

***** I was out of work for three months last year and used my credit cards to get by. Now I can't catch up on my payments. What should I do?

There are no instant fixes for your financial situation, but taking action now will free you of your debt handcuffs faster than you might imagine.

Mission: lower interest

To save big with surprisingly little effort, transfer the amount you owe to the lowest-interest line of credit or loan you qualify for. A balance of \$15,000 at 18 per cent interest, with monthly payments of \$600, requires 32 months and \$3,941 in interest to pay off. Transfer that balance to a line of credit at seven per cent and you'll be debt-free in 27 months with the same monthly payment – and you'll save \$2,681 in interest. If you're a homeowner, you may qualify for a secured line of credit at even lower rates.

Clean up your record

Do you qualify for the low-interest loan or line of credit? One of the factors that lenders look at is your credit history. For a free copy of your credit report, contact Canada's major credit agencies: TransUnion (www.tuc.ca) and Equifax (www.equifax.ca). If there are errors on your record or extenuating circumstances for late payments (such as a period of unemployment), follow the how-to steps on the website to submit a dispute form or consumer statement.

Show you the money

A solid credit rating lets you negotiate a lower-interest line of credit or consolidation loan that combines all your debts. Be prepared to present an

income statement (backed by your tax returns and/or a letter from your employer) and your monthly expenses to the lender. Don't fudge: lenders are familiar with typical spending patterns and you'll only end up looking insincere, unrealistic or both.

Consider all options

If you have a history of late payments or loan defaults, you do have other choices. If you have room for RRSP savings and contributions, consider using an RRSP withdrawal to pay off your debt; then arrange an RRSP loan (usually available below prime rate) in February of the following year to get back on track.

If you can't make even your minimum payment or creditors are calling, it's time to seek credit counselling from an accredited agency (ask for a referral at your financial institution). A counsellor will give you expert advice and help you make choices for a healthy financial future.

➔ **Save \$500 this weekend!** Cut your utility costs by one-third and use the money you've saved to pay off debt. Go to www.chatelaine.com/cutcosts.



Financial expert
Lori Bamber has spent more than 16 years helping Canadians take care of their money

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