

## DEBT WATCH

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### What is Debt?

According to Webster, debt is something owed, such as money, goods or services. It is also an obligation or liability to pay or render something to someone else.

As Americans we have developed a society of borrowers. Borrowing makes it possible to purchase items we don't have money for right now and pay for them later. But as borrowers, we are also debtors. Almost everyone, it seems, owes some money to some one.

But if so many of us are in debt, is debt all that bad? Are we all in deep trouble the moment we start borrowing? The answer is no. It is possible to manage our credit, use it wisely and gain - not lose - by using it. But too many of us are overextended and some of us are in serious financial trouble. The good news is that it is possible to get out of debt. The bad news is it takes some work. You can take control of your financial situation even if it is rocky, and the sooner you do so, the better.

Here are some interesting and sobering facts about debt in America.



- Consumer debt is at an all time high;
- On average, today's consumer has a total of 13 credit obligations on record at a credit bureau, of these 13 obligations, nine are likely to be credit cards and four are likely to be installment loans.
- At least one in 10 consumers has more than 10 credit cards.
- Nearly one in every three consumer purchases in the United States is made with credit, debit and prepaid products.
- The average family in credit card debt carries a balance of \$4,800 on several cards from month to month;
- There are more than one billion credit cards in circulation - that's about four credit cards for every man, woman and child in the country;

- Personal bankruptcies doubled in the past decade;
- The average American adult received 7 credit card offers through the mail, regardless of their credit history.

In many ways Americans aren't aware that they are over their head in accumulating debt. Here are some sure signs that you may be over your head in debts:

1. You spend more than 20 percent of your paycheck to pay off car loans, credit cards, or other types of consumer debt.
2. You are borrowing to pay off other debts.
3. You do not know how much money you owe.
4. You make only the minimum payment on each bill.
5. You miss payments, or you pay your bills late every month.
6. Creditors are calling.
7. People or stores refuse to give you credit.
8. You borrow from retirement accounts or use credit cards to pay normal monthly bills.
9. You must take an extra job just to keep up with paying the bills.



If you identify with any of these statements, you probably are not managing your money well. You are not alone. Help, however is available.

The steps that you need to take to manage debt are:

1. Set specific financial goals
2. Pay off your debts quickly
3. Decide to save when you are debt free
4. If your debt is out of control - get expert help.



Source: National Endowment for Financial Education (Nefe)  
Federal Deposit Insurance Corporation (FDIC)