



# Common Cents

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## To Co-sign or Not to Co-sign

You may think you're doing a good deed by adding your name to someone else's loan, but be very careful. You could be headed for some big troubles.

Adding your name to someone else's debt is a very serious financial step. If the primary borrower gets behind in payments, the creditor comes after the person they have the greatest chance of collecting from, which will probably be you. Remember, if the creditor is asking for a co-signer it is because they feel this is a risky loan.

As the co-signer, you are legally responsible for the complete repayment of the debt. It is for this reason that we suggest that you take a hard look at the situation and make an informed decision. Is the person who asked you to co-sign employed? Does he or she have any other outstanding debts? If so, are they paid up to date? Does the lender have any other security besides your signature?

When you co-sign a loan, you are signing a legal contract that holds you responsible for the entire debt. If the borrower does not repay, it can be reported on your credit report. If it goes to a collection agency, the agency will try to collect from you. Aside from your credit being affected, the lending agent can sue you and get a judgement against you for the amount of the loan plus interest. In turn this could lead to court proceedings. It could even force the sale of your house.

As a co-signer don't feel pressured into signing right away. Make sure you ask questions and investigate the situation. It is also suggested to talk to the lender and find out why they feel the borrower is a risk. Before co-signing for a loan, be sure you can afford to pay the debt if the borrower defaults on the loan. You may feel confident that this won't happen, but consider the unexpected: people lose their jobs, become ill, disabled, or go through a marital breakdown. The person you are co-signing for always has the best intentions but sometimes, due to circumstances beyond their control, they just can't pay—which means you have to. This can cause hard feelings and financial difficulties. In too many cases we have seen friends and family that no longer speak to each other because of this.

If you are going to co-sign you should be fully willing and financially able to take over the payments, at any time, without having ill feelings towards the co-signee. In other words would you be okay with paying someone else's debt for a few years and not having the item the loan was originally for. If you are okay with this, go ahead and co-sign, but if not, then co-signing is not for you.

*For more information please contact Credit Counselling Service of Sault Ste. Marie, a non-profit, charitable organization that provides confidential counselling, guidance debt management programs and educational services. We are a United Way member agency, an accredited member of the Ontario Association of Credit Counselling Services, and the Canadian Association of Credit Counselling Services. For more information please access our website at [www.creditcounsellingssm.ca](http://www.creditcounsellingssm.ca) or to schedule a free, confidential appointment, call 254-1424.*



"Sure, I can get my dad to co-sign, no problem."

## Benefits of Equal Billing

As the winter months approach, the option of paying utility bills by equal billing may be something to consider. Equal billing allows you to pay the same amount each month over a ten to twelve month timeframe. For example, if your electricity or gas bill is estimated at \$1,200 your monthly payment would be \$100. The advantage of this is it allows you to know exactly what your monthly bill is going to be. There are no surprises when the mail comes, for instance opening a gas bill for \$250 during the winter months. Equal billing helps in managing cash flow as it brings more certainty into your monthly spending plan.

If by chance you overpay, the utility company will issue you a refund at the end of the year. If your bill is higher, the company will inform you and then make a monthly adjustment.

If this sounds like a good option contact your utility company to determine the monthly payment and to set it up.

## Stop Living Beyond Your Means

Are you spending more than you can afford? Are you failing to save a portion of your income? Are your bills spiralling out of control? If you answered yes to any of these questions, chances are you're living beyond your means and you are not alone.



While the savings rate has increased slightly due to the current recession, many people continue to live a lifestyle they can not afford, a particularly risky strategy during these volatile economic times. How can you beat the cycle and get back on track?

1. Pay down your debt. Pay what you owe as quickly as possible.
2. Stick to a budget. If you're currently living beyond your means, a detailed budget can help you get back on track. Keep in mind you may think you can tally your living expenses in your head, but it's important to have a written budget so you can keep a close track of all your expenditures.
3. Start saving. All too often, consumers believe they can afford a certain lifestyle, but they have not taken into account the amount they need to save. Take the time to budget wisely and track your expenses over a month to ensure you are not living beyond your means.
4. Choose cash over credit. Credit cards have become so universal that it may seem like you can't function in the world without them, leading consumers to fall victim to the uncertainty of knowing exactly what has been spent on plastic until their statement arrives. To start breaking this cycle, plan to pay for everything in cash and use your credit for emergencies.
5. Put a stop on impulse and emotional spending. The pressure to keep up with the Joneses equals financial disaster. Are your emotions causing you to spend more than you should? Seek assistance from your local credit counselling service for guidance and advice on how to develop your money management strategies.
6. Become a savvy shopper. Compare prices and bargain hunt. For example, clipping coupons, using generic instead of name brands and buying in bulk could save you money and stretch your dollar farther.

Remember that while living beyond your means is fairly common, it's also a dangerous trend that could put you at risk for serious debt, foreclosure, or bankruptcy. Take the time by making smarter choices, you can learn to live within your means and start saving for the future.

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**Motivational Moment:** "Change your thoughts and you change your world." Norman Vincent Peale



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Since 1969, Credit Counselling Service of Sault Ste. Marie and District has been providing assistance to the people of Sault Ste. Marie who are experiencing the stress of financial difficulties. This non-profit, registered charity, and United Way Member Agency helps people from all walks of life. There are no fees for debt and money management counselling sessions. Professional counsellors work with clients in a relaxed and fully confidential manner. The Agency is an accredited member of the Ontario Association of Credit Counselling Services and the Canadian Association of Credit Counselling Services.

*While the information herein is believed to be accurate, Credit Counselling Service of Sault Ste. Marie & District assumes no responsibility for errors, omissions or actions based on this information.*

