

AVOIDING DEBT

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Debt is a simple concept; it is caused by spending more money than you have. In order to buy what you want, you borrow money. The benefit you receive is the item you want – when you borrow money you are able to buy the item immediately. The cost you pay however is higher because you have to pay interest on the money you borrow in addition to paying for the item you are buying. If you want to avoid debt you have to decide to delay gratification. By delaying gratification, and waiting to purchase items until you have saved the money to pay for them, you will spend less.

Credit card and financing companies make money by allowing you to spread payments over a long period of time, while interest and financing charges add up. If you buy a plasma television for \$500, and pay cash, you only pay \$500 and you own a television that is worth \$500. Buying that same television on your credit card at a 19% interest rate produces a far different scenario. If make only the minimum \$15 dollar payments each month, you will need four year to pay off the television. When you finally do, the television's real cost will be over \$700. Even if you up your payments to \$46 each month to pay off the \$500 purchase in one year, you will pay over \$550 for your \$500 television, and your television will have dropped in value. These scenarios assume you do not miss any monthly payments and make no other purchases on your credit card, which is not the reality for most people. Missing a payment or making a purchase on credit will increase your debt and the money you spend on interest.

Many of the legal problems people experience are caused by debt. While it may seem like you are simply giving yourself the ability to buy nicer items, and you plan to pay your bills on time, the reality is often different. If you do not have the money to pay for an item today, you should ask yourself why you think you will have the money to pay for the item next month. Unexpected expenses will occur and they often cause credit payments to be made late or not at all. As a result, credit balances continue to accumulate interest, and the amount owed increases, often to a level that you can't keep up with. This can eventually result in debt collection and negative credit reporting. If you or your spouse is in the military, negative information on your credit report can be a factor in security clearance approval. Credit issues do not always mean you or your spouse will lose your security clearance but being able to handle your finances is a consideration you should not overlook.

Please continue to look in the Paraglide for other articles in this preventive law series regarding debt. This information can help you avoid problems before they become legal issues. You can also take advantage of Army Community Services financial readiness classes. It is much easier to avoid a legal issue than to attempt to solve one. However, if you need legal advice you should speak with an attorney. If you are entitled to legal services based on your affiliation with the military, you can always obtain legal advice from one of the three Legal Assistance Offices here at Fort Bragg. There is never a fee for representation by a Legal Assistance Attorney.