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How to Start Over, Financially

Perhaps you've made some financial errors, but it's not too late to rebuild.



When you hit rock bottom, the only way to go is up.

By [Kimberly Palmer](#) | May 6, 2015, at 10:18 a.m.



Since her 20s, Laure Justice, a copywriter in Mansfield, Ohio, has struggled to [get on top of her debt](#). Some payments, including old medical bills, went into collections and hurt her credit score. A few years ago, she started tackling them one at a time. "I picked the smallest one first and focused on it," she says.

Over the past two years, she has successfully paid off the debts in collections, and in the process, she raised her credit score by 130 points. "It was just about sitting down and making out a budget and figuring out where and how to save," she says.

Justice encourages others struggling with past financial mistakes to get a new start, too. In March, she self-published a book, "Personal Finance for Women: How to Stop Struggling While Making the Best of Starting Over," and she maintains a blog, [IntrinsicVicissitude.com](#), on the same subject. Justice is one of

hundreds of thousands of men and women working to recover from past money missteps – and financial experts say there's a lot they can do to [increase their chances of success](#).

"If you're going through bankruptcy, the stress of that and embarrassment can create high hurdles, but all hurdles are surmountable," says Rebecca Dallek, a career and leadership coach for women. Part of the process involves becoming aware of behavior patterns so you can shift them, she adds. "There's always a way forward."

Here are eight more tips from financial and life experts on [how to start over](#) after hitting rock bottom:

Take a snapshot. From income and assets to debt, Bruce McClary, spokesman for the National Foundation for Credit Counseling, says it's important to examine your current financial state carefully. "Look at your budget, and see where things are. You'll see a lot of wreckage, and it might be a long journey in front of you, but you need to know the first steps," he says. That includes monthly bills, expenses and spending. If you need help, he adds, a credit counselor from a NFCC-member agency can help for no or low cost.

Prioritize savings and re-establishing credit. "The two can be done simultaneously, but they are different goals," McClary says. Savings is critical, especially if it's been depleted because of an event such as divorce, job loss or bankruptcy, and he says it's important to get back on track as quickly as possible. He recommends working toward a goal of having six months' worth of net income in the bank.

At the same time, rebuilding credit, especially after it's been hurt by unpaid bills or bankruptcy, is essential so you can once again borrow money without paying exorbitant interest and fees. "The most important thing is making timely payments on accounts that are up to date. It takes consistency," he says.

Go slow. It takes time to build new [budgeting habits](#), yet McClary says people are often in such a rush to rebuild credit that they borrow too much. "It's better to start small. It makes sense to wait for your credit score to heal before you go out and buy big-ticket items," he says.

Ease your fears. Dallek says when people are facing a major life change or financial stress, the brain's fear response often kicks into high gear, which can make it even harder to navigate the next steps. "The area of your brain that deals in possibility, options and ideas starts to shut down, and you become very protective of your status quo," she says.

To help counter that, she gives clients small baby steps to take so the process doesn't feel too overwhelming. Baby steps can include actions like speaking to one person in a new field you are considering, or talking to a person who has gone through the challenge you are currently facing, like finding a job after being out of work for a long time. "It's really important to get support so it feels a little less scary," Dallek says.

Play pretend. This exercise involves acting "as if" you have made a difficult decision, like pursuing a new field of work, for a temporary period like a week. "It gives people comfort without any real risk," Dallek says, and makes it easier to engage in a volunteer project or network. For example, say you work as an accountant but are thinking of switching into a career in sales. You can spend your week of pretending looking for sales jobs and networking with sales groups as if you really are making the switch. Then, when the week is over, you can consider how that felt, and if you actually want to pursue that new path.

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