

7 SIGNS YOU'RE HEADED FOR FINANCIAL DISASTER

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Many of us are good at ignoring the negative trends in our lives. Maybe we refuse to acknowledge a growing waistline or a relationship that's slowly deteriorating. **Many people also ignore the signs of impending financial disaster.** Most personal financial meltdowns happen over time. They're rarely the result of a one-time event.

The warning signs are quite clear. You simply need to look and be honest with yourself.

Do you recognize any of these warning signs in your finances?

- 1. You overdraw your checking account more than once a year.** When you're already struggling to pay your bills with your available income, overdraft fees only make the situation more challenging. Overdrawing your account can be a symptom of these things:
 - **Poor money management.** Some bills simply take longer to clear than others. It's important to do whatever is necessary to stay on top of your pending balance. It can also be a matter of simply failing to pay attention. Having good finances requires regular attention.
 - **Overspending.** Do you have a budget? Are you sticking to it? **Ask yourself why you are running out of money before you run out of month.**
- 2. You're at or near the limit of your credit cards.** Your credit score starts to take a hit when you're above 35% utilization. On a card with a \$5,000 limit, that would be anything above \$1,750. If you're in this situation, you may be tempted to acquire another line of credit. In most cases, this is only a short-term solution with a poor long-term outcome.

3. Relying on a future one-time financial event. Counting on an inheritance or big tax return to balance to your financial situation is a sign of significant debt.

- *It's important to arrange your finances so that your situation is under control without the need for periodic injections of extra income just to get by.*

4. A failure to save any money. A deposit in your savings account can be viewed as just another expense. If you're unable to make that payment, you're headed in the wrong direction financially.

- All it takes is one unexpected bill or the loss of a job and you're in dire straits. Savings is a better financial cushion than credit.

5. Borrowing money from family and friends is another sign of impending financial challenges. Not only is it a sign of financial struggle, it can also be a real strain on your relationships. Most of us loathe asking the people in our lives for money, so recognize the seriousness of the situation if you're considering it.

6. You're dipping into your retirement funds to pay your bills. *Stealing from your future is a good sign that the present is shaky.*

- You're killing the magic of compound interest and likely incurring penalties and taxes by making early withdrawals. You don't have an unlimited amount of time to replace those savings.

7. Using a home equity loan to fill the financial gaps. Using a home equity loan to pay bills or to purchase something you can't currently afford is a dire warning sign. Not only are you financially struggling, you're also putting your home at risk. Think long and hard before borrowing from the equity in your house.

If you recognize one or more of these financial warning signs, do yourself a favor and

start working on a solution. ***When these financial conditions start to pop-up, it's usually only a matter of time before things get significantly worse.*** Make strengthening your finances a priority in your life. You'll be glad you did.