



Debt Tricks By Diane C.O Gilson, CPA

Do you periodically wonder how much credit is left (or available from) your credit cards, your construction, land or development loans, or from your Line of Credit? (e.g., “Where are we on our construction draws?”) And do you regularly see and/or review your current interest rates, so that you can more effectively manage debt or pay loans off more quickly?

Here’s a tip that I regularly share with my clients:

Use titles that clearly describe the loan arrangement, and then add the interest rate and credit limit to each account name.

Immediate gratification

The result is that when you prepare a Balance Sheet, you see not only your outstanding balances, but you can also quickly and continually determine what is available for future use. Here is an example:

• Chase VISA (22.9%-\$8000)	\$ 6,576.98
• Office Depot (17.9%-\$5,000)	\$ 4,952.87
• Note P/Cnstr-#24 (8.8%-\$258,500)	\$188,450.00
• NBT Line of Credit (9.5%, \$200K)	\$ 49,362.00

Now you have a report that is delivering an extra measure of excellent management information every time you see it!

Another application?

If you’re applying for a loan or a re-finance, many applications want you to list, in detail, all debt and credit limits. Just go back to your Chart of Account.....you now have almost all of your critical information at hand.

Help with Reducing your Debt Load

Are you burdened with credit card or other debt? Organize your accounts so that the debt with the highest interest rate shows up at the top of its section, the next highest rate is second, and so forth. Keeping this information visible is a great motivation to reduce your debt load so that you can keep more of your hard-earned cash for yourself. Just as an example, a debt of \$8000 at 19.8% comes to \$1,584. I’ll bet you can find a way to make better use of it than your credit card company or your banker. Let’s see,...you could either send your banker on a cruise, or yourself on a cruise. Hmmmm,.....I’m betting that you’d choose the second option.

Absent this technique, there’s a great likelihood that you won’t recall which of your debts has the highest interest rate. Many people shop for interest rates before they enter into debt arrangements, but it’s very typical that they will either forget the specific rate fairly quickly, and/or that the rate will change periodically and insidiously. Many people are truly shocked when they actually SEE, and are faced with, some of the rates that have crept up underneath

them. But knowledge is the beginning of power, and with that knowledge you can make better decisions.

By including this data as a part of the account title, and periodically checking the rate shown against your statements, voila! You always know where you stand. Now, if you have a closing or some extra cash flow, which of those debts will you whittle down first? No muss, no fuss, no sorting through files and papers to find the answer,....Just look for the debt at the top of the list with the highest rate of interest. You are now one step closer to freedom.