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Is it Possible to Avoid Personal Default?

As they say, crisis is one more reason to become cleverer. Every day people think how to make their income exceed expenditures or how to insure themselves from inflation. The known saying: a clever person comes out of any situation, and a wise one will never get to it. But nowadays, unfortunately, everyone, regardless of mind or wisdom can get into a difficult financial situation, lose business and become the debtor.

In finance, default is failure to comply with the loan agreement, that is, failure to pay interest or principal timely. Default may be declared by companies, individuals and states incapable to meet the obligations. Only a hint on the possibility of default at the level of the state instantly spoils its international reputation. Their investors can remove the capitals and this can lead to big problems. It is difficult to undertake something when the threat of default weighs over the state. Everything depends on the government, its ability to manage and find a way out of similar crises. The possibility to avoid personal default depends only on the person.

For a start we will find out the main reasons of bankruptcy. First circumstance is unwillingness to keep the personal budget. The overwhelming majority of people don't plan their financial opportunities and the personal budget for the long period. Many people distribute the income only for 1-2 months, somebody - for half a year. But if you have the credit, it isn't enough. It will be onerously to pay debts if you lose the main earnings. Very few people think of it. It is possible to minimize risks of personal bankruptcy in the future. You have to calculate everything, to provide for possible complications. Personal default is an excess of expenses over the income so the payment of the credit has to be one of the main expenses.

Lack of additional material support is the second reason of personal bankruptcy. It is necessary to learn how to cut down the expenses. It is a protection in unforeseen situations to have savings today. It is difficult to forecast the future, so we have to start saving money as quickly as possible. It is never late.

Legal lack of information can become the third circumstance leading to bankruptcy. It's important while signing the credit agreement to read not only basic provisions, but also pay attention to minor points. The ignorance of them can serve against us.

It is important not give up in case of a problem in such business. Lack of initiative also leads to financial crisis. Difficulties come to an end sooner or later. The main thing is not to fall into despair.