



Women & Debt

Most people find themselves in financial difficulty at some time in their lives. Whether it's because of too many bills arriving at the same time, the loss of a job, or just overspending, the reality is that financial difficulties can suddenly turn into a crisis. And the consequences can be devastating.

For women on low incomes who may have to support a family on their own, managing finances can be particularly difficult. At times it may even seem impossible to make ends meet or see a way out of the money mire. But there are practical things you can do, and people who can assist you if you get into a situation you don't know how to control.

Commonly held myths

- Only the poor and people on unemployment benefits fall into debt.
- If you love someone, you have to trust them.
- He loves me and the kids, so he'd never leave us in the lurch financially.
- Now that I'm separated from my partner, I'm no longer responsible for the debts he ran up when we were together.
- I only own half the house, so I'm only responsible for paying back my half.
- The credit card is in both our names, but I only owe for the bills I've paid with it.
- If things get too bad, going bankrupt is an easy way out.

And the reality...

- Anyone can experience financial difficulties and fall into debt.
- Read all documents thoroughly. Seek legal advice before signing up for or guaranteeing loans, especially if they are for someone else's benefit. Even if you totally trust your partner, it is always wise to seek independent advice.
- If you have joint debts, you each owe the whole amount.
- If you're in a better position to pay, or are easier to find, you're more likely to be chased for debts owing – even if the Family Court has ordered your partner to pay them.
- Your credit record will contain details of your bankruptcy, even after it has been discharged.
- Bankruptcy is a last resort which can have long term consequences.

What is sexually transmitted debt?

Sexually transmitted debt is a flippant term for a serious problem. Sometimes called 'relationship debt', it relates to the situation where a woman becomes liable for paying her partner or ex-partner's debts. This could be because she's signed a loan contract as a co-borrower or guarantor, has agreed to become a silent director of his company, or has signed a mortgage so he can obtain a loan.

The National Credit Code states that every attempt must be made to redeem the money owed by the borrower before pursuing the guarantor. But the reality is that if you have more assets than your partner, earn more money, or are easier to find, you're more likely to be chased for debts owing. As a co-borrower, you may find yourself solely responsible for a debt from which you have received no benefit.

Is there any way to avoid contracting sexually transmitted debt?

Unfortunately, the only way to avoid this surprisingly common problem is to take the following precautions.

- Make sure joint assets are purchased in both yours, and your partner's names.
- Make sure joint debts are in both names (not only your's).
- Get legal advice before guaranteeing a loan for your partner and before signing your name to a loan which will only benefit him.
- Always read documents thoroughly and seek legal advice before signing any contracts or guarantee statements.

When is credit card debt a problem?

Credit cards are probably the easiest way to 'buy now and pay later'. They're also relatively easy to obtain, and very easy to overuse, especially if you look at credit card limits as giving you more money to spend, instead of more money to be repaid. If you don't pay off the full amount outstanding before the interest starts accruing, these cards can be a very expensive form of credit. And if you get a cash advance on a credit card, the interest starts from the day the advance is taken.

Ask yourself these questions

- Do you only ever pay off the minimum balance on your credit cards?
- Do you need to use your credit card to pay for essential items like food, telephone, gas, electricity, rent or mortgage repayments?
- Do you use more than one credit card?
- Do you use cash advances on one credit card to pay off others?

If you answered 'yes' to these questions, you could be in danger of accumulating debts you'll find hard to repay, and may find it helpful to talk to a financial counsellor.

Is it possible to gamble without getting into debt?

Many people are attracted to pokies and other forms of gambling for entertainment. Kept within limits, this can be an enjoyable pastime. Allowed to get out of control, and gambling on pokies or at the casino can lead to devastating consequences for you and those close to you.

If you enjoy occasional gambling, and want to keep it that way, you need to stick to a few strict, self-imposed guidelines.

- Allocate a certain amount of money from each pay, and never exceed it.
- Take the money you've planned to spend in cash. When it's run out, don't borrow from someone else, and never use an ATM to get more.
- Wear a watch at the casino or at the pokies, specify a time limit for your visit, and never stay longer than you planned.
- Never stop off to gamble if you're minding children.

