



# BORROWING: WHAT TO DO IF YOU CAN'T PAY YOUR BILLS

## WHAT TO DO IF YOU CAN'T PAY YOUR BILLS

We all run into hard times and have trouble paying bills and making ends meet from time to time. This is where good budgeting and savings can come in handy. Or you may need to readjust your budget or re-think some of your financial decision making to allow you more money to put towards your bills and expenses.

If that isn't enough, don't be afraid to ask for help. The sooner you ask for help, the better. Don't wait until the situation is really bad and your debt is out of control.

### STEP 1: TALK TO SOMEONE AT YOUR FINANCIAL INSTITUTION

It's best to talk to your financial institution before you have trouble paying bills. They can set you up for success by ensuring you have the right accounts, credit cards and loans for your financial situation and lifestyle. However, if you are having trouble paying your bills, they are very knowledgeable and may be able to help.

- ▶ They may be able to suggest a different credit card with a lower interest rate.
- ▶ They may offer you a consolidation loan that can bring all your debts together into one loan that will be easier to manage and may have a more affordable interest rate.
- ▶ Be open, honest and truthful with them. The more information they have, the better equipped they will be to help you.

### STEP 2: TALK TO A CREDIT COUNSELLOR

A credit counselling agency will help you come up with a plan to manage your debt and improve your credit. They may help you:

- ▶ Explore all your options to get out of debt
- ▶ Help you repay debts with a manageable monthly payment
- ▶ Help you save money in interest
- ▶ Manage your bills and living expenses
- ▶ Assist you to reduce or eliminate your credit card interest
- ▶ Help you avoid bankruptcy
- ▶ Stop all collection calls

Be sure to do your research before choosing a credit counselling agency. What services do they offer? What do they charge? What are their qualifications and experience? Be sure you are comfortable with them.

### **STEP 3: FILE A CONSUMER PROPOSAL**

This is a formal, legally binding process in which you offer to pay creditors a percentage of what is owed to them, or extend the time you have to pay off the debts or both.

- ▶ You agree to pay a portion of what you owe and the debtors agree to forgive the balance of your debt.
- ▶ It can mean a reduced debt payment of up to 70%, in some cases.
- ▶ The interest on your debts is frozen and can no longer accrue.
- ▶ Filing for a consumer proposal is serious and does damage your credit rating but not as much as filing for bankruptcy.

### **STEP 4: FILE FOR BANKRUPTCY**

If all the other steps have failed, the final step is to file for bankruptcy. You will be declared, in law, as being unable to pay your debts. It is very serious and should always be a last resort.

- ▶ You can continue to earn a living and may be able to keep your home.
- ▶ It will negatively affect your credit rating for 6-7 years.
- ▶ You should consult with a trustee in bankruptcy who can assess your financial situation and explain your options.