
FAMILY LAW RIPPLES

"A pebble drops, transforming the lake"



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About Family Law Ripples

"Ripples" is a bi-monthly publication focused on legal matters affecting families. It promotes responding to family change with an eye to cooperation, connection and positive values.

"Doing Something" About Debt



Many divorces in this downward economy involve large amounts of debt, assets with declining values, and concerns about future job security or maintaining a level of income. No surprise that in some cases, one party is unwilling to face the extent of the family's financial issues or harbors the unrealistic hope that the other party will bear the brunt of the economic instability. Few cases have easy solutions for either side of the case.

Among the hard solutions is "doing something" about debt. No one strategy works for every family. Possible plans of action include the following:

- \$ Pay it off in full – use an asset or unexpected income such as a bonus.
- \$ Pay it off in full – replace it with a different debt with more favorable terms.
- \$ Pay it off partially – shorten the period of time that you have payments.
- \$ Pay it off partially – refinance or negotiate for more favorable terms because of same.
- \$ Make higher payments than required – pay it off quicker.
- \$ Make lower payments than required – negotiate new terms, make interest-only payments, etc.
- \$ Make no payments – the money is needed or better spent elsewhere; there is no collateral or mortgage for the debt (called unsecured debt) or if the item that is collateral or mortgaged is repossessed, make do without it.
- \$ Negotiate a deal – ask for a reduction or forgiveness of the outstanding balance.

- \$ Go through bankruptcy – seek a formal plan to pay back creditors at a reduced rate or ask for all unsecured debts to be discharged.
- \$ Do the best you can on repaying the debt – reduce your living expenses, get a second job, stop incurring new debt, start saving to avoid future credit needs.

For most families, a plan that includes more than one of the above steps is in order along with prioritizing which debts should be the focus of the plan. Seeking information on these issues before resources are exhausted and from several reputable sources – such as a financial planner, a bankruptcy or real estate or consumer debt attorney – will help families come up with a plan of action with full awareness of the pros and cons of the course they choose.

IN THE MEDIA:

Two magazines that provide helpful information on managing family finances are **Money** and **Experience**. **Money** features a monthly article about how a family changed its habits to meet its financial goals, a wide range of financial tips and some investment advice. **Experience** is published by Lifetime Fitness. It frequently includes articles on stress management and simplifying one's daily life and finances.

QUOTES OF THE MONTH

The safest way to double your money is to fold it over and put it in your pocket.

Kin Hubbard

The Chinese use two brush strokes to write the word "crisis." One brush stroke stands for danger, the other for opportunity. (See note 1 below)

John F. Kennedy

A wise man should have money in his head, but not in his heart.

Jonathan Swift

Note 1: For commentary on this information about Chinese characters see "How a misunderstanding about Chinese characters has led many astray" by Victor H. Mair at www.pinyin.infor/chinese/crisis/html.

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