



# **WHERE DOES ALL MY MONEY GO?**

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## EMOTIONAL USES OF MONEY

Money is powerful. It can bring out the best and worst in people. So, understanding money's influence can help a family gain control over their finances. Insight into emotional uses of money can help a family handle sensitive issues when they arise. Some emotional uses are positive – security, comfort, freedom, sharing, etc. Some can also work against a family – fear, greed, overspending, control, etc.

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Answer the following true-false questions about your use of money. Be honest!

1.    T    F    I buy things I don't want or need because they are on sale.
2.    T    F    I feel anxious and defensive when asked about my finances.
3.    T    F    I can never have enough money saved to feel secure.
4.    T    F    I buy things I don't need or want because they are "in."
5.    T    F    I overspend regularly on "extras."
6.    T    F    I often insist on paying more than my share at a restaurant or on a group gift.
7.    T    F    I spend money freely, even foolishly, on others, but seldom on myself.
8.    T    F    I feel "dumb" if I pay more for something than a neighbor did.
9.    T    F    I don't trust others in my family to spend money wisely.
10.   T    F    If I earn the money, I think I should have the right to decide how it is spent.
11.   T    F    If someone in my family acts selfish in spending our money on him/herself, I feel I have the right to do the same.

## EMOTIONAL USES OF MONEY ANALYSIS

If you answered *true* to any of questions 1-3, you may feel insecure concerning money. Money provides a form of *security*, but not the only one. What reasons other than money or material possessions might be causing insecurity? Think about it.

Did you answer *true* to either 4 or 5? Then you may use money for *status*. Money sometimes reflects the values of our friends rather than our own. What are your values?

*True* answers to questions 6, 7, or 8 might mean that you use money in ways that reflect your low *self-esteem*. Spending on others does not win the affections of family members, friends, or coworkers. Your spending is your business. It has nothing to do with the spending of your neighbors. You cannot buy *self-esteem*. If yours is low, seek help through reading, therapy, or changes in habits or actions, but not through money.

If you answered *true* to questions 9 and/or 10, you may use money to *control* others in the family. In two-earner families, his/her money divisions can cause resentment. Not involving family members often results in lack of cooperation. A dictator may secure obedience, but not love. Which do you want from your family?

A *true* answer to question 11 may indicate that money is used for *retaliation*, to get back at someone. This often causes fairness to become such an issue that it blocks love and affection. If you need to disagree, do so without using money as your weapon.

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## SEVEN PRINCIPLES TO MOVE YOU TOWARD WEALTH

*Stop complaining, blaming, and worrying about money.* Complaining and blaming involves ruminating on the past and being a victim to past circumstances about which you can do nothing. Closely related to complaining and blaming, worry is a fear of what is to come and implies the need to control your future. Money is not generated in the past or in the future; it is generated in the present. Expending your emotional time and creativity on complaining, blaming, and worrying actually drains energy that you could use productively to earn more money.

*Be open and flexible to generating and receiving money.* Most people have blinders on when considering their options for generating and receiving money. Refusing to change the way you think about money and how it is generated or received can limit you in some very significant ways; negative beliefs, judgments, and assumptions can put a mental box around wealth & wisdom potential.

*Be current and complete on all financial transactions.* Stay up-to-date and pay attention to money details, such as opening and paying bills in a timely manner. Balance your checkbooks and keep your financial house in order. Unresolved financial matters are like carrying around a ball and chain from the past, and avoidance and denial only make matters worse. Confronting unresolved money issues clears the way for you to increase your income. As you begin to take care of money details and steward the money you currently possess, you might be surprised at how easy it is to consider yourself capable of handling larger amounts of money.

*Think before I buy or do not spend at all.* Comfort shopping will only give you a temporary "high." Compulsive, impulsive spending usually leads to regret, giving the subconscious mind a powerful negative money message that you are not capable of having more than enough money – because you will somehow blow it. On a typical day, you will be bombarded with approximately 10,000 commercial messages that encourage you to buy, buy, buy. Be a conscious consumer by doing whatever you need to do to give yourself a moment to think. Some people find it beneficial to leave the checkbook and ATM card at home, using only greenback dollars. It doesn't matter what techniques you use as long as the result is that you become a more conscious consumer.

*Communicate openly and honestly with myself and others.* Money is one of our last taboos, which makes honest communication about it extremely difficult. It is a highly charged, emotional subject that is especially explosive among families. Many people would rather get themselves into money stress than to tell the financial truth to themselves or to others. Willingness to speak the truth with kindness, dignity, and respect for yourself and others makes money discussions safe and productive.

*Trust myself to make reasonable and rational financial decisions.* Since you cannot foretell the future, you sometimes must make financial decisions with inadequate information. Most people make the best decisions they can with the information they have available. Second-guessing and ruminating over past mistakes is a waste of valuable time and energy. Take time to evaluate, consider, and trust yourself and then take the next step. Trust your own processes, and be gentle

with yourself. As you gain confidence and trust yourself, it becomes safe to acquire the money you desire.

*Take appropriate action.* There may be times when you forget about or when you have not paid attention to one or several of these Agreements. Take the necessary action to get back into alignment with them. When you use these Agreements as valuable learning tools, they have the ability to guide and direct you to wealth & wisdom.

*Journey to Wealth & Wisdom* by Marilyn August.

