

## 8 Signs You're Flirting With Financial Ruin

Are you heading for a financial fall?

The line between a future of financial solvency and one of distress is thinner than you might think.

Unfortunately, many people don't realize they're on the wrong side of that divide until it's too late. Call it ostrich syndrome. You know that things aren't good, but you just don't want to face up to it right now.

But the earlier you realize you're having issues with debt, the better chance you have of fixing them.

Listed are eight signs you're flirting with financial ruin. If four or more of these signs sound familiar, it's time to seek help. It is recommended that you look for a free, nonprofit credit counseling service. You can search for a free or low-cost counseling provider in your area by visiting the National Foundation for Credit Counseling website or by calling (800) 338-2227.

Another alternative is contacting a fee-only financial planner. The National Association of Personal Financial Advisors maintains a database of fee-only planners on its website.

Here are the telltale signs you're heading for a financial fall.

### Paying late fees and juggling bills?

Habitually running up late fees typically has one of two causes:

If you're paying late because you can't pay on time, that's a clear indicator (of future financial trouble). If you're paying late fees because you're just lazy about it, you're throwing money away.

A more serious symptom of financial distress is juggling monthly bills by making payments big enough and frequently enough to keep services flowing, but never paying balances on time and in full. Your debt worsens every month as balances grow.

You're thinking ahead of time, "I don't really have enough money to pay my bills," and you're sort of living paycheck to paycheck.

### Counting on a future windfall

Basing your plans for financial stability on a future payoff, such as an inheritance, a run-up in the value of your home or a big tax refund can put your finances in dire straits.

It's also a symptom of a bigger problem -- rationalizing when it comes to your debt.

You're planning on a bonus that doesn't materialize, or what we saw happening not too long ago, with people saying, "I can always suck more equity out of my property." If you think like that, you're really setting yourself up for a fall.

## Multiple credit card hocus-pocus

Credit cards are best used as a convenient way to make purchases without having to carry cash and to earn rewards.

If you're a savvy consumer and you can use credit cards and you can get points for them ... then you're charging groceries and gas, but you're paying for them at the end of the month.

If your credit card debt is consistently rising and you're unable to make more than the minimum payments, your balance will continue to rise. And if you fail to make the minimum payment for more than 60 days, your rate could jump, making your financial condition even worse.

While cardholders can stave off trouble temporarily by making the minimum payments or shifting balances to new cards, any kind of sudden change in your finances, such as a rise in gas prices, can destabilize your finances.

## Fighting with your partner over finances

Most couples have occasional fights about debt, but if you regularly fight with your spouse about money, it can be a sign there's not enough disposable income to finance the family's spending.

Likewise, if you're regularly suffering from stress over heavy debts, it could be an indication that your financial situation is unsustainable.

It's on your mind, but you don't want to talk about it. You can't sleep at night because you're worried about your bills.

If that description sounds familiar, it might be time to seek a free, nonprofit credit counseling service.

## Regularly paying overdraft fees

If you're constantly incurring fees for overdrawing your checking account, you could be on the brink of financial disaster.

If you're getting a lot of nonsufficient fund fees, or NSF notices, that's a hurricane warning flag. There's a real problem here now.

Regular overdraft fees can occur for a couple of reasons. Many serial overdrafters are struggling financially and don't have income available to cover their debts, meaning they're likely on the verge of having to declare bankruptcy.

## You have a savings rate of zero

If you're unable to set aside a small amount of money for savings in your budget, your finances are on unstable footing.

Savings is an expense, and it's something that should be budgeted for just like any other expense. What's going to happen is something is going to come along -- an unexpected car repair or a home repair or an interruption in income -- and you're going to be in a very bad place.

While saving may be difficult, not saving puts you at risk of financial hardship. With no savings, you're really standing on the edge of a cliff.

Many people rely on credit for their emergency backstop, but credit isn't effective as an emergency savings fund. If banks see you regularly adding abnormally high charges, they'll clamp down on your limit.

In order to be financially healthy, you need to set aside money for unexpected emergencies and for your future retirement. While an emergency may never come, retirement certainly will, and you'll need to be financially ready.

### Covering expenses with retirement savings

Borrowing or withdrawing retirement funds from your 401(k) is a common thread in many of the cases of financial distress that has been seen.

401(k) loans are usually a bad idea under any circumstances, but when you have more than one, that's a sign that you're not managing your cash flow very well.

Regularly pillaging your retirement savings isn't just a warning sign you're living outside your means, it could have serious consequences for your retirement. It lessens the beneficial effects of compounding that help retirement funds grow.

### Treating your home like a piggy bank

Using your home equity as a financial crutch is something often seen with clients heading toward financial distress.

Such moves are especially ominous if they're not due to a serious financial need but to a desire for "wants" like a vacation or a new car.

You're paying for a vacation with a home equity loan and you're amortizing that over 15 or 20 years. That just doesn't make any sense.