

Are you living beyond your financial means?

In a society where teenagers are offered credit cards and most people are offered loans almost daily either through the mail or online, it is no wonder that many Americans are debt-ridden and spend more than they can afford. About 43% of American families spend more than they earn each year. According to a recent Federal Reserve Bulletin article, U.S. households in the aggregate have devoted an increasing share of their after-tax income to the payment of financial obligations over the past fifteen years. The ratio of credit card payments to disposable income rose more than payments to any other type of financial obligation.

Americans aren't saving enough

Survey after survey shows Americans just aren't saving enough. American consumers owed \$1.9773 trillion in October 2003. That's equates to \$18,654 per household, notwithstanding mortgage debt. The increase in the availability of credit cards for the average consumer has enabled more and more people to stay in debt. For Americans with credit cards, it is more and more common to spend more than one earns and let the credit card cover the purchases. Access has increased, and the share of households with at least one credit card rose from 70 percent in 1989 to 76 percent in 2001. According to CardWeb.com, at the end of 2002, American households owed an average balance of \$8,940 on credit cards, up 36 percent since 1997, and an enormous 173 percent increase over the last 10 years.

Why savings matters

The problem for these people is that they will find it difficult to cope with the pressure of an emergency such as job loss, sudden death in the family, or medical emergency. Ultimately a good portion of these people must turn to bankruptcy as the only means possible to alleviate the debt as they can no longer keep up with their monthly expenses.

Warning signs that you may be living beyond your means:

- You use one credit card to pay another card payment.
- You have more than a few cards and balances that keep rising

- You must charge your groceries or utilities just to get by
- You take out more debt to pay existing debt
- You must take out cash advances to pay your monthly living expenses
- You continually only pay the minimum amount due on charge card accounts
- You avoid your mailbox or never open your bills

Conclusion

If you are in debt and would like to find out more about the legal options available to you, give Amicus Curia a call at **(360)427-3599**.

Sources:

["How Does Your Debt Compare?" Kim Khan, MSN Money](#)

"Recent Developments in the Credit Card Market and the Financial Obligations Ratio," Kathleen W. Johnson, Federal Reserve Bulletin, Autumn 2005, p. 473.