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# THE CASE OF THE MISSING MONEY

## *The \$1200 Snack*



George is concerned about where his money keeps disappearing to, so he has decided to keep track of his expenses. Every day George buys three snacks from the snack shop across the street:

Cupcakes	\$1.39
Small bag of chips	\$2.15
Bottle of pop	\$1.59

It doesn't seem like much to George – it's only \$5.13 a day and he feels he deserves it. However, let's see how this expense grows:

Every day	\$5.13
Every five days	\$25.65
Every four weeks	\$102.60
Every year	\$1231.20

Lisa doesn't have a sweet tooth, but does smoke a pack of cigarettes a day. Her brand costs \$5.50 a pack. Annual cost? -- \$2007.50.

This is money that could be going towards George's heating bill and to buy milk for Lisa children.

Where are your spending leaks? Think about your daily routine. Do you buy snacks or drinks, buy tobacco or alcohol, play bingo or the lottery regularly? When you are short of money these types of leaks can ruin your budget. To see where your leaks are, use the table below and record daily or regular items you spend on, but could live without. Otherwise your money will continue to disappear "without a trace."

Item	Cost per day	Per week (day x 5)	Per month (week x 4)	Per year (month x 12)
<b>TOTAL</b>				





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I'VE ALWAYS BEEN A  
"LIVE NOW, BUY WHAT  
I WANT NO MATTER  
THE COST" KIND  
OF GUY...



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WHO KNOWS? I  
COULD GET HIT  
BY A BUS  
TOMORROW,  
RIGHT?



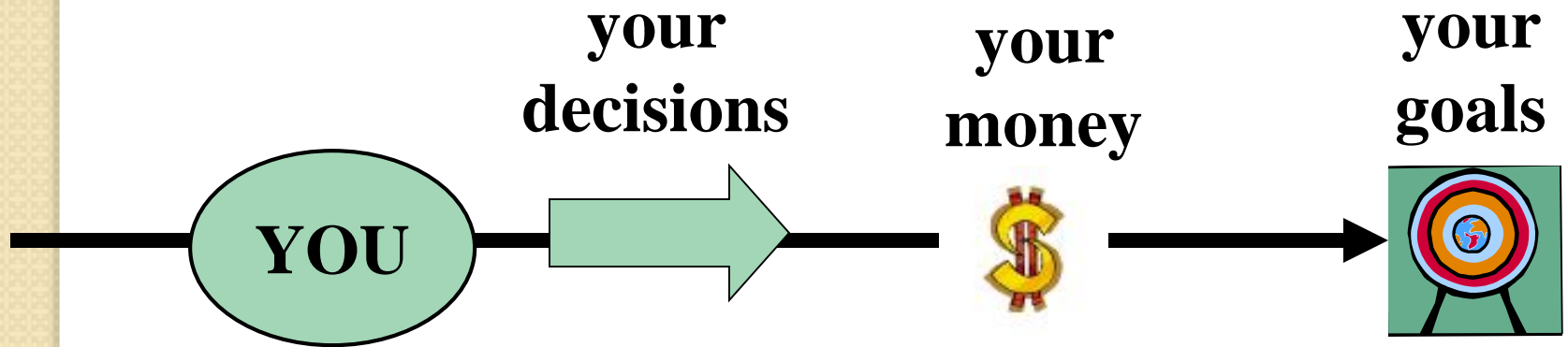
WELL, LET'S  
CERTAINLY  
HOPE NOT.



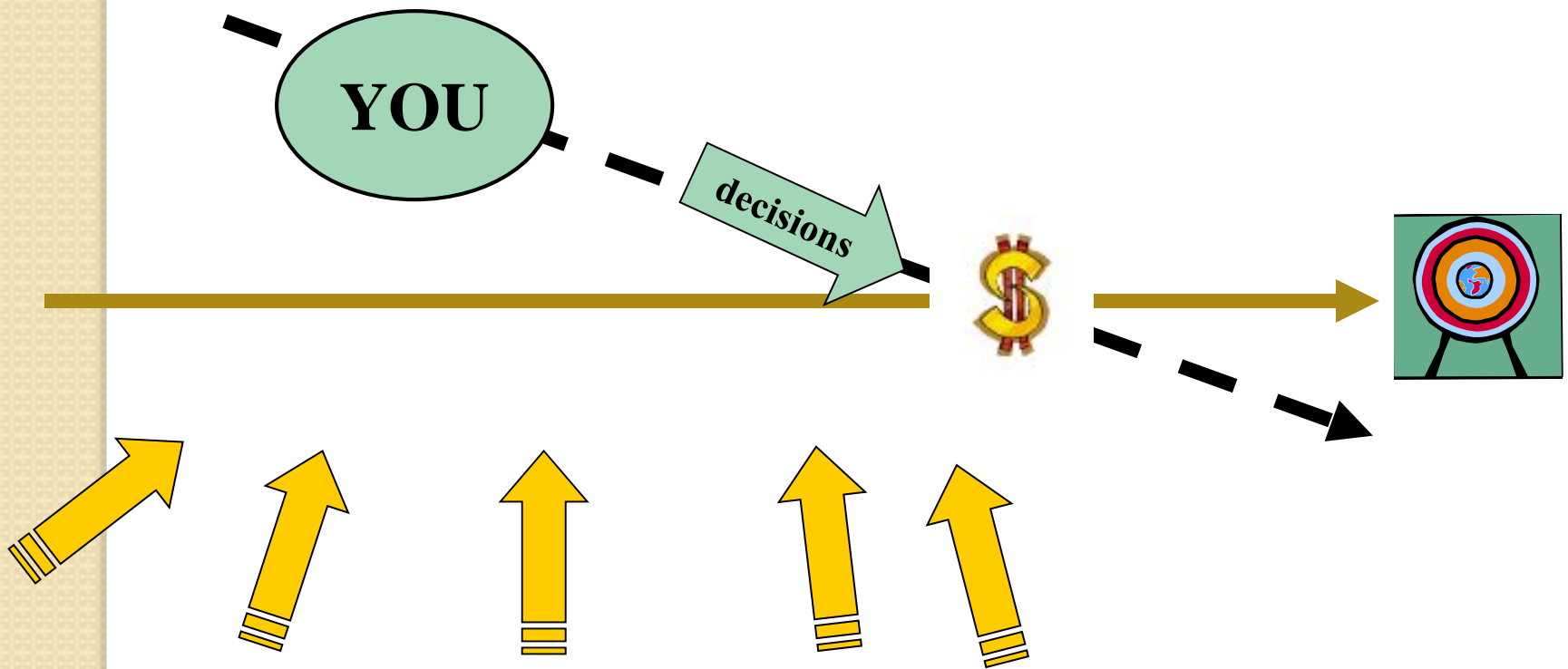
NO, I REALLY HAVE  
TO GET HIT BY A BUS  
TOMORROW! I NEED  
THE CASH!



