

FREE YOUR MIND
<http://freeyourmindonline.net>

It's Debt Season

Consumer debt in America has gotten downright RIDICULOUS. But, then again, it starts at the top and trickles its way to the bottom. We are a true reflection of our leaders (known or unknown). How bad is this problem? Let me direct your attention to the following article on debt by Kenneth Sumerford. Then at the end, I will get into some solutions that very few people know about.

US Public Debt and Consumer Debt – Increasing and Dangerous in 2008

By Kenneth Sumerford

According to the latest report on consumer debt put out by the Federal Reserve, the US consumer debt is over \$2.5 trillion. Each year the amount of credit card debt in America climbs higher and higher. Why is American credit card debt spiraling out of control? Well, there are several reasons for the yearly increase in the US consumer debt.

One reason Americans are going deeper into debt is because salaries have not increased enough to meet rising inflation. The 2007 Trends in Earnings Variability Over the Past 20 Years report by the U.S. Congressional Budget Office (CBO) stated that approximately “one-in-five saw their earnings fall 25 percent between 2002 and 2003, and about one-in-seven saw their earnings fall by” a decline of more than 40 percent. This significant decrease in earnings for Americans means while the price of gas, food, groceries, clothes, utilities and other basic necessities goes up, the average salary just isn't keeping up.

Another reason the US consumer debt is rising is because credit card companies spend billions each year on gaining new customers and increasing rate limits for current customers. The average credit card debt for Americans is over \$9,000 and even with the current credit crunch, the continuous stream of credit card offers continues to flow.

However, credit card offers don't mean the recipients have to sign up. Credit card debt in America wouldn't be growing at the rapid pace it is if consumers were more realistic with their budgets. The attitude of our society has become “I want it now, though I can't afford it, so I'll charge it.” If consumers exercised more discipline in their spending, the credit card debt in America would reverse its current course.

Regardless of the reason you may be in credit card debt, you need a solid debt reduction option. Credit card debt consolidation and debt consolidation loans are similar methods of debt relief that can benefit consumers with good credit. Debt settlement and bankruptcy are viable debt reduction options for consumers with bad credit.

US Public Debt in 2008

The US Public Debt (from the federal government) has been increasing for decades. The gross federal debt has increased greatly from \$909 billion in 1980 to an estimated \$9,575 B in 2008. (The federal debt was about \$9,509 billion in July 2008.) In these 28 years the increase has been about \$8,666 billion or about 10.53 times for an increase of around 953%. (Source: U.S. Office of Management and Budget, Budget of the United States Government, Historical Tables, annual.) In 2008, we find ourselves facing a federal deficit of from \$560 billion to \$900 B. (The official figure will be closer to \$560 B for political and business reasons.) How much more will you owe if we only spend another \$600 B than we collect in US federal taxes in 2008? If you divide \$600 billion by 100 million workers then you get \$6,000 per worker. If you divide a federal deficit of \$600 billion by 160 million workers then you get \$3,750 for each worker. The population of the US in mid-2008 was roughly 300 million citizens. Dividing \$600 billion by 300 million equals \$2,000 for each US citizen, including children under the age of 10 and people over 90.

Some of the increases in our US public debt (US national, federal debt) between 2003 and 2012 will be due to our wars in Iraq and Afghanistan, if the battles continue through 2012. What will be the costs? While hard numbers are hard to find and estimates are often off by 50% or more, the costs of these wars in 2007 was roughly \$200 billion. This \$200 billion for 10 years would equal \$2,000 billion or \$2 trillion. Since there were few years since 1965 that we paid off any national debt, we will probably not be able to pay off this \$2,000 billion during the next 10 to 15 years. The interest on \$2,000 billion at 6% for one year is \$120 billion. Now you can begin to see the scope of the problem. The costs, including interest, from these wars could easily amount to at least \$3 trillion from 2003 through 2022. The \$3 trillion or \$3,000 billion divided by 300 million equals \$10,000 for each US citizen. Expensive wars for over 2 or 3 years tend to bring very large amounts of new debt to the US government and US citizens.

