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## Lynn's Top Five Avoiding a Personal Debt Ceiling Crisis

By Lynn Ballou, Certified Financial Planner (tm)



Lynn Ballou is a CERTIFIED FINANCIAL PLANNER(tm) professional and co-owner of Ballou Plum Wealth Advisors, LLC, a Registered Investment Advisory (RIA) firm in Lafayette. Lynn is also a Registered Principal and Branch Manager with LPL Financial (LPL). The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendation for any individual. Financial Planning offered through Ballou Plum Wealth Advisors, A Registered Investment Advisor. Securities offered through LPL Financial, member FINRA/SIPC.

its most important assets: our good credit name. Don't emulate that behavior! Spend a message to D.C. that trustworthiness matters!

**5) Make a plan --- take care of your plan.** Can you imagine running your home or business without a budget? It's a recipe for disaster. It's akin to getting on a plane and just hoping you'll end up somewhere you might want to be and with enough fuel for the trip. Budgeting creates a blueprint for your life. Like a garden, it needs tending and nurturing, weeding and trimming. Take care of it, and you'll be in good shape to handle life's many complications.

Did you know that our Federal Government has operated without a budget for over two years? According to Eleanor Blayney, CFP® Consumer Advocate for Certified Financial Planner Board of Standards, Inc., 14.3 trillion dollars is the aggregate amount owed by U.S. consumers to their creditors and is approximately the same as the U.S. Government's debt! If ever there was a wake-up call, not just for our elected officials in Washington D.C., but for us as responsible citizens, it's now. What can we do now? Tend to our own debt management, improve our skills, and by doing so send a message to our elected officials that they need to get their acts together, too!

Here are five actionable items you can use now:

- 1) Make a list of all your debt.** Get busy paying off the highest balances first. If you can, consolidate responsibly into the lowest costing debt you can obtain, staying disciplined, and tackling your debt pay down with the focus of a laser beam!
- 2) Get real about what you make and learn to live within that.** You say you make \$50K per year? Nope. You take home much less --- maybe \$35K. THAT'S what you need to learn to live on. Going forward, only charge what you can afford to pay off in full every month. Don't be like Congress --- make a budget and use it! If you go over your spending goals one month, you'll need to CUT BACK spending in future months to get back in balance. Do it! It might be a bit painful in the short run, but so much better in the long view.
- 3) Separate responsible debt from irresponsible debt.** An appropriate home loan that you can afford that allows you to build equity over the years and avoid rent, an affordable car purchased on a reasonable payment plan so you can get to work and take care of your family --- these are examples of responsible debt. Here's what's irresponsible: Borrowing money to buy an overly expensive car you can't afford, or charging a "hot" but unnecessary addition to your wardrobe that's outside your budget using an 18% credit card whose bill you can't pay in full when it comes. Walk away from these temptations! You will live without them --- I promise!
- 4) A big asset: your credit worthiness!** Protect that asset with sensible financial behavior. Without good credit it's not only difficult to qualify for credit when you do need it for appropriate purchases, but it can even affect your ability to get a job. Right now our country is frittering away one of

And, if I could add a 6th: plan to save! Make the development and maintenance of your cash reserves a big part of

your budget planning. We all run into unplanned and uninvited misadventures. Strong cash reserves and savings will allow you to weather them without crisis control. Another great message to send Washington, right? Maybe they'll be listening this time!

Reach the reporter at: [info@lamorindaweekly.com](mailto:info@lamorindaweekly.com)

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