



## Manage Your Debt by Creating a Spending Plan, and Stick to It



If you really want to reduce your debt, the first thing you will need to do is create a spending plan, then stick to it. Your spending plan, or budget, needs to focus on paying down your debt and not adding to it. This may mean cutting up the credit cards and avoiding sales and bargains that are too good to be true. Set your primary financial goal to be out of debt in six months, a year, two, or whatever it takes. Write it down. You need to stick to this plan until you have achieved your goal.

Identify and prioritize essential expenses. Limit your spending to the bare essentials: food, shelter, utilities, etc. It may be difficult to define what is essential and what is "luxury," but if you are to get out of debt, you must be tough. Make a list of essential expenses and how much they cost on average each month. Do not forget those expenses you pay only once or twice a year, such as insurance premiums or property taxes. If you can economize and reduce some monthly expenses, do that. You may reduce utility bills by carefully adjusting the temperature in your home by raising the thermostat in summer and lowering it in winter. Turn lights off in

rooms when no one is in them. Spend less time on the telephone. Avoid expensive convenience foods and buy raw ingredients to prepare less expensive, more nutritious meals. Make gifts instead of buying expensive items to give away during holidays and for special occasions. If you set your mind to it, you can come up with many ideas that may save you pennies a day, which add up to dollars you can use to reduce your debt.

Once you make your list, do not buy anything that is not on it until you reduce your minimum debt payments to below 15% of take-home pay.

By the way, your monthly debt payments are not expenses. Except for your mortgage payment, which is like rent, debt payments are the ghosts of prior months' expenses you incurred when you did not have enough cash to pay for them. Furthermore, they are causing you to pay more and more for those prior expenses because they have hidden expenses—interest and finance charges.

Do you usually get a large income tax return each year? If so, adjust your withholding at work so you get the money each month when you need it.

Now deduct your monthly debt payments (except your mortgage) from your income. This is what you have left to pay essential expenses. Here is where many get into trouble. If you find that you do not have enough to pay debts and expenses, you will need to take additional action. Some people simply start juggling debt payments by making minimum credit card payments or paying one bill this month and another the next. This is a bad move.

Revisit economizing. Look at those expenses again. Economize where you can. When you get to the point where you simply cannot cut expenses any further, you have one of two choices: earn more income or lower your monthly debt payments. It might be

*Continued on next page.*

### Featured Articles

- ▶ You're at Risk for Diabetes if...  
November is American Diabetes Month
- ▶ Understanding Alzheimer's Disease  
November is National Alzheimer's Disease Awareness Month



*Continued from previous page.*

necessary to take another job, or have a non-working spouse take a job to bring in additional household income. Lottery tickets and casinos won't do it—do not waste money. Reducing your monthly debt payments is a little trickier. Avoid the temptation to juggle payments—that only costs more in the long run, and it may damage your credit rating.

If you set a priority of being out of debt by a certain date, you will need to determine how much you must pay each month until that date to reduce your debt payments below 15% of your take-home pay. This is particularly important if you have a lot of revolving credit, installment credit, or credit card debt. To calculate this amount, you will need a financial calculator. You can find free financial calculators on many websites or in financial software you may already own. In the following paragraphs are the basics to determine how much you should be paying each month to eliminate your debt by your target date:

Determine how much debt you want to eliminate by the target date—this is the principal (P). For example, suppose you have several credit cards totaling \$10,000 and a student loan balance of \$10,000. If you only want to pay off all the credit cards and half the student loan in three years (you feel you can manage the rest of the student loan later), your principal will be \$15,000.

Determine an interest rate to use. The highest rate from all your loans might be the best one to use, as it will help you calculate your way out of debt faster. Let's say that you have one credit card balance with \$7,000 at 15%, another with \$3,000 at 7%, and the student loan (\$10,000) at 3%. Choosing 15% as the rate (R) will help you calculate payments to most quickly reduce your debt. Of course, you could use a weighted average, but we will leave that for a mathematics textbook to explain.

Set the term (N) as the number of months or years to achieve your goal. In our example, we are using three years or 36 months.

When you plug these numbers into a financial calculator, you will come up with a monthly payment (PMT) equal to approximately \$520. This is the number you should use to get out of debt in the time you set as a goal. All you need to do now is to allocate how much of the payment should go toward each of the loans you are paying off. The best way to allocate the payment is to pay off the highest-interest-rate loans faster than the lower-rate loans.

In our example, we might allocate the largest amount to the 15% credit card, with lower amounts to the others.

If your calculated payment is still more than you can afford, you will need to consider refinancing methods. However, if this works for you, why not continue to make those larger monthly payments to your savings and investment plans after your debt is gone? This will help you stay out of debt.



## You're at Risk for Diabetes if...

### November is American Diabetes Month

Diabetes is more widespread than most people realize. An estimated 18.2 million Americans have diabetes but only 13 million have been diagnosed. By the time the remaining 5 million are diagnosed, they will have had diabetes for an average of five to seven years, says Davida F. Kruger, M.S.N., R.N., a past officer of the American Diabetes Association (ADA). "The condition is often missed in routine exams because it can develop slowly and shows no initial symptoms."

