

Herald Sun**YOURMONEY****Munchenberg says talking to your bank as early as possible is vital, but many...**

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Munchenberg says talking to your bank as early as possible is vital, but many people keep information from their financial institutions for too long.

“Unless you get yourself out of it, the bank will find out sooner or later,” he says.

“It may not be until you've maxed out all the cards, missed mortgage payments and are really in big difficulties.”

“At that stage it's a lot harder to help you get back on your feet.”

STRATEGIES TO BEAT IT

People in financial trouble can get assistance from hardship packages, which are offered by lenders and can include things such as suspending repayments for a few months, waiving fees or penalties, restructuring loans, providing a temporary rise in credit limits and help with personal budgeting.

Resi's Montgomery says if you think you're in trouble, do a full financial audit of your financial situation.

“There can be two or three little things that can be done to take the pressure away, and you will wonder why you were worried,” she says.

A repayment holiday, debt consolidation loan, extending the loan term or moving to interest only are examples.

Roger Mendelson, chief executive of debt collection agency **Prushka**, says that generally people with mortgages are better money managers because they have already had to save a deposit and successfully apply for a loan, but they can still run into trouble.

“Don't put your head in the sand that can be lethal,” he says. “Don't allow anything to get out of hand.”

“If you have a creditor you just can't pay, get on the phone and talk to them.”

“Explain the situation. You will have an 85 per cent chance of preventing it going further.”

In extreme cases, people can withdraw funds from their superannuation to repay debts usually limited to up to the three months of repayments and 12 months' interest.

THE OUTLOOK

Mendelson expects 2012 to be a tough year for household debts and finances.

“I think financial conditions across Australia have really worsened and I think you are going to see a lot more stress on mortgages, even though interest rates are on the way down,” he says.

“We are often described as the canary in the coalmine because we see things before they hit the figures.”

“In the past three months, we have found that it's a lot harder to collect money.”

“That's a sign of financial stress in households.”

“The problem is not interest rates because they weren't that high before.”

“It's general household stress and energy costs are factors that often come up.”

Mendelson says the “wealth effect” of flat or falling property prices is adding to stress levels of homeowners.

“If your house is going up in value, you feel wealthier and your mortgage repayments don't seem like such a burden,” Mendelson says.

He says the recent cuts to banks' credit ratings suggests they may become more aggressive at chasing bad debts in the year ahead.

EARLY WARNING CHECKLIST

Recognising when you could get into trouble with your finances allows you to prevent it becoming a bigger problem, and possibly threaten your home.

Tick any of the following statements if they apply to you.

Loan payments - apart from my mortgage - and credit card payments are taking more than about 20 per cent of my disposable income:

I only pay the minimum payment on my credit card each month or I am close to the limit.

I'm juggling household bills I can't pay and often pretend bills and reminder notices are not there, or I've applied for credit cards just to pay other bills.

I don't have car insurance or home contents insurance because I can't afford it.

I spend more money than I earn and borrow from friends and family, community organisations or payday lenders.

I sometimes have to go without meals or go without heating or cooling to save money.

I haven't been able to pay my accommodation costs or the water, gas, or electricity bill recently.

I find it difficult to resist impulse buys, or have had to sell or pawn possessions to make ends meet.

I don't have a budget or money management plan and have no idea how much debt I have.

I have received a letter or phone call about outstanding bills from a debt collection agency.

ONE OR TWO

If you ticked one or two of these you may be under some financial pressure, so it's time to make plans to better control your money.

THREE OR MORE

If you ticked three or more, you appear to be doing it tough, and need to speak with your financial institution or a financial counsellor urgently to work out some solutions.

Source: Australian Bankers' Association

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