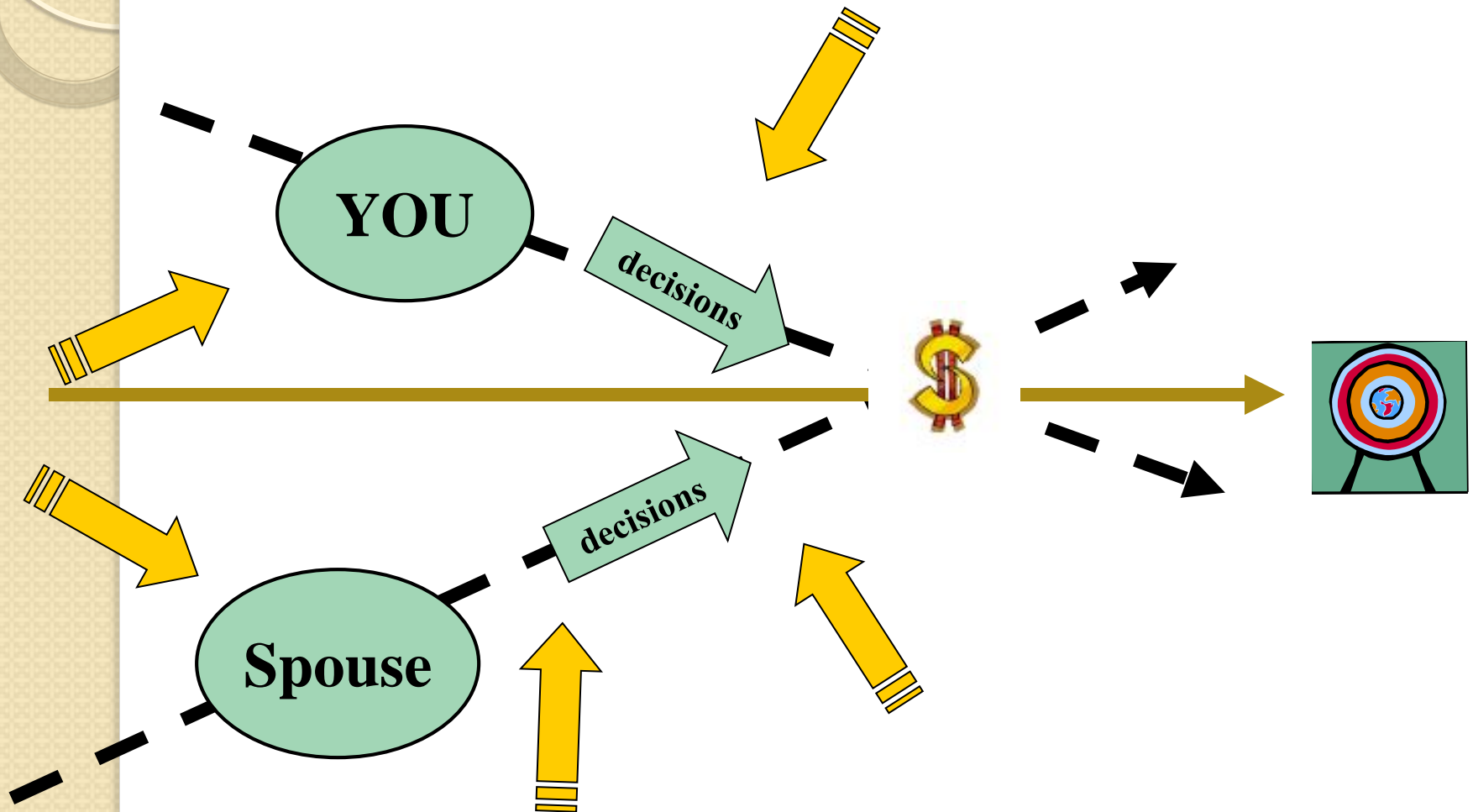
# Money Decision Model *in the perfect world*



