



Powered by Clickability

A matter of life and debt: An overspender's story

By Debra Alban
CNN

(CNN) -- Stacy Fentress will say goodbye to her boyfriend this year. While he pursues a doctorate, she will be living with her parents in Tennessee.

Fentress, 29, has thought seriously about pursuing a doctorate, but her academic and life goals are on hold. She first has to pay off an \$85,000 debt.

Her financial troubles stem from a combination of emotional spending, a lack of financial savvy and bad luck.

Shortly after she earned her master's degree, Fentress had medical problems that required a scan of her stomach. Her insurance didn't cover the \$5,000 procedure, which she charged to her credit card.

She was working as a freelancer so taxes weren't deducted from her paychecks. When tax season arrived, she put another few thousand dollars on her card.

Her problems worsened when depression became involved.

While juggling graduate school with three jobs, sleep took a backseat to writing her thesis. Fentress also became unhappy with her job and her life's direction, so she tried to fill "the void" with possessions.

"I had worked so hard and felt like I had so little to show for it and I just went a little crazy," she said.

A four-year binge added up to about 300 pairs of shoes, two trips to Europe, several pairs of designer jeans, spending \$600 at an auction and lots of jewelry.

Fentress is one of millions of Americans with an addiction to shopping, said Olivia Mellan, a psychotherapist and author of "Overcoming Overspending: A Winning Plan for Spenders and Their Partners."

"Shopping like this is a compulsion ... It's not like people say, 'Do I have the money for this? What are my other goals?' They just want something and they go get it," Mellan said.

Fentress had been issued about 15 credit cards. Her strategy had been to open new accounts to transfer growing balances. She admits it was a case of "robbing Peter to pay Paul."

While Fentress' debt is above average, about half of America carries some credit card debt.

The average credit card balance for Americans was \$5,100 in 2004, according to a Federal Reserve Board report. Slightly more than 46 percent of families carried a balance that year.

'You don't know it, you don't owe it'

Some of Fentress' close friends and family are unaware of the extent of her debt. She, too, was unaware until July 2006.

While she would pay the minimum on her credit card bills, she would never total her balance.

Such behavior is a type of denial, according to David Bach, author of "Start Late, Finish Rich" and an expert on the "Debt Diet" series on "The Oprah Winfrey Show."

"A lot of people ... don't open their bills. Or if they do open their bills, they just simply rush to pay the minimum because they don't even want to think about it," Bach said. "[They believe] if you don't know it, you don't owe it."

The first step in getting out of debt is being truthful, Bach said.

"You stop living a lie, so you don't try to live a lifestyle you can't afford," Bach said. "By telling your friends and those who know you what your financial situation is, in more cases than not, they support you and they encourage you."

Seeking help

A benefit of Fentress' job in health care is free visits to a psychologist who is helping her resolve her spending issues.

She also decided to take control of her finances by signing up with Consumer Credit Counseling Service, which helped draw up a plan to reduce her debt.

The firm first totaled her debts then helped lower the interest rate on her cards to 10 percent. The rate on one card had been 30 percent.

Lowered interest rates make it "easier to get out of debt and the reason is the debt stops growing," Bach said.

It can take 35 to 50 years to get out of debt by paying the minimum on cards with typical 20 to 30 percent interest rates, Bach said.

The CCCS program is designed to eliminate Fentress' \$76,000 of credit card debt in five years. She will work on \$9,000 in student loans and a car loan herself.

Typically, Bach said, it takes twice as long to get out of debt as it did to get into it.

The CCCS program involves separating necessary expenses from nonessential expenses such as entertainment, said Todd Mark of the Consumer Credit Counseling Service of Greater Atlanta, then focuses on cutting down nonessential expenses.

'Small wins'

The regimen hasn't been easy for Fentress. To increase her \$30,000 income, she says she works about 80 hours a week at three jobs. But on the bright side, she said, she no longer has the means to spend frivolously.

Nearly all of her earnings go toward paying off debt but she is also contributing to her retirement plan -- a wise move, financial experts say.

Bach recommends celebrating "small wins" along the road to wiping out debt.

"So much of getting yourself on track financially is to give yourself credit and acknowledge yourself for the wins that you're making," he said.

Fentress says she is keeping a positive attitude.

"I realize this debt is almost insurmountable and one change -- if I were to leave my job or something -- I would have to file bankruptcy," she said. "I am kind of on that ledge and I perceive that as a challenge. [I think] if I can get myself out of this, I can do anything."

Find this article at:

<http://www.cnn.com/2007/US/01/15/debt.overspender/index.html>

Check the box to include the list of links referenced in the article.