

First union

Financial Ltd

Debt Management

Need a tip to keep you debts under control? Why, spend less than you make, of course!

Debt management is one of those daily challenges that *anyone* can struggle with - whether you're in your early 20s and paying off a student loan, in your late 30s with a young family and a mortgage or in your early 60s and facing retirement.

Indeed, how well you manage your debts often has little to do with your age or how rich you are. For a lot of us, no matter how much money we make we can never seem to get a handle on our finances. Statistics show that a high percentage of middle-class Jamaicans are drowning in debt - mostly to fund a lifestyle they can barely afford.

Mind you, a little bit of debt isn't necessarily a bad thing. It can help maintain **Your credit score**, yes, **(Jamaica is getting there with its credit rating systems and yes we are finding that bad debts that are on the books for years are now showing up on Financial Institution's credit systems.)** at a respectable level and help to finance those more expensive household projects that mean a lot to you. There is also the concept of **smart debt**, whereby you're taking out loans to finance an investment property or group of investment properties that you hope will eventually provide you with an additional source of income.

Where people get tripped up is on debt that isn't so smart - i.e., borrowing money to fund an array of luxuries on top of all the other necessary debts and expenses you have.

These can include:

Your Mortgage Yes, any financial planner worth his or her salt will tell you a house is a good investment, but bigger doesn't necessarily mean wiser. Families often struggle when figuring how much house they can actually afford.

A life time of impressing others with material things can cripple your finances for years after you've retired from such behavior. Your kid/s may have to be the ones to fix that mistake, if you didn't brain wash them into doing the same.

Car payments. Same concept as your mortgage: a necessary expense, but one that can easily take you outside your financial comfort zone.

Credit card debt. Often referred to as revolving credit, many consumers have gotten into the habit of using new credit cards to pay the debts off older ones. A bad idea, since most credit card companies hike your interest payments after the initial low-interest trial period has passed.

Payday lending. Is not such a bad thing, despite of what some people may think? It has save a lot of people from financial embarrassment. This concept however must be use only for emergency purposes. [First Union is one such company that has being assisting people across the island with this method of lending. It has revolutionized the Micro Lending in Jamaica and brought the method to mainstream Jamaica. In other words, the traditional financial institutions have jumped on the First Union wagon seeking a free ride. Just remember a few years ago, a low income individual or a small business person could not get a loan from our traditional banks unless he/ she is connected in some way.](#)

The good thing about **First Union Employees' Financial Assistance Programme, it** it does not discriminate. Once the employer is established and credible, the employee has being working for at least one year, this programme will definitely works for them. (collateral Free)

The best way to figure out whether you've got a good handle on your debt management is to figure out what your debt-to-income ratio is. You determine this by adding up the monthly cost of servicing all of your debts—house payment, car payment, student loans, minimum credit card payments, etc—and measuring that as a percentage of your total monthly take-home pay. A debt-to-income ratio below 30 percent is considered excellent; 30 to 45 percent is considered average and manageable. Anything above 45 percent puts you into dangerous financial territory. If this is you, you probably need to **seek help from a professional.**

Smart Debt

Increase Your Net Worth through Investment Properties

Debt generates a great deal of discussion. Many people feel that all debt is bad, while others think a little bit of debt is perfectly normal and not worth worrying about. Many more believe that when used properly, smart debt can be a helpful tool to improving one's overall financial health. Those people would be right.

Before we can discuss what smart debt is, let's define its opposite: Stupid debt is any form of interest payment that doesn't go toward an appreciating asset. Borrowing money to put a hot tub in your backyard is one example of bad debt. It doesn't matter how nice the hot tub, it will never appreciate in value, meaning you are paying for something that in five years time will need to be replaced. That's not very smart. Another example is to borrow for that once-in-a-lifetime vacation. The minute you return home from your trip the thrill is gone but the interest payments keep heading out the door. That's a sure way to end up broke. But listen, you must survive therefore; it is not a bad thing to barrow to pay some necessary debt (Bills)

Smart debt, on the other hand, uses **(First Union money)** other people's money to grow your assets. By borrowing money from **Firs Union Financial to finance your business**, over time your equity increases through careful reinvestment and proper management. Take this principle one step further. **First Union** will be by your side until you are financially stable. Once you've spend time to carefully manage your business or salary income, you're on your way to increasing your net worth.

Over time, the revenue income from your business will help pay for many of your expenditure and that is through your remuneration etc; as the years pass, your personal wealth will also increase depending on the investment packages you utilize. Eventually you'll be in a position to refinance your business, withdrawing some of the equity built up in the business. Once done, the positive cash flow generated is free money. You've already removed your own invested funds from the business, living off other people's money.

Entrepreneurs

To help understand smart debt, it's a good idea to look at how a company's balance sheet works, since the principles are basically the same. On the left side of the page are assets and on the right side are liabilities and shareholder equity. These two sides must always balance. Shareholder equity is the money remaining after subtracting total liabilities from total assets. Within total liabilities is the heading "long-term debt." These are funds the company borrows to increase company revenues well into the future. By leveraging, they're able to increase the overall value of the company. You can do the exact same with investment properties. Leveraging the equity in one property to finance a new property, which will in turn increase your cash flow, is what smart debt is all about.

Companies buy other businesses hoping to produce better annual revenues than the previous owner was able to do. The faster they generate revenue and pay down the debt, the faster the net worth or shareholder equity increases. This is smart debt at work and it works just as well for individuals as it does for corporations.

Home-Based Business

Making money from home

Jamaicans are starting companies, especially home-based businesses, in record numbers. The idea of creating something that generates income while also providing the personal freedom of working from home is tempting. It's no wonder that so many households in the Jamaica operate some sort of home-based business. Although 90 percent don't have any employees, it's a revealing look at the entrepreneurial ambitions of many in this country.

