

# SOURCE LINES

## HAPPY HOLIDAYS

Happy Holidays from all the staff here at SOURCE LINE to all of you.



I know that for many of you Christmas is a religious celebration of the birth of special child to a family and a world. This is interesting because I believe that for many of the rest of the population the season has become a celebration of our families and good friends. Certainly in North America it seems to be the one time of the year, if only for a day or two, that the pace of our life slows down and we can reflect and spend time with those who are really important in our lives. If those closest to us aren't in geographical proximity then we often burn up the telephone lines, e-mail or chat lines to make contact with them.



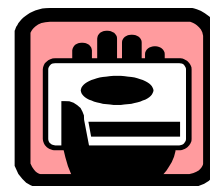
If there is a down side to the holiday season it has to be some of the commercialism of our society. Not so much the advertisements themselves but more so the momentum for consumption that they feed.

It is so easy to get caught in the **easy credit trap**. On a business program on television it was reported that a certain large credit card company had experienced over 4 billion in charges last Friday November 26, 2004. I don't think too many people are against having credit because without it how could any of us really afford a home. A mortgage, after all, is just another form of credit.

What we are really talking about is the **seductiveness of easy credit**. We all know what happens when you apply for one credit card. Pretty quickly, you are inundated with pre-approvals from all sorts of credit card companies wanting you to use their particular card.

As I'm sure you are all well aware credit card companies really don't want us to pay off our cards every month. It's much more lucrative for them if we pay only the minimum. That way they can charge you their 24% to 16% interests costs. Some cards offer lower rates but often have a 6-month limit on those reduced rates.

Many of us seem to have to **learn our easy credit lesson the hard way**. I'll always remember my brush with the easy credit nightmare. A number of years ago I had been using my card a great deal. I hadn't been able to pay off the monthly charges and was barely making the minimum payments and so my indebtedness was perilously close to my credit limit. But I had still made all the minimum payments. Guess what happened next? I'm sitting at home when I get a call from my nice credit card company to tell me that they were increasing my credit card limit by another \$2500.



No, they weren't counselling me about whether I could afford this extra credit; it was instead presented as a gift they were giving me for paying the monthly minimum and owing them

so much money. Then almost miraculously, in my thoughts, there was my father reminding me **“if you can’t pay for it then don’t buy it”**. It made sense to me so I proceeded to spend the next six months paying off the Card Company as quickly as I could.

The irony of this whole situation is you can have great credit but miss one payment and the communications turn decidedly negative. For example several years later, with all my cards up to date – hey I want those air miles like everyone else – I went out of the country on a 5 week vacation. I didn’t realize that the credit card bills were probably arriving just as I was leaving the country. So guess what? No payment that month and new bills were sent out four weeks later. I arrived home to find negative messages on the telephone and in the mail threatening to cut off various services and cards.

When I spoke to these organizations they told me that a computer generates all these messages when you miss payments. I was further admonished that I should have told these companies that I was going to be out of the country. This seemed extraordinarily negative treatment after never having been late with a payment and clearing off outstanding balances every month. Luckily they weren’t asking to see my travel pictures too!

Now what I’ve described to you is really some of my small disasters with the easy credit world. Unfortunately some of the other credit stories we see from our clients would make you cry. People can and have lost their homes, families and self respect. Once the negative credit story gets rolling it doesn’t stop until its fed with money, one declares bankruptcy or gets a trustee, defaults

and pays back a percentage of what is owed. These last two options have some long-term implications on one’s ability to borrow money in the future.

So lastly, for this festive season we need to remind ourselves about what financial commitments we making during the holidays. Asking the question: can we afford it? This is one major way to look after ourselves and thereby those we care about. Being in financial difficulty takes all the fun and happiness out of the holiday season. Let’s not let ourselves get in over our heads financially!

### **Helpful Financial Hints From “The Well Workplace”**

**Write It Down.** Every single time you write a cheque, use your debit card or withdraw cash from your ATM, write the amount down in your chequebook or ledger and update your balance.

**Take Time to balance your chequebook.** The average family makes between 40—60 transactions per month. If you spend one minute recording the transaction and making the calculation on the spot, you’ll save a large chunk of time later.

**Plan Ahead.** Avoid overspending during the holidays by setting up savings accounts like a Christmas club that lets you save over time for next year’s gifts.

In closing, if we can keep our financial houses in order it should make it easier for all of us to enjoy the celebrations of the season in our own special ways.

**Happy Holidays!!!**

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