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Ultimate Debt Guide

*Discover how to get out of debt fast
without bankruptcy or debt consolidation*

Debt Relief

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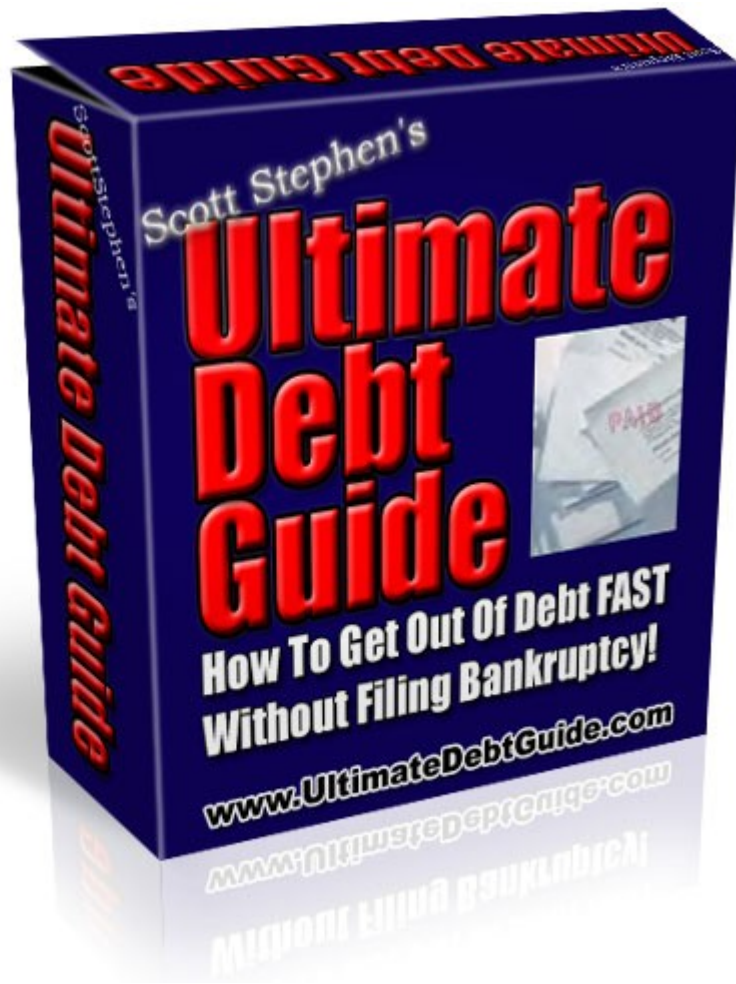
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Understanding Debt

Understanding the basic concepts of debt

Budgeting is an important aspect of living and a person who knows how to budget will go a long way in this commercialized society.

Budgeting has a lot to do with keeping the expenses less than the total income of the household. Those who are very good at budgeting can come up with savings even if they have meager incomes.

The problem sets in when a person fails to make an efficient financial plan and his expenses exceed his earnings. When this happens, a person has no choice but to borrow money to make up for his financial deficiencies. Borrowing once or twice because of a mismanaged financial plan is normal but when borrowing becomes a regular thing that can put a person in serious debt problems.

A person who borrows money from another is said to be in debt. The debts of a person can be minimal or can reach up to millions depending on the credit limits of each person. Sometimes, a person who has assets but isn't liquid can use these assets to get cash. Under this term, the person can be indebted for an amount less or more than his assets.

There are laws that provide that a person can never be forced to render services as payment for his debts. This is called undue servitude and is prohibited by the laws of some countries. However, there are situations when the person who is in debt opts to settle his obligation by rendering his services.

This can happen if a person is so talented in his craft like painting and he opts to pay for his debts by creating a painting of the creditor or the assignee of the creditor. Sometimes, a person can pay his debts gradually or on an installment basis.

When a person dies, the law has provided for a hierarchy of preferences in the payment of such debts. Of course, payment of taxes to the government will always come first. The second priority for debt payments includes funeral expenses of the deceased and the payment for the wages of people.

Debt is really just a simple concept, which provides that a person who borrowed something from another is duty bound to pay that debt. However, the concept of debt becomes more complicated with the introduction of other concepts like mortgage, interest rates and other charges. Interest makes most debts double or even triple in amount.

More often, the interest rates due for a certain debt is even higher than the principal amount borrowed.

A person who wants to get credit can do so in the form of a loan. A loan can either be secured to unsecured. A secured loan means the debtor borrowed some money and supported the loan by collateral or a security for the loan. The security or collateral can come in the form of a house and lot, a car or any asset of the debtor. An unsecured loan means otherwise.

Most creditors require a security before granting a loan because it gives them something to hold on to or to forfeit in case the debtor defaults in payment. When the debtor fails to pay the debt within the agreed timeframe then the creditor can foreclose the security or the collateral.

However, having an unsecured loan doesn't mean that the debtor can renege on his debts. When the debtor fails to pay his loans, the creditor can still run after him by filing a case in court. When this happens, the debtor who has no cash can sell some of his assets to pay for his outstanding loan.

Being in debt is common even for the rich and the famous; the only difference between them and the common people is that their debts can be in the millions since they have more assets to support their loan. Unsecured loans most often have higher interest rates to make up for the lack of security.

Even third world countries are indebted to more developed countries. However, the debts of a country can go on forever because they keep on paying their loan but they also get new credits as their credit ratings go up.

What Are Expenses?

The importance of determining your expenses

Society is becoming so commercialized that no person is exempt from this worldwide phenomenon called spending and mounting expenses. The high cost of living has paved the way for an increase in the spending habits of people.

An expense refers to disbursement or spending and it generally has something to do with money. Anyone who lives today isn't exempt

from having expenditures even just for day-to-day living.

Expenses can either be essential meaning those expenses necessary for the survival of a person, or non-essential expenses, which refer to expenses that aren't really necessary or are considered as luxury expenses.

The most common and essential expenses are those spent for food and for the daily subsistence of a person. A person couldn't survive without food and water so almost all people are forced to spend money on these items. Expenses for housing utilities like water and lights are also considered essential expenses because any household will not operate efficiently without them.

For people on the go, the cost of fuel or fare is also considered an essential expense because they couldn't go about their daily work without spending for these items.

Essential expenses are the expenditures that a person couldn't live without because these are necessary for the day-to-day subsistence of a person. Try scrimping on food expenses and any person will soon realize how essential food is in the daily household budget.

People work so they will earn money that will be used to pay for their essential expenses. A person who isn't lucky enough to get a good paying job will definitely have no choice but to tighten the budget even for his essential expenses. This means cutting back on basic needs like food, water and power consumption and even toiletries.

However, there are some people who earn less but still spend more for their household expenses. These people have failed to manage their finances and they will soon be deep in debt. The key to successful household management is to keep expenses to the minimum.

The expenses of every person differ and the money allotted for each type of expense depends on the priorities of the person. While each person has a household expense, there are other expenses that are necessary to fulfill his various responsibilities in life.

Thank You For Reading the Debt Relief Preview

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