

Cures for the New Year's debt hangover

By Holly Hudson

It's that time of the year again. The extra layer of cellulite gained over Christmas has shifted into place. The forced joviality of New Year's celebrations has given way to the almost stunned calm of January and the scribbling of resolutions can be heard from house to house and office cube to office cube. Finally, the alcoholic hangover many of us felt on January 1 has morphed into the more intractable debt hangover.

Maybe that's why alcohol and New Year's Eve has always seemed to go hand in hand. We're trying to block out how much money we spent over the past month. Then of course, there's the expectation, or determination, to have the Blow-out of the Year. If that isn't enough, this holiday comes at a time when most of us just want to collapse from exhaustion and spend a week in a solitary immersion tank. Since that isn't usually possible, the answer then is to drink, party and dance until dawn, or at least long enough to push back the day of reckoning with the bank statement.

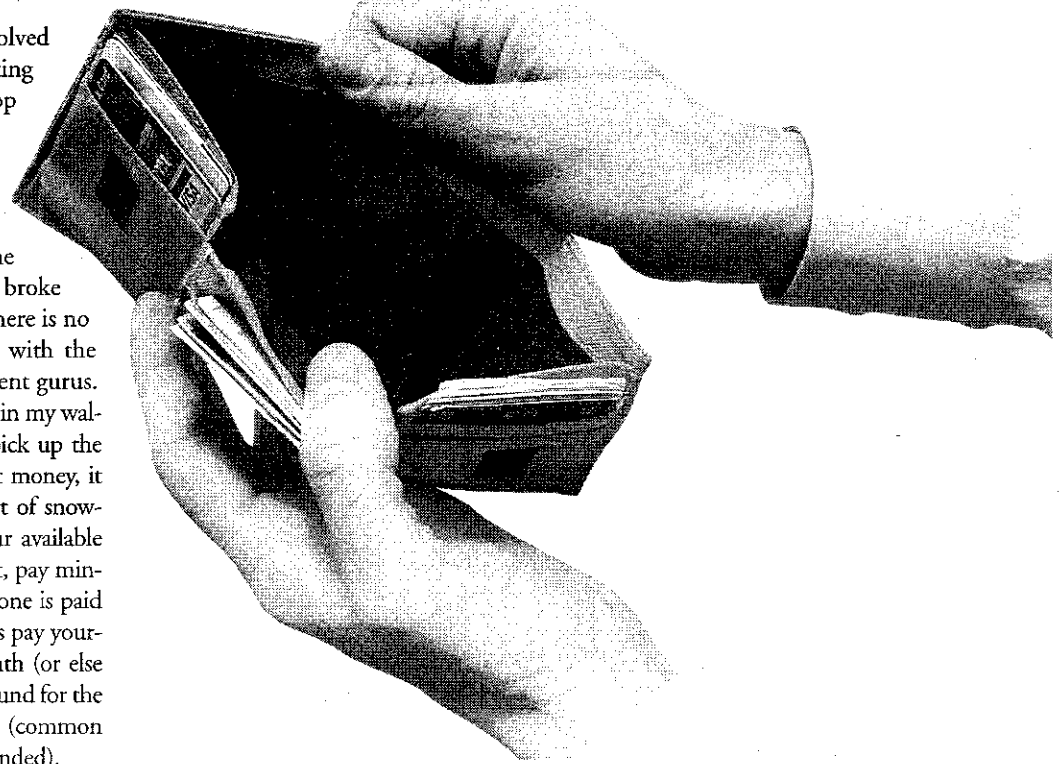
At my small-town New Year's Eve party, a blues band played doggedly as couples gradually swarmed the dance floor. A few minutes before midnight, a woman began energetically handing out blank scraps of paper and pens. We were meant to make our resolutions official, if not entirely with a clear head, and hand them back to the hostess. Call me a spoilsport, and I'm all for setting goals, but I've always found these kinds of life-affirming party tricks to be like Hallmark on speed.

Not that there isn't a lot to be resolved about. Next to losing weight, getting out of debt is probably one of the top New Year's resolutions. For many, debt has become a permanent fixture of everyday life, perhaps only felt more acutely each January. I have been on every side of the debt eightball — I've been flush and broke with a balance sheet a color of red there is no name for. My bookshelf is spilling with the advice of self-help money management gurus.

I've learned how to put all my bills in my wallet neatly facing the same way and pick up the change scattered on my floor (respect money, it respects you). I've honed the high art of snowballing credit card debts (put all your available cash toward your most expensive debt, pay minimums on the rest — when the first one is paid off, repeat). I've learned how to always pay yourself first at the beginning of the month (or else you'll never save) and how to shop around for the cheapest service providers and deals (common sense, needed to buy book to be reminded).

Let's just say I am sufficiently well acquainted with the albatross of debt to never want to meet it face-to-face again. Yet it's an almost inevitable trap for many of us to fall into in a nation where real wages are today what they were in 1964, according to Michael Hudson, an economics professor at the University of Missouri. He writes that "the genius of recent administrations...has been to transfer inflation to the stock market — to the prices of stocks and bonds instead of to the prices of labor and production." Then add the skyrocketing cost of a college education over the past 20 years, which has far outstripped inflation, income levels or even increases in state or federal aid. For those students who can actually get to college, graduating with staggering amounts of debt has become the norm.

Staying in the black can be an uphill battle. Our elders no doubt remember a common Depression-era saying: "Use it up, make do, or do without." Not exactly part of our contemporary lexicon. Consumption is the name of the game and we are led to believe by the government that it is our patriotic duty to spend, spend, spend. But when it comes to money, I think I'll stick with self-interest rather than what might be best for the economy. The best nugget of wisdom that I have come across is, it's not what you earn, but what you keep — that's what determines your financial well-being.



less time equation on its side. There is something liberating in taking a break from the *attaining* mindset and focusing on the *retaining* aspects of life. In an era of material abundance, you don't have to make huge sacrifices to have a positive effect on your bank statement at the end of the month. With that in mind, here are five tips on things you can do to keep a little more green in your wallet in 2006:

Pay off your debt. For tips on one of the fastest ways to do that, you can use a free "snowball calculator" on the web that will tell you how long it will take and give you a debt-free date. <http://www.whatsthecost.com/snowball.aspx>.

Cut all your costs. Investigate switching your mortgage to a better rate and use websites like www.lowermybills.com to source cheaper deals on everything from insurance to long-distance calling.

The little stuff counts. You've heard it before. A Starbucks a day can mean \$780 spent on lattes at the end of the year. And that's just latte money you're saving. Think about where your money disappears to every day: snacks, drinks, lunches. Check out the Give-it-up-to-get-rich calculator: <http://www.coolmath.com/calculators/calculator-give-it-up.html>.

Save and invest regularly. Take your now-freed-up latte money and stick it into a high-interest savings account at 3.8 percent over 30 years, and you'll have \$40,190. Invest it in a stock market fund or monthly Dividend Reinvestment Plan and you could do even better.

Count your blessings. Check out the Global Rich List <http://www.globalrichlist.com/>. You're wealthier than you think. If you earn \$30,000 per year, you're among the top 7 percent of the richest people in the world.

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