

## **MANAGING DEBT IN YOUR SENIOR YEARS**

This column is written to inform all middle-aged offspring to ask their parents about debt control and cash flow.

In this article, I want to encourage you, the children, and yes, you, the parents, to think about two items - debt control and life insurance.

It's not uncommon for people to believe that their debts are in check. If there are large debts, many think those debts will be covered by insurance.

The following example clearly identifies how easy it is to leave a financial mess behind. Let's say you have a \$30,000 line of credit at 8.75 per cent and two credit cards - one at \$4,100 at 18.75 per cent and one at \$3,900 at 21 per cent. Assume these three debts are with one of the large financial institutions and are secured on a deteriorating trailer home worth approximately \$30,000 and an income of less than \$20,000.

Next, you have a department store credit card debt at \$3,000 at 2 per cent per month and a \$9,500 loan with a financing company at 2.5 per cent per month secured by a rusting 1988 vehicle worth less than \$2,000.

You can quickly add this information up and conclude that the debts significantly outweigh assets. The debt to asset ratio was 1.45. It should be less than 0.5.

My question today is to ask the parents - are your debts under control? In my experiences dealing with the general public, the above situation is not uncommon - debt is out of control. In this example, over \$650 of monthly after-tax income is paying the interest (over 35 per cent of available cash flow). I urge you - if you are paying more than 15 per cent of your monthly income just into loan interest; maybe it is time to talk to a credit counselor and get your finances under control.

The other item I wanted to talk about was life insurance. In situations as describe above you may feel you're properly insured. It is important to understand your policies and what is covered- life, disability, critical illness, accidental death. Did you know most deaths are natural and the odds of collecting a claim for an accidental death is not much better than the lottery.

We encourage all families to talk to each other about debt control and cash flow. It's imperative to understand the importance of financial security planning. Having a solid plan in place may help avoid leaving your family in a difficult financial situation.

The information contained in this article is intended to provide general guidelines only and is accurate to the best of our knowledge as of the date of publication, but rules and interpretations may change. The material herein is provided solely for informational and educational purposes and is not to be considered as an offer or solicitation for the sale or purchase of any investments or insurance. The application and impact of the law can vary from case to case based on the specific or unique facts involved. Accordingly, the information in this article is not intended to serve as legal, accounting or tax advice and is completely general in nature. Users are encouraged to consult with their professional advisors for advice concerning specific matters before making a decision.

Need further clarification or help, give us a call at 613-475-5109,  
Toll-free 1-866-475-5109, ext #1; Fax 475-1581,  
E-mail: [DaveS@lighthousewealth.ca](mailto:DaveS@lighthousewealth.ca);  
Be sure to visit our website at [www.lighthousewealth.ca](http://www.lighthousewealth.ca)