Young people should act on debt early

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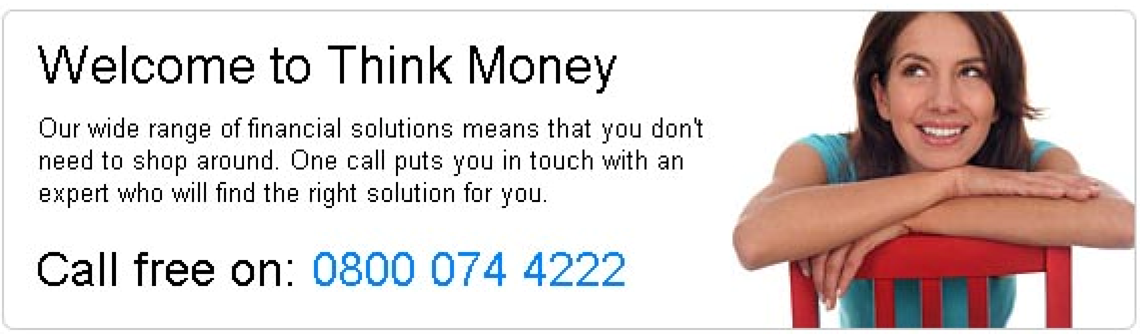
Press Release Author: **Think Money**

Industry: Financial

Press Release Summary: Financial solutions company Think Money have responded to a study suggesting that the 18-34 age group are most at risk from the credit crunch, saying that while this age group are often vulnerable to financial hardship, debt problems can affect people from all age groups and should always be taken seriously.



Press Release Body: Following a study suggesting that the 18-34 age group are most at risk from the credit crunch, with many carrying significant debts, financial solutions company **Think Money** have advised people in this age group to take extra care with their finances as the prospect of a recession looms.

Furthermore, they added that debt problems are just as serious for people of any age, and should always be addressed as soon as they start.

The study, carried out by think tank Reform and the Chartered Insurance Institute, claimed that many 18 to 34-year-olds had so far experienced a "uniquely gilded life" which had given them a "false sense of security".

As a result, they have "run up huge credit card bills, smashed their piggy banks and are now staring at a broken housing ladder", the report claims.

The report dubs the age group the "IPOD (Insecure, Pressurised, Over-taxed and Debt-Ridden) generation", and claims that one in five such people carry debts of £10,000 or more, while one in three have no savings.

The overall situation leaves the IPOD generation particularly vulnerable to the current state of the economy, with the report stating that they "have the raw skills to understand their position and the dawning sense of responsibility to do something about it (…) However they are hamstrung by a financial establishment determined to service the old and patronise the young."

A spokesperson for **Think Money** said: "It may well be the case that many of the large numbers of younger people getting into debt do so because of a diminished sense of responsibility, brought on by comfortable living conditions and, until recently, relatively easy access to credit.

"But with the credit crunch ongoing and a recession becoming a very real possibility, a lot of younger people may be about to experience the kind of struggles that instilled an "instinctive fear", as the report puts it, into people from previous generations.

"Whatever the reason, in the current economic climate, it's more important than ever for people to tackle their debts now. Especially with high-APR debts such as credit cards, it's essential that those debts aren't allowed to grow.

"There are a number of debt solutions designed to help people in different financial situations.

"For people with a number of smaller debts, a debt consolidation loan could help. A debt consolidation loan involves taking out a new loan to pay off all your existing debts, meaning you only have to repay one creditor instead of many. The interest rate is often smaller than your original debts, especially if you are paying off high-APR debts such as credit cards – although if you choose to lower your monthly payments by spreading them out over a longer period, this will incur more interest which could cancel out the benefit of a lower overall rate of interest.

"If you have a number of debts that you are struggling to repay, a debt management plan might be a better option. This involves speaking to a debt adviser, who will discuss your financial situation in confidence, and will then negotiate with your creditors to agree repayments based on how much you can afford each month. In many cases, interest and other charges can be frozen, reducing the total amount you have to pay.

"If you have more serious debts of over £15,000, an IVA (Individual Voluntary Arrangement) could get you debt-free in five years. An IVA involves making regular monthly payments to your creditors based on the amount you can afford to repay, and after the five-year period your remaining debt will be considered settled.

"However, be aware that an IVA requires approval from creditors holding a total of at least 75% of your debts before it can go ahead, and you may be required to withdraw some of the equity in your home in the fourth year of your IVA.

"Debt affects people of all ages, so we urge anybody struggling with debt to seek expert debt advice as soon as possible."

Web Site: http://www.thinkmoney.com

Contact Details: Pennington House
Carolina Way
South Langworthy Road
Salford
M50 2ZY

Melanie Taylor
melanie.taylor@thinkmoney.com
0845 056 6480