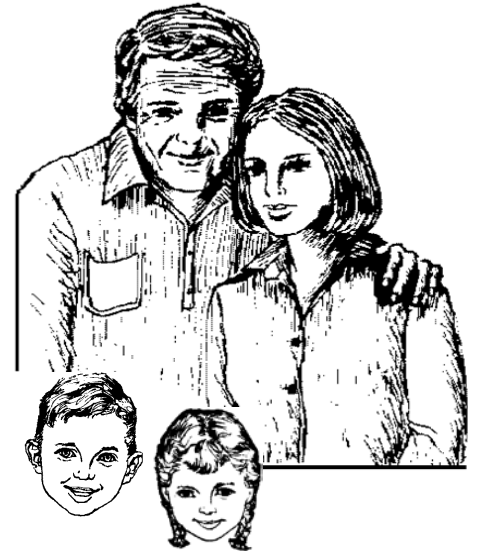
# External pressures pushing at us



# Adding another person to the model



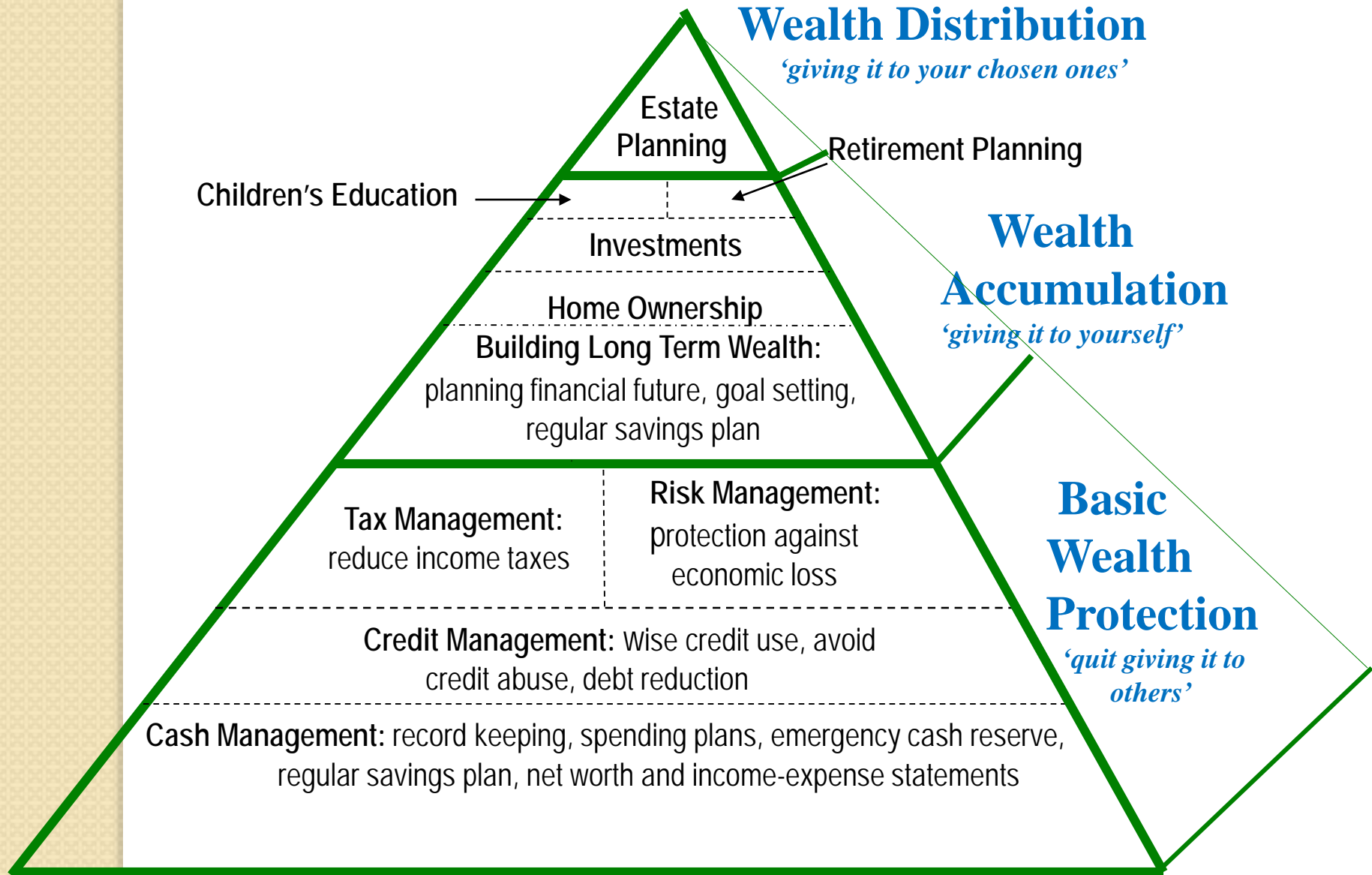
# Impacts



When our financial world is out of alignment,  
so are our decisions

- Impact on lifestyle, relationships, and ability to reach important goals

# Financial Management Pyramid





## *Practice good management skills*

Successful financial managers –

- set goals and priorities
- involve everyone who will be directly affected
- know their strengths, work on their weaknesses
- plan carefully
- work at carrying out their plans

