

Modern Debt Management Systems Can Produce Tremendous Savings

Consumer and personal debt is, perhaps, the number one problem facing most American families today. The reasons behind the tremendous surge in debt have been related to emerging socio-economic patterns suggesting that we've become a nation obsessed with lifestyles and consumerism. America has always been a nation of consumers and the American people have always enjoyed one of the highest standards of living in the world. Something else has contributed to this national crisis. What has changed in the last several decades is that we have developed very sophisticated technology to acquire debt. Debt acquisition is as close as your cell phone or personal computer and can be accomplished in a matter of seconds. However, we have been slow in developing such sophisticated systems to manage that debt at the consumer level. We have been the victims of a technological gap between debt acquisition and debt reduction. If you do not manage your debt, it will manage you. Or more precisely, your creditors will manage your debt for you and they will, of course, manage it in a way that is most favorable to them, not necessarily you. At the consumer level, we tend to keep our debts separated, divided, and isolated in separate accounts, making it impractical, until recently, to strategically manage that debt. Automated debt management systems have been in use by banks, insurance companies, and other institutions as needed to maintain cash reserve requirements but, until recently, have not been available at the consumer level due to the cost of developing and supporting these specialized cash flow management systems. Many people in other parts of the world have had access to various debt reduction systems. In this country, however, it is a relatively new opportunity to systematically manage our personal and consumer debt. We now have access to affordable technology to manage our debt rather than allowing it to manage us. First, let me explain what a modern debt management system is not. It is not a set of instructions or a "How To..." book available from a variety of well intentioned sources which simply overstate the obvious; instructing us to "stop spending so much money", or "cut up our credit cards". It is not a "makeover" system which painfully rearranges our daily spending patterns. It is not a static spreadsheet or plan for debt reduction which does not consider our day to day personal financial circumstances. It does not involve the refinancing of existing debt or consolidating smaller short term debts into larger long term debts. It is not a self administered or pre-calculated repayment acceleration plan. It does not involve negotiating with your creditors or any means of debt reduction which avoids the repayment of legitimate debt on a dollar-for-dollar basis. Just like the bank model, modern debt management systems are integrated with your daily and monthly financial transactions. They are dynamic. Modern debt management systems have the ability to analyze and manage all of your debt, including your mortgage debt, side by side in a single environment and make strategic adjustments based on your daily or monthly cash flow. A modern debt management system is programmed for liquidity. Liquidity is to debt what water is to fire. If you have an abundance of liquidity, you could be out of debt in very short order. On the other hand, if you have a shortage of liquidity, it could take decades to get out of debt. A modern debt management system focuses on ways to harness current liquidity and seeks to fully develop your potential future liquidity. It utilizes that liquidity to systematically eliminate debt. It can develop multiple sources of liquidity and utilize that liquidity as leverage against debt. Because of the importance of liquidity, modern and effective debt management and debt reduction systems are fully integrated with your current monthly income and expense cash flows. That is not to say that increasing your income and/or reducing your expenses is a requisite. A good debt management system takes advantage of existing cash flow, not necessarily changing it. A modern debt management system is relatively painless to follow and does not require significant changes to your established spending patterns. It can be set to aggressively pay down debt, to maintain a certain level of debt but reduce the carrying cost, or fund a retirement or college savings plan. Today's sophisticated, versatile, and effective debt management systems are not inexpensive. However, in terms of future interest savings, they can make up the cost of the system in the first few months of use and, over time, produce interest savings in excess of the total amount of current and future debt. An inexpensive or do-it-yourself system is probably not a good alternative. While you might be able to redirect some liquidity and do some good, you would not be able to recreate the integrated mathematical algorithms which drive a more sophisticated system producing the best possible results. Any current financial plan worth its' weight in paper should address both sides of the balance sheet and include a modern debt management system.

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