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Can't Win With Your Eyes Shut

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By Michelle Singletary
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I'll be honest with you. After more than a decade of answering people's questions about their financial issues, there's one quandary people get themselves into that I just don't get.

Here are two recent situations that will give you an idea of what I mean.

During an online discussion, a participant admitted that when things get tough financially, this person just ignores the problem.

The participant wrote: "My solution for dealing with money troubles is to stop paying attention to them, don't check my bank account balance, stop opening my bills, etc. If a big stress or a large bill comes into my life, my brain shuts down and says 'stop paying attention to it.' "

Someone else in the same online discussion was worried about her husband's \$11,000 federal tax bill.

What I found interesting was that she didn't mention that they were trying to work it out with the Internal Revenue Service. Instead she wanted to know what she could do to protect her money and assets from the IRS.

She asked: "Can we open a joint account without the IRS taking the money? And can we use our tax refund to pay off his taxes? How do I protect my assets that I had prior to getting married?"

When it comes to an IRS debt, it's not enough to ask the questions. It's not enough to be worried. They should have long ago found the answers, found help. I would call this woman and her husband money-avoiders.

So would Brad Klontz, a licensed clinical psychologist who is president of Coastal Clinics, based in Hawaii. Klontz joined me on the chat to discuss the ways people can transform their relationship with money. He is co-author of "The Financial Wisdom of Ebenezer Scrooge."

"The problem with denial is that it works -- at least for a while," Klontz said during the online discussion. "However, as you know, the problem just keeps growing and growing. Paying attention to something that causes us emotional strain can be difficult, but it is essential."

In a nationwide survey conducted for Money magazine, 36 percent of respondents said they go to great lengths to avoid facing up to financial reality. Seventeen percent said they avoid facing the financial truth by refusing to look at their bank balances or financial statements.

I have difficulty grasping why people don't face the truth when a delay can make it so much worse. Sometimes a telephone call is all that it takes.

As the year comes to a close, perhaps it's time to change your internal dialogue that concludes, "I can't handle the truth."

The chat participant whose brain shuts down when faced with a difficult financial issue asked for suggestions on ways to become "more in tune with and therefore more responsible" with money.

Here's what I recommend:

Â¿ When you are tempted to ignore a financial issue, get a piece of paper and write down the consequences of ignoring the problem. Put it in the context of time -- one week, one month, several months and years.

For example, if you have a credit card bill you can't pay and you are too scared to pick up the phone and call the lender, write down how bad avoiding that problem can get over time. Each month you don't pay is another late fee, or your interest rate is likely to jump, increasing the interest you pay on the total debt. However, if you call the lender and explain your situation, you might be able to get on a payment plan that will stop the late payments and hold the interest rate steady until you can get back on your feet financially.

Â¿ Find a financial confidante. This is someone you trust and with whom you can share your fears. He or she should be a good money manager. Don't consult or commiserate with your trifling cousin who is a money-avoider too and always late on her bills. The goal is to find someone who can walk you through your options without being judgmental.

Â¿ Budget. Don't roll your eyes. A budget is your best defense against getting into a pickle in the first place.

As for the woman with the IRS problem, it's time to stop thinking of ways to shield her cash. Call the IRS. She will get answers to all her questions, as well as information about setting up a plan to pay off the debt. And she will find that she isn't responsible for the tax debt her husband incurred before they were married.

If you are a money-avoider, here's a mantra I want you to adopt for the New Year: "I can handle the truth."

Â¿ *On the air: Michelle Singletary discusses personal finance Tuesdays on NPR's "Day to Day" program and online at <http://www.npr.org>. She also has a new personal finance call-in show that airs Sundays on XM Satellite Radio, Channel 169 "The Power," from 8 to 10 p.m.*

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