\***VIDEO:** *Dollar*

*Decision\$ - segments 1*

*& 2*

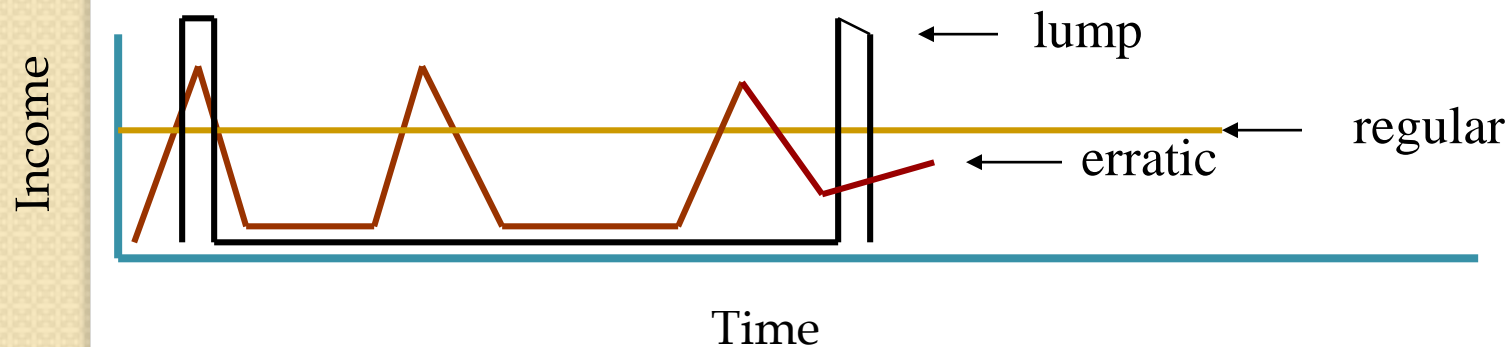
## Know income patterns

Regular - on a weekly/monthly basis

Erratic – various amounts at various times

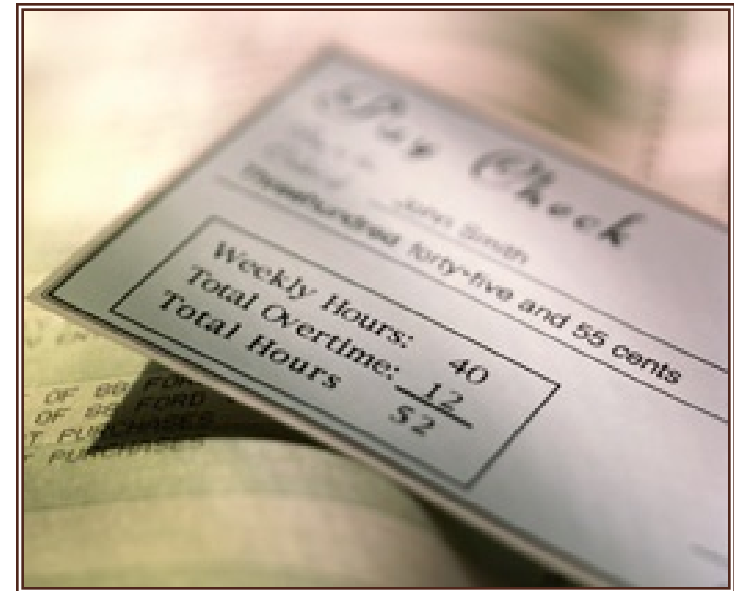
Lump – large amounts widely spaced

Expenses should be coordinated to income as much as possible



# Sources of Income

- Paycheck
- Tips
- Child Support
- TANF
- Other



# Other Assistance and Resources

- Community Garden
- WIC
- Energy or Heating Assistance
- Children's Health Insurance Program (CHIP)
- Faith-based organizations



# Identify expense categories

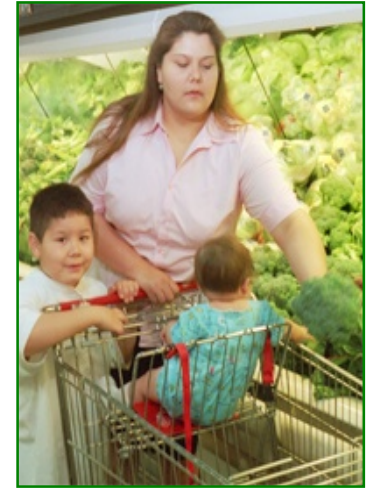
## Fixed

- insurance
- mortgage/rent
- credit payments
- car payment
- savings



## Variable

- clothing
- food
- utilities
- transportation
- recreation
- medical
- education
- childcare



**Which of these do you have the most flexibility to change in order to balance your budget?**

# *Which expenses are necessary?*

## **Essential**

### Necessities

- food
- clothing
- utilities
- insurance payments
- Mortgage/rent payments
- medical payments

## **Discretionary**

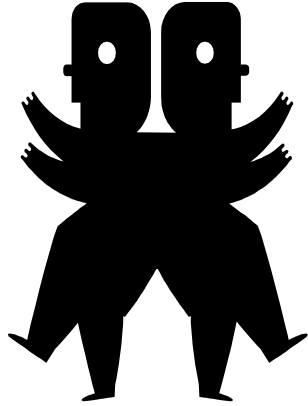
Can be delayed or reduced in amount

- food
- clothing
- recreation
- transportation
- gifts

# Needs Versus Wants

- Needs are necessary to live
- Wants are the extras that are nice to have
- Before making a purchase ask yourself:
  - Why do I want it?
  - Do I really need it?





## NEEDS VERSUS WANTS

List the last five things you can remember purchasing and check whether they were a need or a want.

Purchase	Need	Want



# *STEP 1: Find out where you are spending your money*

Know where your money goes

Keep a record of expenses

Set up listing for each expense category

Date	Food & grocery	Auto & mainten.	Clothing	Medical & health	Home mort. & mainten.	Utilities	Recreation & entertain.
May 2	150.25		24.56	25.00		37.50	
May 5	80.36	22.50		100.45			43.00
May 6			36.00				

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HOUSEHOLD SPENDING RECORD															
MONTH: _____															
Utilities: Heat, electricity, garbage, water, sewer, phone, TV, Internet, etc. Personal: toiletries, hair, exercise, etc.															
DATE	Item	Savings	Food	Hshld.	Clothing	Medical/Health Ins.	Auto			Charity/Gifts/Contributions	Rec./Entertain.	Housing			
							Purchase/Lease/License	Fuel	Repair			Purchase/Lease	Taxes/Insur.	Utilities	Repairs
1															
2															
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6	1														
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## HOUSEHOLD SPENDING RECORD

