

# Dealing With Debt

## Why You Should Care

Building and maintaining financial security requires feeling in control of your finances, being able to handle a financial emergency, and being on track to meeting your financial goals. If you have debts, you may be subjected to foreclosure, bankruptcy, frozen accounts, car repossession, repetitious phone calls, or eviction. Paying off your outstanding debt can be the first step to improving your financial wellbeing!



## Things You Should Know

### Your Right to not be Harassed

- Your collector is generally not allowed to:
  - Call you before 8 a.m. or after 9 p.m.
  - Yell, swear or use crude language.
  - Threaten you.
  - Do anything else that could reasonably be construed as harassment.



### Statute of Limitations on Debt

- Looking at the age of your debt can help you determine if you still have legal liability.
- Under MA law, the statute of limitations on contractual debt such as credit card debt is **six years**. This is typically measured from the date that a consumer defaults on their payments.

### You can Tell the Debt Collector to Stop Contacting You

- Once you make this request, the collector can contact you to tell you that they will stop all contact by phone, mail or otherwise. **Stopping contact does not cancel the debt.**

## Debt Strategies

### Avalanche

1. Pay the minimum on all your accounts.
2. Put extra money toward the account with the highest interest rate.
3. Once that debt is paid off, repeat process with the debt with the next highest interest rate.



### Snowball

1. Pay the minimum on all your accounts.
2. Put extra money toward the smallest debt.
3. Once that debt is paid, continue paying the next smallest debt.  
Continue the process until all your debts are paid.

### Management Plan

A credit counseling agency can set up a debt repayment plan to cut your interest and pay off your debts.



## How to Deal With Debt

- Know where your money goes.
  - Review and adjust your budget (reduce your spending on things like eating out).
- Increase your income.
- Decide on a debt strategy.
- Call your debt collector to discuss a settlement or a payment plan:
  - If you find yourself with enough cash to settle, consider this option first, including impact on your credit score, taxes and fees. If a debt of more than \$600 is cancelled, the lender has to report it to the IRS. You'll receive form 1099-C.
  - Determine what you can afford to pay beforehand by considering your other financial obligations.
  - Be ready to accept a proposal if the debt collector agrees to an amount that is at or less than what you've decided you can afford to pay.

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## Negotiating Debt

- Explain and highlight your inability to pay, whatever that hardship scenario was, whether it is resolved or is still ongoing.
- Be in control of your emotions and don't argue.
- Avoid discussing your income or other financial obligations and listen to the other person.
- Be sure you can afford to pay the amount the collector is offering in the time frame required. Before accepting the settlement offer you can try to call again at another time or ask for his/her supervisor.
- Be prepared to make a counteroffer. Different debts get settled at different amounts at different times.
- Be open to different and innovative solutions.
- Ask to have your agreement in writing (mail or e-mail).

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## Take Action Today!

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