Diabetes is more common in African Americans, Latinos, American Indians, Asian Americans and Pacific Islanders. If you are a member of one of these ethnic groups, you need to pay special attention to the following test to see if you are at risk for having diabetes. If a statement is not true, add a zero. If a statement is true, add up the number of points noted

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in parentheses after the statement. Then add your total score:

- I am a woman who has had a baby weighing more than nine pounds at birth. (1)
- I have a sister or brother with diabetes. (1)
- I have a parent with diabetes. (1)
- My BMI is 25.0 or higher (visit <http://www.cdc.gov/nccdphp/dnpa/healthyweight/assessing/index.htm> to learn more and calculate your BMI). (5)
- I am under 65 years of age AND I get little or no exercise. (5)
- I am between 45 and 64 years old. (5)
- I am 65 years old or older. (9)

#### Scoring

- 10 or more points: You are at high risk for having diabetes. Only your health care provider can check to see if you have diabetes. See yours soon and find out.
- 3-9 points: You are probably at low risk for having diabetes now. Keep your risk low by losing weight if you are overweight.

Most health care providers test blood sugar or glucose as part of an annual exam, but don't hesitate to ask for this test if you're concerned. A fasting blood-sugar level of more than 100 mg/dl indicates you may need additional tests for diabetes.

"Once people know they have diabetes, they can control their glucose to improve their long-term health," Ms. Kruger says. "Research has shown that eye disease can occur within five years of the disease's onset and kidney disease starts to develop after 15 years if diabetes isn't well controlled. But a person's risk of having diabetic complications is reduced by 65 percent if the condition is well controlled."

The ADA recommends that people with diabetes use the following strategies to control their glucose and their symptoms.

#### Diet

Eat more fresh fruits, vegetables, lean meats and fish and eat fewer high-fat foods. Carbohydrates and foods that contain small amounts of natural sugar can be part of a well-balanced diet. The ADA suggests

seeing a registered dietitian to help plan meals.



#### Exercise

Exercise helps to decrease blood glucose and promotes weight loss. Physical activity is one of the best treatments for type 2 diabetes, and regular physical activity can also play an important role in preventing the disease from developing in the first place. Ask your doctor to suggest an exercise program that is right for you.

#### Medication

Take medication if your doctor prescribes it. People with diabetes who need medication have a variety of choices to lower their blood-sugar levels.

"Lowering blood glucose isn't an all-or-nothing proposition," Ms. Kruger says. "People with diabetes should set realistic goals for lowering their blood sugar, because any sustained lowering of blood-sugar levels helps avoid diabetic complications."

**For more information:**

[www.diabetes.org](http://www.diabetes.org)



## Understanding Alzheimer's Disease

### November is National Alzheimer's Disease Awareness Month

Alzheimer's is a disease that causes changes in areas of the brain that control memory and reasoning. Why the disease develops is not yet fully understood. At present, it has no cure. But proper care can help most people with Alzheimer's live a comfortable life for many years.

#### How the Brain Works

The brain controls all the workings of the body and mind. Different areas of the brain control different functions. Certain areas control physical tasks such as walking. Other areas control language skills. Still others control mental tasks such as remembering, concentrating, and decision-making.

#### Changes in the Brain

In people with Alzheimer's, microscopic structures, called **plaques** and **tangles**, start to form. Brain cells then begin to die. The areas of the brain affected by these changes are the ones that control mental functions such as memory. Other functions, such as movement, are generally not affected until very late in the illness. That's why people with Alzheimer's disease look normal, but cannot form new memories no matter how hard they try.

#### Who Gets Alzheimer's?

Alzheimer's disease tends to affect people over 65.

The older you are, the more likely you are to develop the disease. But people as young as 40 can be affected. All types of people get Alzheimer's. No profession, education level, or race is immune. In some cases, Alzheimer's runs in the family. In other cases, no other family members are affected.

#### The Effects of Alzheimer's Disease

Symptoms of the disease appear slowly. The average length of time from the first through the last stage is about 9 years. This time can vary widely.

- **In the early stage**, the person seems confused and forgetful. Recent events and conversations are often forgotten. The person may lose important items. However, the distant past may be remembered clearly.
- **In the middle stage**, more help is needed with daily tasks. The person may not know family members, may get lost in familiar places, and may forget how to do simple tasks. He or she may be restless, moody, and unpredictable.
- **In the late stage**, memory, judgment, and reason may be lost completely. Help with every aspect of daily life is generally needed.

#### Treating Alzheimer's Disease

The goals of treatment are to manage symptoms and keep your loved one comfortable.

- **Medications** may improve symptoms in some cases. The doctor can determine which medications may help your loved one.
- **A management plan** that includes care and supervision is essential.
- **Regular doctor visits** help keep track of your loved one's condition.

#### For more information:

[www.alz.org](http://www.alz.org)