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Cause and Effect Essay: Debt

Have you ever wondered what wealth looks like? There are many ways people see and define wealth; some view wealth as having a lot of money, and others see wealth as owning businesses, a well-paying job, a lot of cars, and big mansions. However, many people lack the knowledge to become wealthy, which leads to credit card debts, student loans, and bankruptcy, which can burden one's life. People get into debt due to various reasons, such as poor management of finances and expenses on children. Debts such as student loans can help fund education and skill development. However, over-borrowing increases the debt load, which can lead to undesirable effects. There are several effects of debts, including bankruptcy, homelessness, and poverty, that people experience. Whereas most people choose to minimize or stop borrowing as the first step to getting out of debt, it is important to consider the causes and decide the suitable option to help get out of debt. This paper discusses the causes and effects of debts.

To start with, the main cause of debts is poor management of finances, which often leads to more debts than one has money. Some people lack financial knowledge about budgets, savings, spending, and investments, which is helpful in money management. Lack of financial knowledge causes one to make bad financial decisions related to poor money management. For instance, some

people spend more when shopping than they have, leading to credit card debt. Besides, most people are never content with what they have, and they are always 'keeping up with the Joneses.' Most people end up in debt when striving for more material goods, living extravagant lifestyles, spending big, and going on shopping sprees.

Another cause of debt is childcare expenses. Most parents and families get into debt to pay for child care. Childcare costs have increased over time, whereas the average wage remains constant. Most parents get into debt to cater for the child care costs. Besides, the cost of education, particularly college education, remains high in America, and most parents support their children's education. Parents push their children to apply to colleges they cannot afford. In this regard, most parents take a student loan to fund their children's education.

Lastly, medical bills may result in debts. With the increasing medical costs and few Americans having access to medical insurance, they end up in medical debt. Besides, increasing lifestyle diseases and chronic illnesses such as cancer have increased medical costs. Moreover, medical care and treatment costs, including pharmaceuticals, have increased recently. The increasing medical costs burden low-income earners who get into debt to pay medical bills. Other causes of debts include uninsured losses, budget deficits, and overspending.

There are several effects of debts, including bankruptcy, homelessness, and poverty, that people experience. First, debt often leads to bankruptcy. Most Americans rack up debt, resulting in personal bankruptcy. Besides, when overspending and debts get out of control due to poor money management, most people fall into bankruptcy. Second, debt may result in homelessness. Although it is rare for most people in debt, particularly student loans, to end up homeless, personal debts are related to being among the causes of homelessness. People in debt have limited options for housing and other necessities, such as vehicle ownership.

Additionally, one may be required to sell off their house and move to a cheaper house to help pay off debts. Lastly, debt is often a problem and can lead to poverty. Debt is both a cause and consequence of poverty. Low-income people get into debt with the hope of improving their financial situation. However, in the long term, the accumulation of debt and indebtedness causes poverty.

To sum it up, everyone dreams of becoming wealthy and attaining financial independence. However, issues such as debts challenge the journey towards becoming wealthy. There are several causes and consequences of debts that affect an individual and society at large. Whereas debts may be essential to fund economic growth and skill development through education, accumulating debts may create undesirable effects such as homelessness, poverty, and bankruptcy. Financial knowledge on becoming wealthy and good money management skills are important in helping pay debts and prevent indebtedness. It is important to save and have a budget to help track spending habits and identify ways to reduce spending on unnecessary living expenses such as leisure. To become wealthy, one must have proper money management skills and increase their savings through strategies such as investments or having a side job.

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