Canadians burdened by plastic money woes

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Ever since plastic money was created, we North Americans embraced it for its convenience.

Little did we know it would be the monkey on our backs, leading to historic levels of debt and unprecedented burdens.

Merchant and charge cards date back to the 1930s. BankAmericard became the first successful modern credit card in 1958, leading to the birth of Visa. MasterCharge arrived in 1969 and evolved into MasterCard.

We in the west embraced our plastic, short-term loans, not immediately realizing how detrimental it was. Ease of use (in store and online), plus reward incentives contribute to their popularity.

Let's face it, folks, anything created by the banking system is designed to generate profit for them. No altruism involved in this organized, systematic addiction of the public.

Credit card debt has risen substantially since the 1990s, and concern has been raised about targeting young post-secondary school students, who are already burdened by student loans.

According to the Canadian Bankers Association, at last count ? there were more than 73.9 million credit cards in circulation nationwide. Just think about that very figure. That means there are 2 credit cards for every man, woman, and child in our country of 34 million! For the roughly 22 million adults, that translates to more than 3 credit cards each!

My first card was the original green American Express card, which I?obtained at 21. In those days, the monthly balance had to be paid, so it kind of kept you honest and didn't let you go overboard.

It taught us "responsibility."?Or so we thought. It was just a warm-up for what was to come.

Recent figures also indicate that 28% of Canadians try to use a credit card for every possible expense ? despite paying an average interest rate between 12.2% and 19.7% monthly. Using the best debt consolidation companies can help those reduce the amount of interest they are paying. Sadly, most of us carry a balance. Collectively, Canadians carry over $85 billion in credit-card debt.   By my math, that means there's $1,000 or more outstanding on each credit card in the country.

Credit cards account for 39% of the debt being carried by Canadians into their post-work years.

My parents held out from getting plastic as long as they could. My dad got his first Visa when he was in his early 70s, discovering he could get cash advances for the casino! Bad move. When he passed away, he left a $3,000 bill for my mom to sort out.

"There are many reasons that can lead to credit card debt such as job loss, unexpected expenses or overspending ? and they can easily become a gateway to unmanageable household debt. Curbing the problem starts with having a clear plan about how to pay off existing debt and knowing the debt relief options available if the debt has already reached the point of causing monthly struggles to pay the bills," said Doug Jones, senior vice-president and trustee with BDO Canada Limited. "With the holiday season fast approaching, many need to have debt plans in place, as the New Year often tips many into serious debt crises."

I can relate to some of what Jones mentioned.

I remember wondering why anyone would use their credit card to buy groceries. While being out of work for 18 months, I understood only too well. Thankfully, I didn't mount up too much debt and I was able to pay it off pretty quickly. But I was in a good financial situation prior to being out of work, so I can see how easy it would be for people to slip into crippling debt. Despite my debt being small, I was still aware of companies like CreditAssociates who I could have used should my debt have got worse.

I also believe that Canadians aren't as wealthy as they appear, and more and more are living, literally, pay cheque to pay cheque.

What would happen if you missed one, two or three? It can spell disaster for many households and families. I know a few families that rely on payday loans to help them get through the month. They then use their payday earnings to pay off the loan and are stuck in a cycle. It's been suggested that those who find themselves in a similar situation could use a payday loan consolidation service and bring all of their loans together. At least this way all of the loans would be brought together and families could have one manageable payment per month, helping them take control of their finances once again.
My kids asked me the other day, as I drove them to school in my 2002 Chev Venture mini-van, why we didn't have a nice, new car, like the others that occupy the asphalt. I mentioned that having a house and raising three children can be an expensive proposition, and automobiles are a poor investment. I also said that the majority of the cars on the road are either leased or have big outstanding loans. The bottom line, the majority of vehicles on our roads are not owned by the drivers.
What a difference a generation makes.
As I mentioned, my dad and uncle were "cash guys," who often carried $100 bills in their wallets. If they didn't have it, they didn't spend it. They bought their first cars with cash ? no loans, no financing, no borrowing.
It's been said that costs are relative.
I'm going on record to say that's nonsense and it has been way off for some time now.
Sure, my parents may have only made a couple of grand a year, but a new car was roughly $2,000 and a house came in at $13,000 in the 1960s. These weren't astronomical amounts, even back then, and were do-able. Many of our forefathers were mortgage-free long before they retired.
And today?
Even if you make $100,000 a year (gross) and have a $1 million home, it would take at least 25 years to pay it off.
I?would think most of today's homeowners in their 40s or 50s don't ever see themselves being mortgage-free.
Unless I get a handsome inheritance (unlikely since all of my family is gone), my kids will inherit some of my debt. I don't think that it will be impossible though, there are plenty of things that can be used to help with people's mortgages, so maybe I shouldn't be so cynical and just see what happens, I should probably check up on your mortgage to save money at some point. Maybe this suggestion will help you though... it's probably a good idea to check it out just in case.
When my 15-year-old graduates university in six or seven years, works for another five, just what will a house sell for in 2025? Any meager downpayment would be a proverbial drop in the bucket.
Marry for money, not love, I?say!
I'd love to be debt-free one day. But sadly, I think we're all in for some long-term plastic pain.