MONTH: \_\_\_\_\_

**Payroll Deductions**

DATE	Item	Educ.	Personal	Subscrip-tions	Dues	Credit Card Pymts.	Child/ Elder Care	Federal & State Tax	Savings Deduct.	Social Security	Insurance				Miscellan-eous
1															
2															
3															
4															
5															
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<b>TOTAL</b>															

# Methods to Track Expenses

- Receipt
- Envelope
- Calendar or Notebook
- Checkbook
- Computer



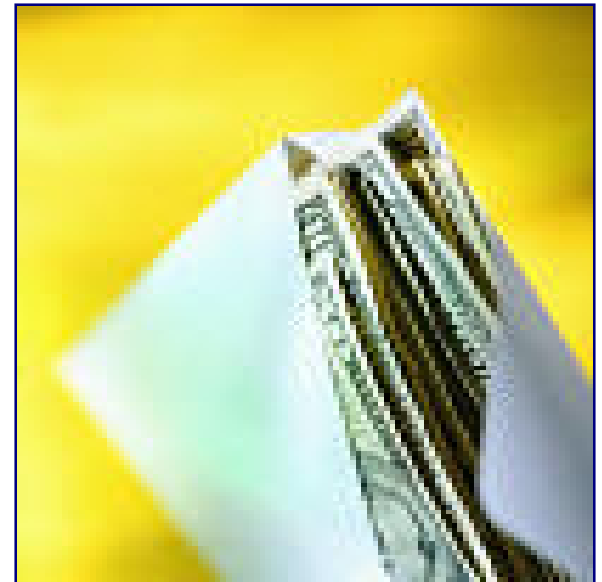
# Receipt Method

- Keep all receipts; if you do not get one, make a receipt
- Put receipts in a box, envelope, or other container



# Envelope Budgeting

- Label envelopes with category, amount and date due
- Divide cash into envelopes
- Save unused money



# Calendar or Notebook Method

- List income on the date received
- Write in bills and expenses on date due
- Mark off bills as they are paid

## Monthly Payment Calendar

Month May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4 Paycheck \$800.00 Savings \$25.00	5
6	<del>Rent \$400.00</del>	7	8	<del>Electricity \$60.00</del>	9	10
11	12	13	14	15	16	17
18 Paycheck \$800.00 Savings \$25.00	19	20	21	22	23	24
25	26	27	28	29	30	31

\$\$\$

# Checkbook Method

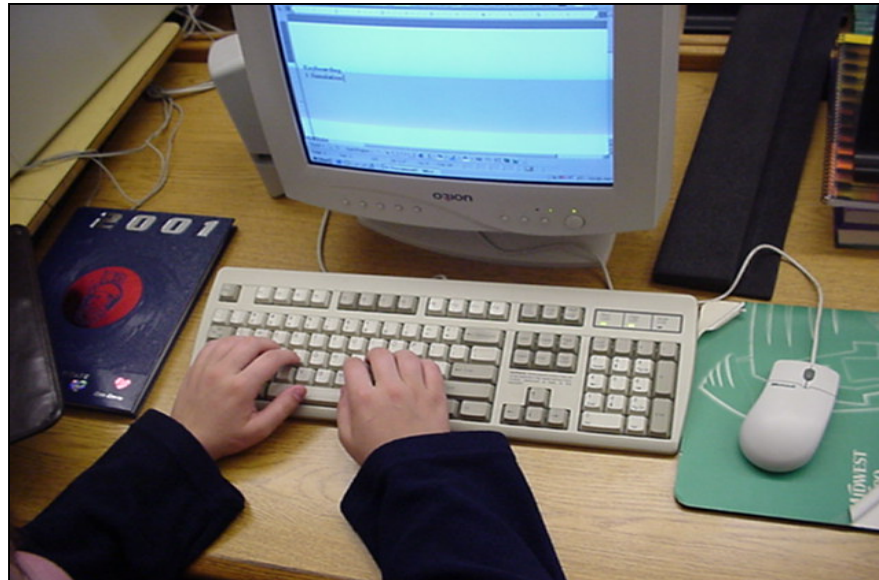
- Use checks or debit card for all bills
- Record check or debit card transaction in check register
- Total all spending categories at the end of each month





# Computer Method

- Use personal finance software or a spreadsheet
- Regularly enter transactions in categories



**\*VIDEO:** *Dollar Decision\$ - segment 3*





WHO NEEDS MONEY?  
I'LL JUST GET WHAT  
I WANT NOW AND  
FIGURE OUT HOW TO  
PAY IT OFF LATER.

