

Lindsay Lohan, take our advice on handling your credit card debt!

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If the news reports are to be believed, actress Lindsay Lohan, who may now be more famous for her tumultuous lifestyle than her movie career, is having difficulty keeping up the payments on her credit cards, which now total around \$600,000.



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But is it really true? After all, it was an unnamed source who gave this information to Radar Online, and then predictably, the blogosphere and numerous other media outlets, like the *The New York Daily News*, jumped on it. Meanwhile, Lohan's mother, Dina, has said it's not true, and it seems charitable to give her the benefit of the doubt.

Still, this could be a teachable moment -- as the saying goes -- and so while Lohan didn't exactly ask any for advice on better managing her credit card debt, I sought out some experts to see what they think she could possibly do differently to get her debt under control.

Start organizing her finances now. "The first step is for her to take control of her financial situation and get organized," advises Gail Cunningham, vice president of public relations for the [National Foundation for Credit Counseling](#). "Lindsay needs to know how much money she has coming in each month. Maybe it's not a set amount, but again, that's not a situation unlike what many commissioned salespeople have to deal with. If they can figure out how to manage their money on an irregular income, so can she."

Stop spending so much. Obvious advice to the outsider, but not always obvious to the shopper in the midst of spending. Joel Ohman is a certified financial planner and the founder of [CreditCardChaser.com](#), a website that helps consumers find the right credit card, and he suggests that Lohan "cut back on the partying and spending." She can either do it now, on her own, or, as Ohman puts it, "She can wait until the credit card company or debt collector forces [her] to cut back."

By the way, Ohman is a certified financial planner with a sense of humor. His first bit of advice for Lohan? "Since beauty and charisma is a depreciating asset in Hollywood, and since consumers' tastes are fickle, she should go even deeper into credit card debt and leverage everything she has to enjoy as much exposure as she can get in the short term while it lasts."

Hmm -- now *that's* an option -- although not one likely to work for you or me. Just kidding anyway, says Ohman.

Get help. That might just mean hiring new money managers (Lindsay's mother says that people are handling her famous daughter's money, but she also conceded that a payment or two may have been late). Or it could mean going to a credit counseling agency, which is what Barbara Stark recommends. Granted, Stark, as director of education for [American Debt Counseling](#), a well-respected nonprofit, is a little biased toward this solution, but if Lohan is really \$600,000 in the hole to credit card debt and is having trouble paying it off, this is good advice.

"If she came to us, she would enroll in a debt management program," says Stark. "We work hand-in-hand with the creditors and would reduce the interest rates and monthly payments." Stark says that the typical program lasts four to five years, and although lengthy, it can help people avoid the dreaded B-word (bankruptcy).

In any case, Lohan probably needs help. Cunningham -- and it should be pointed out that the National Foundation for Credit Counseling is another respected nonprofit where you can get help with out-of-control finances -- says that she was curious what Lohan's minimum monthly payments would be on \$600,000 in credit card debt.

"Based on an average repayment of 2.5% of the balance, it would be \$15,000 a month," observes Cunningham. "Assuming an interest rate of 16.8%, which is the current national average, it will take her 60 months to pay off this credit card [if she makes the minimum monthly payment], and she will pay \$286,384.12 in interest over this period. Of course, this is if she stops charging and adds on no more debt."

Both Cunningham and Stark sounded sympathetic toward Lohan's apparent plight.

"Her lines of credit must be tremendous, so whose fault is it that she was allowed to overspend?" wonders Cunningham. "Did the credit card companies allow it due to the tremendous amount of money they were making off of her purchases? The interchange fees alone would be huge, not counting the interest and fees added on. Or was she totally irresponsible, buying when she knew she couldn't repay?"

Stark says that they've had millionaires come into American Debt Counseling -- although not celebrities like Lohan, but she says that they've had judges, attorneys and even "well-known Washington D.C., high-profile people." Some of those people, Stark says, have had close to a million dollars in debt. So \$600,000? That's not so bad, reasons Stark. Or, rather, it shouldn't be considered shocking.

"It's human nature," says Stark. "We never earn enough money to support our lifestyle. It's inbred in our land of opportunity mentality. When times are good, people spend, and when times are bad -- well, people spend."

Geoff Williams is a regular *WalletPop* contributor and is the co-author of the new book [Living Well with Bad Credit](#).