

## Causes of Debt

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### 1. Reduced Income / Same Expenses

This occurs when either you or someone else in whom you are dependant loses their job and the normal expenses are still there staring at you. When most people are out creating debt, they do not think of what will happen if they lose their job or potential to earn a living. To deal with the reduction of income, you must bring down your expenses as soon as possible. Until you get a handle on your current situation, then you will probably be stressed out and begin having other problems besides financial ones.

### 2. Divorce

According to the U.S. Bureau of Statistics, more than half of all married people in the United States will go through a divorce at least once in their lifetime. Divorce can have a significant impact on how you manage your debt. Most married couples both work in order to make ends meet. Now if you cut part of that equation in half or better and add other expenses not in the equation; you can see why this might cause further stress to your life and pocketbook.

### 3. Poor Money Management

When you do not create a budget or at least have some kind of spending plan, then you may find yourself in debt. Poor money management will cause you not to know where your money is going. You could be spending hundreds of dollars a year on absolute junk. Often, people just nickel and dime themselves into debt. Creating a spending plan or budget is nothing more than just writing down your expenses and income and reconciling the two.

### 4. Underemployment

Many people over the past decade or so have experienced the phenomenon known as underemployment. Underemployment affects those people who got use to earning a certain income and have lost their job but are employed again making far less money. While making less money is better than making no money, it still does not help in the debt department. You had the capability to pay on debts while you made a lot of money, but now that you make half as much, it can be difficult just to continue making ends meet and stay out of bankruptcy.

### 5. Gambling

This addictive behavior can make anyone's financial situation worse. Sadly, there are more and more people getting caught in its grip. It is tough to identify a gambler; they do not have specific identifiers. You can find just about all walks of life gambling. Gambling has become quite the popular industry due to its entertainment value. Every casino from Las Vegas to Atlantic City takes in their fair share. However, with the boom of the Internet, you do not even have to leave the comforts of your own couch to place a bet. In the end, if you bet this week's paycheck and lose it then you're going to fall deeper into debt.

## 6. Medical Expenses

Many people are financially ruined each and every day due to medical expenses. Those who do not have some form of medical insurance are literally playing financial “Russian Roulette” each day they are not covered. All it takes is one accident and hospital stay to wipe out a lifetime’s worth of savings. Most doctors’ now accept credit cards as a form of payment for services. The doctors want to make sure they get paid, and this is a way to ensure payment. Using a credit card at a doctor’s office means more debt for you, and less risk for them.

## 7. Saving Too Little Or Not At All

The best way to prepare for handling the unexpected occurrences in life is to save money. When you do not have a cash surplus in savings, then you are just once again playing financial “Russian Roulette.” With a savings cushion in place, a job layoff, illness, or divorce will not cause immediate financial strain and increase your debt. A good rule of thumb is to have three to six months of living expenses saved up. If you see that amount as just being impossible, then you can start off by taking small steps. Try to start by saving \$1000.00 and put it away into a savings account. If you try to “pay yourself first” then you will see your savings grow over time. The money will be there when you need it in a time of emergency. You know that an emergency will eventually happen.

## 8. Not Communicating About Money

It is important to communicate about money matters with your spouse, partner, and children. Keep the lines of communication flowing and discuss financial goals and spending habits with each other. Make sure to be open and honest with one another about your goals and spending habits. There have been many a heated argument over “who did what with how much.” Many people have found out after the fact that their spouse has racked up thousands of dollars in credit card debt and they had no idea that the accounts even existed. Often this kind of deception and dysfunction can lead to another one of our causes for debt, divorce.

## 9. Depending on Some Form of Financial Windfall

Spending money that you think you will have tomorrow is very tempting, but it can also be very dangerous. Have you ever thought you were going to catch a significant “break” only for it not to materialize? Did you already start making plans for that extra increase in personal income? Did you think that you were going to get that company bonus? The moral of this story is to not spend the money until the check clears.

## 10. Financial Illiteracy

Many people have never been taught the basics of how money works. Even more, they have not sought after how to make their money grow, how to save and invest for a rainy day, or even how to balance their own checking account. Somehow, their public school system and their own parents did not sit them down and explain these crucial life lessons. For this reason, many people have obtained enormous amounts of debt and still have no clue how to get out of its grip. Whatever the reason for financial illiteracy, you do not have to suffer from its affects forever. There are specific things that you can do to learn how to become financially literate. You have already taken a step by reading this material.