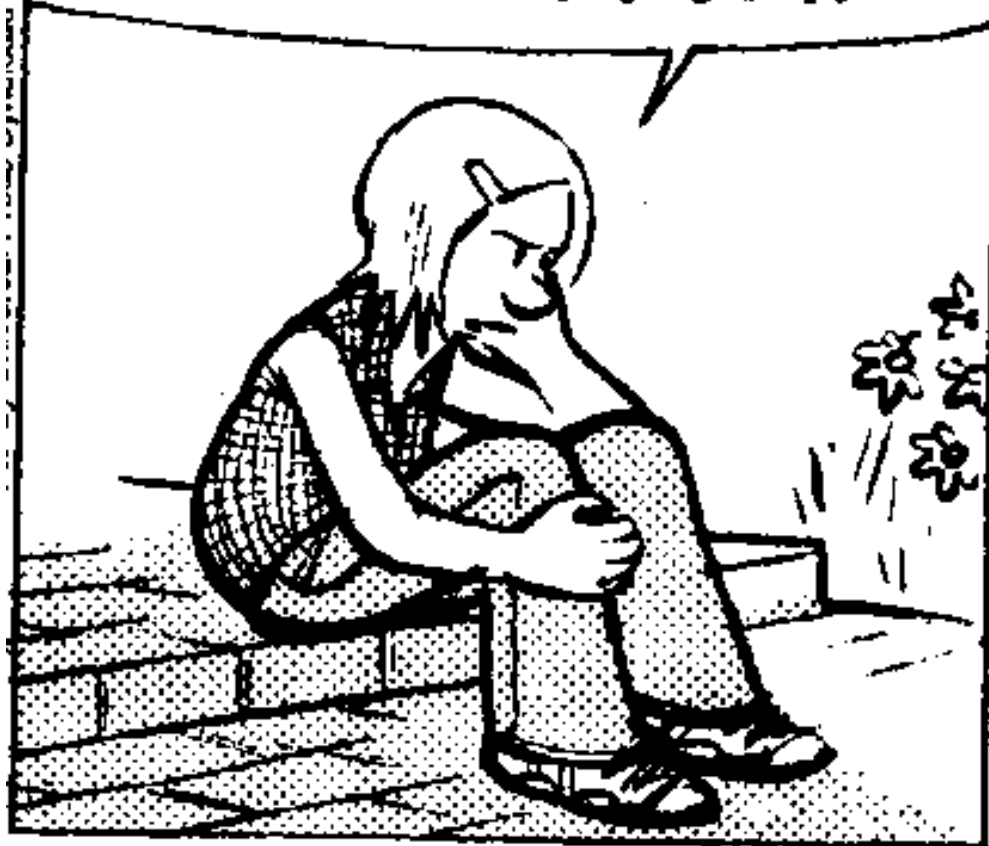


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NO, CLARE... IF YOU  
WANT SOMETHING, YOU  
CAN SAVE YOUR MONEY  
UNTIL YOU HAVE ENOUGH  
TO BUY IT.



SHEESH... I THOUGHT  
HE WANTED ME TO  
LEARN TO BEHAVE  
LIKE AN **ADULT**.



## **STEP 2: *Set family goals***

- **Difficult but essential task**
  - Plan how you and your family can get to where you want to go
- **Prioritize and write down goals with deadlines and amounts**

***Road map to your  
financial success***

# Set SMART Goals



## SMART Goals are:

**Specific:** What is going to be done?  
How will it be done?  
Who will do it?  
Why is this important?

**Measurable:** How will we know when the goal is accomplished?

What quantifiable outcome should result?  
What data must be captured?

**S**pecific

**Attainable:** Make you stretch, but don't exceed your reach.

Are within your power to control?  
Are within your budget?

**M**easurable

**A**ttainable

Have at least 50% chance of being achieved.

**R**elated

**Related:** Fit within your vision and mission statements.

Are connected to or associated with one another?

**T**ime-based

Move you forward in the same direction.

Optimize available resources, rather than competing for them.

**Time-based:** Determine when you plan to work at the goal.

Define a clear deadline or end-point.

Have measurable, attainable and realistic deadlines .

**Final tips:** Goals should include your way of life, hopes for your family and a life mission. Strategic goals represent landmarks along the way to indicate you are making the progress. Prioritize goals by: identifying strategic issues; selecting six to eight that are most important; identifying a desired result for each issue; and then writing six to eight strategic goals that address the identified issues and define where you want to be positioned in the future.

# GOALS: *Set time lines*

## Short-term

- Obtainable within a 1-3 years
  - \*purchase of a new refrigerator
  - \*insulating home to cut utility bills
  - \*paying bills on time

## Long-term

- Several years to achieve
- Appreciable financial resources
  - \*saving for the child's college education
  - \*saving for retirement
  - \*paying off the business
  - \*special family vacation



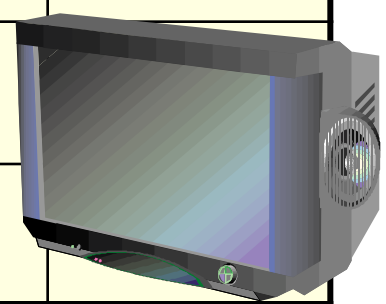
# Goal Setting

- What are your dreams?
  - Home?
  - Vehicle?
- Set priorities for your spending



# GOALS: Determine cost and when to start

Goals	Rank	Amount Needed	Buy Date	Months to Save	Starting Date	Monthly Savings
New TV	2	\$600	Nov.	6	May	\$100



## EVALUATE YOUR FINANCIAL GOALS

Use the worksheet below to list your financial goals and calculate the time and dollar amount required to achieve them. Be sure to categorize your goals according to the time frames suggested below. Review and update the worksheet periodically.