If you find that these rules are becoming hard to stick to, ring Gamblers' Help or talk to a financial counsellor. And the golden rule, which most of us now know, is "When it stops being enjoyable, walk away".

What should I do if my debts become overwhelming?

Financial counsellors and debt counselling services are located throughout Victoria and offer free and confidential advice to people in debt. They can provide practical assistance like drawing up a budget or personal money plan. They can also talk with creditors on your behalf and make sure you are receiving the Centrelink payments you're entitled to.

The ultimate aim of a financial counsellor is to enable you to gain the knowledge and power you need to manage your own financial affairs. They can explain where you stand legally, what creditors can and cannot do, how to rearrange your debt repayments, explain how bankruptcy works and, if necessary, put you in touch with legal advisers or legal aid.

Why do people say that bankruptcy should be the last resort?

What are the disadvantages of bankruptcy?

While bankruptcy will get your creditors off your back and solve your financial problems in the short term, in the end its disadvantages are likely to have a big impact on what you can do.

- You lose control of your financial situation – a trustee will be appointed to oversee your affairs.
- You can only keep necessary household goods and a car to the value of \$5000.
- If you own a house or are paying one off, the title will be transferred to your trustee and the property sold off to pay your creditors.
- Renting will be difficult because real estates agents may be reluctant to recommend to a landlord that a bankrupt be accepted as a tenant.
- You can only travel overseas with the permission of the Federal Court or your trustee.
- You can't manage a company.
- Gaining employment may become more difficult.
- You may find it difficult to borrow money.

Are there any alternatives to bankruptcy?

If your financial situation has become so desperate that you are considering bankruptcy, you should definitely seek the advice of a financial counsellor who will be able to explain the alternatives. These include making an informal arrangement with the people you owe money to, organising a debt agreement under Part IX of the *Bankruptcy Act*, or entering a formal agreement under Part X of the *Bankruptcy Act*.

How can I build financial independence?

For some women, financial independence means having a steady income and enough money to spend on the things they consider important. For others, financial security comes with owning a home or other assets like cars or furniture.

Whatever your circumstances or priorities, the important thing to keep in mind is that it's not how you earn money, that will give you financial independence, but how you spend or invest it.

However, there are some general guidelines you could consider if you want to improve your financial situation.

- Prepare a realistic money plan that sets out all the things you spend money on including necessities (like rent, school expenses, gas and electricity etc), and what you spend on entertainment (including cigarettes, alcohol, etc).
- Draw up a budget that takes your income and spending into account, and sets out for you to spend less than you earn.
- Save small amounts wherever you can by putting money aside, paying your mortgage or credit cards more often, watching out for bargains, etc.

These are just some ways to save money and maximise your finances. If you're interested in finding out about establishing money plans and budgets in more detail, talk to a financial counsellor. Or if you're in a position to invest money, it might be worth while considering getting professional advice from a financial adviser, or as they are sometimes called, a financial planner.

How should I go about choosing a financial adviser?

Before choosing a financial adviser, you need to make sure that they:

- Hold an appropriate licence and belong to a professional association
- Have had a successful track record for at least five years
- Recommend a wide range of investments
- Have professional indemnity insurance and are covered by an independent complaints handling scheme.

Also, and probably most importantly, before you decide on who you want to assist you with financial advice, find out how much they charge and how they charge fees (commission-based, portfolio-based, or fee-for-service). Then invest only when you are sure you are comfortable with the investments being recommended, that you understand them, and that they suit your needs.

Getting legal advice

For information about your legal options see WIRE information sheet *Getting Legal Advice*.

Where do I go for help?

- WIRE
- Financial advisers
- Credit Helpline
- Home Finance Customer Service Centre
- Australian Competition & Consumer Commission Welfare Rights Unit
- Financial counsellors
- Credit Advantage
- Women's Legal Service
- Credit Union Service Corporation (Australia)

Contact WIRE

For an up-to-date contact list of the services available:

Phone 1300 134 130 for the cost of a local call, or
13 36 77 (National Relay Service for hearing impaired women)

Drop in to the Women's Information Centre at 247 Flinders Lane Melbourne
Email us at inforequests@wire.org.au
Visit our website www.wire.org.au

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