The US trade deficits are another huge source of increases in the US public debt. The following table is data from the US Census Bureau Web site (www.census.gov/foreign-trade/statistics/historical on July 15, 2008):

Annual Trade Balances

Year US Trade Percent

Balance of previous

in \$ billions year

1994 -98.5

1995 -96.4 98

1996 -104.1 108

1997 -108.3 104

1998 -166.1 153

1999 -265.1 160

2000 -379.8 143

2001 -365.1 96

2002 -423.7 116

2003 -496.9 117

2004 -607.7 122

2005 -711.6 117

2006 -753.3 106

2007 -700.3 93

2008

Jan. -57.9

Feb. -60.6

Mar. -56.5

Apr. -60.5

May -59.8

Figures are seasonally adjusted.

Average per month for 2008 is -59

First 5 months annualized for 2008 \$ -709 billion

You may notice that the foreign trade balance has increased from a deficit of -98.5 billion in 1994 to -379.8 B in 2000 to a projected trade deficit of around \$-709 B in 2008. The total increase from 1994 to 2008 is likely to be around 620%! It is amazing that in about 14 years the US trade deficit will be greater than 7 times the amount in 1994. If inflation increased by 5% during 14 years then the factor would be only about 2 times.

According to the US Treasury (<http://www.treasurydirect.gov/NP/NPGateway>) the US national debt on July 3, 2008 was about \$9,492 billion or roughly \$9.49 trillion. The national debt on July 3, 1998 was roughly \$5.53 trillion. So in 10 years it has increased by about 72%. While the interest rate is unknown for the next 12 months, at 5% interest the dollar interest on the US national debt would be about \$0.475 trillion or \$475 billion. Dividing \$475 billion by 100 million taxpayers equals \$4,750 for each taxpayer. (I use the number 100 million because it is one-tenth of a billion so you can multiply an amount in billions by 10 and get the number of dollars per individual, and probably not more than 100 million individual taxpayers could afford to pay off things like interest on the national debt and trade deficits. So Dividing \$475 billion by 100 million taxpayers equals $475 \times 10 = \$4,750$ for each taxpayer.)

How does this affect you? In several ways; it would take a book to explain them. A few of the ways are the following: · Increasing US national debt means that the total debt of the US has increased. Some of this debt is owed to foreigners. When interest is paid some of that money goes out of the US economy to foreign governments, corporations and individuals. · Increasing US national debt often means that interest rates in the US increase. For example, mortgage rates and car loans often increase in interest rates. · Increases in US trade deficits mean that money and jobs are flowing out of the US. The jobs left may pay less in direct money and fringe benefits. Loss of technology usually follows jobs in engineering and IT. · Taxes may need to be raised to pay the increased interest on the US national debt.

- Increasing US national debt and added trade deficits means that the US dollar declines in value compared to more stable currencies in the world. It is somewhat easier to export but imports cost more. That is one reason why imported oil has increased from \$60 per barrel several years ago to over \$140 in July 2008. General inflation increases with greater federal deficits. Inflation in the years of 2008 through 2012 could easily be between 8% and 15% in each year. However, we may have some deflationary forces in 2009 to bring the rate to around 2%.
- When the federal government borrows more money it often makes it harder for individuals and small businesses to borrow additional funds. Lenders loan money to the federal government instead of a more risky individual or small company.
- Social Security payments to individuals will grow over the next 10 years and beyond. Some of the money to finance the yearly federal deficit comes from the Social Security Fund. For example, if the federal deficit is \$800 billion in 2010 then \$400 billion may come from borrowing out of the Social Security Fund. One year there will be less than \$100 billion to borrow from the fund since almost all of the money will be paid out to recipients. After that when we have a total national debt of over \$10 trillion and an annual deficit of more than \$500 billion, then it will be very difficult to pay the recipients of Social Security. Benefits will have to be cut, taxes raised or both. So increases in the national debt are harmful to future Social Security payments.

Debt Relief Options in 2008

Though the US consumer debt has grown to alarming rates, consumers still have several debt relief options at their disposal. The important thing for consumers to remember is that each debt reduction option has its own benefits and detriments. A credit card debt calculator can also help you determine the best debt relief method for you. Choosing the right debt reduction option is crucial for you to get back to financial harmony. We provide a debt calculator and options for debt relief on our Web site at www.DedicatedToDebtRelief.com.