Plenty of successful businesses got their start at home. Sure, there comes a time when you need to move into larger quarters, but until then, why not keep the overhead to a minimum by operating out of the spare bedroom? If you're unsure of [your ideas](#) and their long-term viability, a home-based business is a great place to experiment with your concept. Instead of using start-up funds for fixed costs like rent, they're more appropriately spent on marketing, sales, and product development-the vital aspects of any business.

An added bonus of starting your own business at home is that you can start small. If you have 10 products in mind, you can develop one to begin with so that you can do it part time while continuing to work at your regular job. Often, people start businesses with unrealistic expectations and poor preparation. By limiting growth early on, you can focus on doing a great job with what you've got, and in the end, you'll experience

far more success. Starting a business is difficult enough without spreading [your resources](#) too thin. The key to growth is producing positive cash flow as early as possible. Businesses can't be successful without it.

Although keeping costs low in the early days of your home-based start-up is important, it's equally critical to secure the talent you need to be successful. Don't hesitate to hire or partner with someone you feel is the key to your business. Further, while frugality is helpful in the beginning, adequate start-up capital will allow you to overcome financial setbacks that occur. Shortfalls are one of the most common reasons for small-business failures in the United States. Don't put yourself behind the eight ball before you've even begun; have enough in the bank.

The most important piece of advice when starting your own home-based business: don't do it for the money at first. If you're not 100 percent passionate about the products or services you sell, you'll have a hard time hanging in when times are tough. "Do what you love; the money will follow."

Insurance

Protecting yourself and your assets

Valuable assets require protection. What would you do if a freak storm or five-alarm fire destroyed your home? Most Americans have a majority of their wealth invested in their principal residence, and an uninsured loss would be devastating. Thus, insurance companies provide protection against this risk by charging clients an annual premium. Insurers come up with this number based on actuarial tables that determine the likelihood of an event actually occurring. They refer to this branch of math as risk management.

Home Insurance

Protect the roof over your head

You've worked hard to buy a house and the possessions inside it. Why put all that at risk? Home insurance is the most important type a homeowner can buy. In fact, without it, many lenders will not advance **mortgage** funds when buying a home. Either way, it's a matter of common sense - protecting your most valuable asset should be everyone's number-one priority.

Homeowners insurance has a myriad of coverage options. Usually a policy has four main components:

Protecting the cost of repairing or rebuilding the physical structure in the event of a fire or windstorm. When purchasing insurance, it's critical that you have enough protection to restore the property to its condition prior to the unforeseen event.

Coverage of your personal belongings in the home. Whether stolen or destroyed by fire, your insurance will cover a percentage, usually anywhere from 50 to 75 percent of the amount of insurance held on the structure itself. If you own expensive items like jewelry, high-end electronics or rare works of art, it's best to take out an additional personal property endorsement to cover the entire value.

Liability protection, which covers all accidents that happen on the property to you and your family as well as any guests. Experts suggest a minimum 50% of property should be protected. If you do a lot of entertaining it's a good idea to take out more, perhaps as much as 80%.

Moving expenses, if damage to your house makes it uninhabitable. If you are forced to move from your home because of damages, the insurance company will cover your expenses up to a certain amount. Again, the sum is a percentage of the coverage you have on the house itself.

An important point to remember when obtaining **insurance** is to get a policy that pays out claims on the replacement value of the property, rather than the actual cash value. If your 35-millimeter camera is stolen and you've owned it for several years, under an actual cash value policy you'd only be paid the equivalent of a used camera whereas the replacement cost policy will provide one that is brand new.

There are two basic types of homeowner policies. The first is **all-risk**, which generally covers the standard 16 types of damage. The second is **named-peril** insurance, which covers specifically designated damage only. Common exclusions from most homeowner's policies include floods, earthquakes, landslides, and wear and tear. In most cases, the all-risk policy is the way to go. However, even with the full coverage, sometimes Mother Nature can deal a bad hand, as was the case with Hurricane Katrina that affected certain part of the United State and other major once that affected Jamaica in the past. Many people didn't have flood insurance, which you must purchase separately, so even though their policies protected them from the wind damage of the hurricane, unless they had flood insurance, they were out of luck on the water damage.

Home insurance protects your most valuable asset. Take the time to get all the answers you need before making a decision. It makes good financial sense.

When you are securing coverage, it's important to follow some basic guidelines to ensure you obtain the product that best meets your needs. They are as follows:

Always do your research before contacting specific companies . The Internet makes the search far easier today than a decade ago. In fact, many websites allow you to compare premiums between companies, saving you time and money.

Think about why you are buying the insurance in the first place. If you are single, have no dependants and want to save your family the expense of a funeral, life insurance to cover the cost of your burial is all you really need.

On the other hand, if you are the sole breadwinner in a household with multiple young children, you'll want to buy enough coverage to provide a reasonable future for your spouse and kids.

Make sure that any insurance contract you undertake is with a financially stable company. The last thing you want upon your death is your grieving family to be fighting with a financially insolvent business.

Do not buy more than one policy for any particular type of insurance. If you require life insurance, one policy for the full amount rather than several smaller ones will suffice. In the end, multiple policies will cost you more to achieve the same outcome.

Lastly, take your time making a choice. Don't be coerced into a snap decision - you'll most likely regret it.

Insurance of any kind is a product sold, not bought. Unfortunately, it's a necessity in an expensive and sometimes dangerous world. No one wakes up and decides they want to buy insurance - most times; a friend convinces them that they need a particular type of protection and the process unwinds from there. When shopping, be sure to keep your eyes wide open.

