they are extravagant, and regular, "gift-givers" to others. I have no scientific research to back-up this observation.

According to Vivienne James (*Money Matters-The Australian Women's Weekly*-March 2001), the rule of thumb is that, "if loan repayments swallow up more than 30 per cent of your income, then you have excessive debt, and it can

In my experience, if you are in this situation, you cannot solve it on your own, it is just too difficult emotionally. My suggestion is that you contact two friends, who will be both objective and compassionate with you. Invite them over, and no matter how hopeless or helpless or embarrassed you may feel - be honest, disclose the whole truth, put all the information on the table. This is the only way that you may begin to climb your way out of your current situation.

Speak to the people you owe money to. I have seen miracles happen in this way. If people sense your genuineness, they often accept smaller and regular repayments. Be realistic, make your plan an achievable one. It's of no use to anyone to make promises that you can't keep - this will only make matters worse than they already are.

How do I stop from repeating my debting habit?

This depends to some degree on the severity of your problem. In Alcoholics Anonymous, they recommend that when you feel like reaching for that drink, phone a supportive friend instead.

This principle could be applied to you, when you feel like debting, or spending money that you cannot afford, phone a supportive friend, or go for a jog, or hard brisk walk - after a little distraction, often the urge passes.

Or if the problem persists, you may need financial counselling. **Lifeline offers face-to-face, free and confidential financial counselling at four Brisbane Centres: Bowen Hills-3250 1900, Chermside-3861 4400, Capalaba-3823 2555 and Logan-3209 3622. Appointments are necessary.**

I never seem to have enough money for the big bills. What can I do?

There are several steps that I recommend:

1. Record all your expenditure, without judgement. All you are aiming to do is to get a clear picture of where the money is going. Those two supportive friends can help you to categorise and sort the informa-



be quite a jolt to your ego to be literally worth less than what you owe other people." She further adds that, "there is a tendency to stick your head in the sand and ignore your bills because you are guilty about not paying them. Of course, this only makes matters worse."

tion you collect. Most people are surprised to see how much they spend on lunches, take-a-ways, chips and lollies for snacks – it can quickly add up to more than \$1,000 per year.

2. Next make a list of all your current expenditure and commitments.
3. Now convert these figures into the frequency that matches your income. For example: If you are paid fortnightly and have an annual insurance bill of \$520, that converts to \$20 per fortnight. A monthly telephone account of \$150 converts to \$69.23 per pay period (ie \$150 multiplied by 12 months divided by 26 fortnights in a year). This way you can see clearly how much of your pay packet is already committed, rather than getting a shock when the big bills arrive in your letter box.
4. Armed with this information, some

people transfer it immediately to a separate savings account on each pay day, so that the money accumulates each fortnight for their bills. Other people don't feel comfortable with banks or similar institutions, and make up a folder at home with separate envelopes for car registration, electricity, insurance, school fees, etc.

Should I consolidate my debts?

Consolidating debts is the most common, and logical, advice given to debtors who are in trouble. Yet, rarely have I seen this action change the behaviour that created the debt in the first place. If at all possible, leave the debt exactly where it is and don't increase it. With the help of your two friends, or a financial counsellor, work out a financial plan that allows you to save for your goals, and to pay off your debt at the same time.

I warn you now that this probably won't make sense to your logic. But a balanced combination of saving and debt repayments really works. New behaviours are formed at the same time that the old debt is reducing. It's not an easy road, and is rather like learning to ride a bicycle – you will fall off many times before you master it.

What about those times when I feel that I must ABSOLUTELY have something?

Have you heard the saying that "necessity is the mother of invention"? It's certainly been true in my experience. Necessity can bring out the most amazing creativity.

My suggestion is that when you feel absolutely sure that you must have some particular thing, or service, sit on your purse or wallet for three days, and ask for guidance on your situation – either in prayer, or by simply communing with nature.

For example, one client was setting up a room to begin her massage practice and was short on cash but she needed a curtain for the front sliding glass door. She sat on her purse, and asked for divine guidance.

Within 48 hours, the idea "came" to her to hang a pretty shower curtain over some plain calico to create a stunning effect – no cash was needed, these were items she already owned and yet only a few days earlier, the idea had not occurred to her.

Another client was setting up a business at home and "needed" a computer arm to lift his computer monitor off the desk to raise it to eye level. These can cost anywhere from \$40 - \$200. Cash was short, he sat on his wallet, and went for a brisk walk in the local bushland park and asked for guidance. Within three days, he had his monitor sitting on some unused books to raise it to the required level.

One last example is of a friend of mine who is an avid gardener. She was laying some ag pipe in her back garden and covering it firstly with fine gravel and then dirt. Guess what? She ran out of gravel before she finished the job. Cash flow was tight. She wanted to run to the nearest hardware store to finish the job straight away. She resisted and carried on with other gardening.

Miraculously, she found some fine gravel buried in another part of her garden – she didn't know it was there, and uncovered enough to finish her ag pipe job that weekend. No cash was required. Do you get the idea? Try it and let me know the results.

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