Update for October 9, 2008

The credit crisis and federal bailout are now facts. The above sections were written in July 2008, except for the comment that inflation in 2009 might be around 2 percent. Even during July, many economists and so-called financial experts were saying that we were not in a recession and the economy was basically sound. (What is their definition of “sound economy”?) On October 9, the US Congress and President had already signed a financial bailout package for about \$850 billion. While oil was below \$100 a barrel, I expect it to be greater than \$130 by August 2009 and it might be more than \$150. And this \$850 billion federal bailout will add to inflation during 2009-2013, though inflation may be down to around 2% in 2009 because of the recession, shortage of funds to borrow and lack of consumer confidence.

Loans to small businesses and to individuals will be harder to obtain in 2009. This will probably lead to more layoffs and bankruptcies by small companies and individuals.

In October 2008, I wrote an article “Bailout - Taxpayers and Ordinary Citizens are Paying for the US Economic Bailout.” This article explains some of the key factors in the bailout and a few long-term dangers.

Copyright 2008 by Kenneth S. Sumerford

Kenneth Sumerford is a writer and small business owner who has a MBA in business and economics from Missouri State University. During the last 35 years, he has obtained extensive knowledge and experience in the fields of finance, Information Technology, small business and marketing. To learn more about debt consolidation, credit card debt relief, debt management, debt reduction options, and building wealth through wise financial management visit <http://www.DedicatedToDebtRelief.com> Copyright 2008 by Kenneth S. Sumerford

Article Source: http://EzineArticles.com/?expert=Kenneth_Sumerford

OKAY,

Now that we have the problem, and some suggestions, let us move closer to some different type of solutions. I first want to address collection agencies. You see collection agencies are the most beautiful thing in the world. As a matter of fact, it is almost beneficial to just "chill out" and let your debts go to collection (I'm certainly not recommending this). Why do I say this?

Collection Agencies (even more so than the IRS) operate on 90% Bluff. Plain and simple, in order for ANYONE to collect a debt from ANYONE, they must have a contract WITH THAT PERSON! And that original receipt has to be produced in order to legally pursue anyone for that debt. This is the basis of many credit repair companies (who will often call for lenders to produce their original receipts for loans). Can a collection agency produce a signed receipt between you and them? Of course not! When did YOU agree to do business with THEM?

If I agree to pay Kevin \$20 for something and I sign an agreement with him, the agreement is between me and him (period and end of story).

I WISH SOMEBODY WOULD...

come to my house and say, "Hey Matt, my name is Wayne. You didn't pay Kevin, so he sold me your debt. Now, you owe me. And if you don't pay me, I'm gonna sue!" Wayne may be rudely awakened when I look at him and say, "Wayne... Pump your brakes! You don't know me like that. I never agreed to pay YOU anything! So take this off of my credit, or I'M gonna sue!" Who would win in court? That's right!

Collection agencies are another example of the following fact. IF YOU DON'T KNOW YOUR RIGHTS, THEN YOU DON'T HAVE THEM. So if a collection agency sends you a letter, just promptly send them their letter right back to them citing fraud. Let them know that you never agreed to and refuse to do business with them. The rest is history.

Examples of how to send a letter like this in to a collection agency can be found at The Credit Secrets Bible.

<http://freeyourmindonline.net/resources/improve-credit-rating.html>

Interesting Facts On Foreclosure

Did you know... that in order for a lender to foreclose on your house, they have to have the original paperwork that you signed for the loan? You can ask the court to make them produce it, and if they can't, then the action has to be dismissed. In 40% of cases, lenders can't produce the original receipt!

Here is something a little deeper on foreclosure that I brought forth in the Secrets of the Banking Industry Newsletter. Check out the case of Jerome Daly Below (from the Zeitgeist documentary). Food for thought.

<http://www.youtube.com/watch?v=hRzHDwQUJa0>

More Foreclosure Resources

Learn Secrets (your attorney can't tell you) to stopping your foreclosure that have been hidden for over 75 years.

<http://freemindonline.net/resources/foreclosure.html>

Discover 32 ways to resolve any foreclosure immediately and 12 ways for you to make money even if you lose your home or have lost it to foreclosure as much as 15 years ago! This information is not known by many.

<http://stopmyforeclosuremess.com/>

A Debt Resource

The following program guarantees that you will be out of debt in as little as 3-5 years or your money back.

<http://freemindonline.net/resources/debt-consolidation.html>

I hope that this has all helped.

So until next time,

Free Your Mind... Online,

Matt Mason

For more resources, visit the Resource Center

<http://freemindonline.net/resources.html>