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9 KEY SIGNS YOU'RE ABOUT TO GO BROKE

By: Michelle Smith - July 22, 2016

It's not uncommon to worry about money. Over 60 percent of people polled for the Marketplace-Edison Economic Anxiety Index reported being anxious about their finances either sometimes or frequently, and 32 percent said personal finances caused them to lose sleep, up from 28 percent in September 2015.

To a certain degree, thinking about money is normal and prudent, but experiencing stress or anxiety — or obsessing over money — are financial red flags. "And the more you think about money, the bigger your problem probably is," said Dolph Janis, founder and owner of Clear Income Strategies Group.

When it comes to determining whether you're just being paranoid or whether you're really in financial trouble, look for signs you're going broke.

1. You Put Your Wants Before Your Needs

Needs are costs for everyday living, such as your mortgage, utilities and medical care. Wants are things you would like to have, like that cup of coffee from Starbucks, another pair of shoes or a vacation.

"If you're living your life covering your wants first and your needs later, you're headed for a financial crisis," said Janis. "If your needs aren't covered, before you make any purchase, stop and ask yourself, 'Do I need this or do I want it?'" If it's a want, realize you can't afford it.

2. You Live Paycheck to Paycheck

Being desperate for your next paycheck is a clear indication you're going broke. It might be a sign you act on impulse and you're so concerned with today that you spend all your money without regard for tomorrow.

You might be getting by right now, but living in the moment will catch up with you. To avoid a financial crisis, do a budget analysis at least once or twice a year, said Janis. Look at what you have coming in, what's going out and what you have saved.

"Determine what's getting covered, what's not getting covered, and determine what you're spending money on that you don't need versus what you need ..." he said.

If all of your money is going to bills and necessary expenses, making it impossible to reduce your spending, get another job or commit to changing your lifestyle. "If you don't, you'll always be in trouble, and you'll always be stressing over money," said Janis.

3. You're Using Credit Cards for Everyday Expenses

You're at risk of going broke if you're propping up your lifestyle with credit cards. As of early 2016, the average interest rate on credit cards ranged from 12 percent to 16 percent APR, according to the National Foundation for Credit Counseling.

You shouldn't have to borrow money and pay it back with interest

to cover your electric bill, phone bill or rent, said Pat Simasko, principal at Simasko Financial. These expenses are supposed to be factored into your budget. If you can't pay everyday expenses, it's a problem — and it's usually due to overspending on unnecessary items, according to Simasko.

4. You Don't Have Savings

We all get hit with unexpected expenses at some point. Within the span of 12 months, 60 percent of households experienced a financial shock, such as needing a major auto repair, home repair or dealing with less income than expected due to job loss, reduced hours or a pay cut, according to research from The Pew Charitable Trusts. And over half of the households that suffered financial shocks struggled to make ends meet afterward, the report also found.

Without savings, you'll also be ill-prepared to handle emergency expenses, and when they arise you'll be at risk of a financial crisis. To avoid going broke, make a savings plan for today, tomorrow and never, said Janis.

5. You Take Payday Loans

Each year, 12 million Americans use payday loans, according to The Pew Charitable Trusts. Needing a payday loan, regardless of the reason, is a serious indicator you're going broke, said Simasko.

"You've left yourself no wiggle room," he said. "You're supposed to have six months' worth of expenses in a bank account, but you don't even have six days. If you can't even cover your finances until pay day, you have to stop spending and start building a cushion."

6. You're Paying for Credit With Credit

Borrowing to spend is a common route to financial crisis. People often run up credit card debt they can't pay off, then start looking for more credit, said Simasko.

"One credit card turns into two. Two turns into four, and the next thing you know, you have bunches of credit cards," he said. "You're using the Visa card to pay the American Express, the American Express to pay Discover and so on. Or, people get home equity loans to pay off their credit cards, then run them back up again. So now they have a home equity loan and credit debt."

When you have a mountain of credit card debt, you need to start living below your means. Take the extra money, and pay off your credit cards one at a time.

7. Your Credit Score Is Declining

Your credit score is a key indicator of your financial health. "One

of the biggest signs you're going broke is your credit score starts to decline," says Emily Couch, marketing manager at Prime Marketing.

The two biggest factors for calculating your credit score are payment history, which accounts for 35 percent of your score, and the amount of credit you're using, which accounts for 30 percent. If your score is falling, you're probably missing payments, using too much credit or both. And those are signs you probably don't have money when you need it.

At any given time, you shouldn't utilize over 30 percent of the credit available to you, said Couch. "If you go over this rate, your credit score starts to decline, and if that happens, you can perpetuate the cycle by not being able to afford your minimum payments, being charged higher interest rates and possibly more for insurance," she added.

If you're missing payments, look for ways to cut costs so you can pay your bills. If you still can't pay, contact the credit card companies and try to work out a payment arrangement.

8. You're Relying On Others Financially

If you're constantly borrowing from your family and friends, your significant other is making financial sacrifices to support your spending habits and other people have applied for loans and credit for you, you're going broke — if you aren't broke already.

You spent all your money, used all your credit, and now you're using others so you can continue bad financial behaviors, said Simasko.

"Not only are you taking advantage of those relationships, you're also digging yourself a deeper hole. And you're destined for failure," he said. The only way you're going to avoid it is to pare back your spending, pay what you owe and start saving.

9. You Avoid Your Balances

If you avoid looking at your bank account balance and you avoid opening credit card statements and other bills, you're headed for financial crisis. You know it, but you don't want to face it.

"One of the biggest barriers to turning around your finances is admitting you're wrong. No one likes to do it," said Janis. But you cannot solve a problem unless you own up to it and determine how severe it is. When you make financial mistakes, don't avoid the issue. Take responsibility, and make the necessary changes.

"If you dig a financial hole you, no matter how you got there, you have to be very dedicated to get out. Otherwise, that hole gets dug really fast, and before you know it, you're facing bankruptcy," said Simasko.



Randall "Dolph" Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

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