1 Goals	2 Approximate \$ amount needed	3 Month and year needed	4 Number of months to save	5 Date to start saving	6 Monthly \$ amount to save (col. 2 ÷ col. 4)
<b>Short-term (less than 3 years)</b>					
<b>Intermediate – term (3-10 years)</b>					
<b>Long-term (more than 10 years)</b>					

Date prepared \_\_\_\_/\_\_\_\_/\_\_\_\_

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## *STEP 3: Make a spending plan*

- A cash flow plan of incoming and outgoing money
  - Requires that you know the pattern of current expenditures
- Timing is a crucial element in budgeting
  - Adjust expense timing to closely match expected income
- A spending plan is a tool – it is flexible and adjustable
- Allow something for fun – even if a small amount
  - A movie, coffee with friends, etc.
  - Without a little fun money you'll decide the plan is too unpleasant to follow

# Income & Expenses Worksheet

## My Income

Month of May

Wages	\$ 1,600.00
Tips/Commissions	\$
Child Support/Alimony	\$
Public Assistance (TANF)	\$
Social Security/Pensions	\$
Unemployment/Disability	\$
Veteran's Benefits	\$
Interest/Dividends	\$
Other Income	\$ 100.00
<b>Total Income</b>	<b>\$ 1,700.00</b>

Total Income	\$ 1,700.00
Minus Fixed Expenses	\$ 945.00
Total	\$ 755.00
Minus Flexible Expenses	\$ 685.00
Total	\$ 70.00

## My Expenses

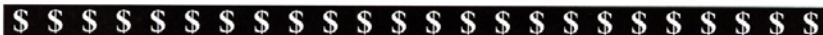
### Fixed Expenses

Rent/Mortgage	\$ 400.00
Vehicle Payment	\$ 250.00
Utilities - Electricity, Water, Gas, Oil, Garbage	\$ 120.00
Savings - Emergency, Goals	\$ 50.00
Insurance - Health, Vehicle, Property, Life	\$ 75.00
Other Loan Payments	\$ 50.00
Other	\$
<b>Total Fixed Expenses</b>	<b>\$ 945.00</b>

### Flexible Expenses

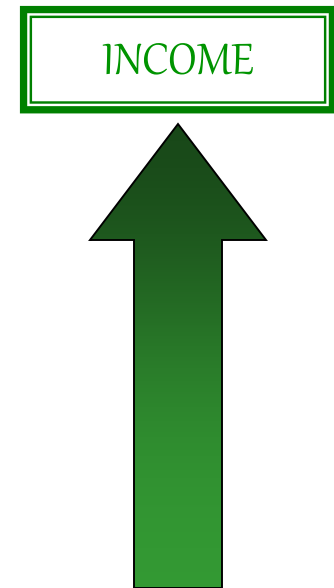
Food	\$ 160.00
Clothing	\$ 35.00
Health/Medical	\$ 20.00
Vehicle - Gas/Oil/Maintenance	\$ 60.00
Phone/Cell	\$ 50.00
Household	\$ 30.00
Child Care/Elder Care	\$ 200.00
Personal Expenses	\$ 20.00
Education	\$ 25.00
Entertainment/Recreation	\$ 30.00
Cable/Internet	\$ 30.00
Other	\$ 25.00
<b>Total Flexible Expenses</b>	<b>\$ 685.00</b>

# Developing a Spending & Saving Plan



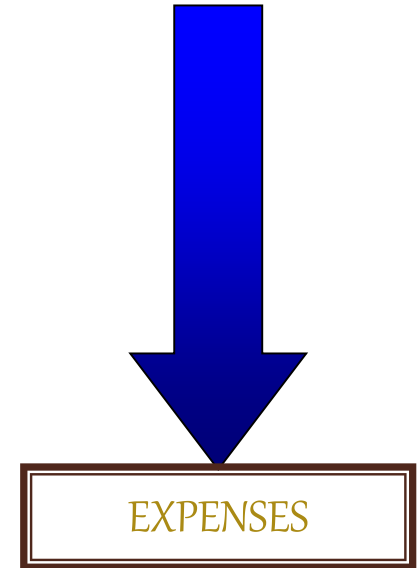
# Increase Income

- Get a second job
- Volunteer to work overtime
- Rent an unused bedroom or garage
- Have a yard sale



# Decrease Expenses

- Pay bills on time
- Barter services
- Buy generic or store brands
- Combine shopping trips to save time and money



## Make DOLLAR DECISION\$ to Increase Income and Decrease Expenses

Not having enough money for regular monthly expenses creates stress and uncertainties for you and your family. You can increase your income, decrease your expenses, or try a combination of both. This DOLLAR DECISION\$ list suggests possible choices.

### **You can choose one or more ways to increase your income.**

- Get a second job.
- Volunteer to work overtime.
- Encourage other family members to work for pay.
- Get a better paying job.
- Rent an unused bedroom or garage space.
- Find and move to less expensive housing.
- Apply for the Earned Income Tax Credit.
- Collect aluminum, newspapers, and others items that can be redeemed for cash at a Recycling Center.
- Have a yard sale. You will be surprised what someone else might be willing to pay for.
- Alter clothes or sew for others.
- Sell sewing and hobby crafts.

### **You can "simplify" your life and decrease your expenses.**

- Cut out all unnecessary spending. Eliminate professional nail care, cancel cable TV, extra telephones, and telephone services.
- Pay bills on time to avoid late fees and extra finance charges.
- Whenever possible, do your own household repairs. If you don't know how to make the repair, check out a "do-it-yourself" book from the library.
- Purchase clothing that does not need to be dry-cleaned or ironed.
- Set a limit on the number and cost of gifts for holidays and birthdays.

### **You can reduce your expenses if you "share."**

- Barter services. Example: I'll fix your car; if you'll baby-sit while I look for a job. I'll cut your hair if you will do my nails.
- Trade magazines, books, videos, and games with friends and relatives.
- Share seldom used equipment (gardening items, ladders, wheel barrow, carpet steamer, camping, or sports gear, etc.) with friends.
- Start a garden plot and grow a family vegetable garden.



**You can also reduce your living costs if you make "substitutions."**

- Buy generic or store brands instead of name brands.
- Choose generic over-the-counter medications instead of national brands.
- Shop at "off-brand stores," garage sales, and thrift stores operated by the Salvation Army and Goodwill Industries instead of higher priced stores.
- Use calling cards instead of paying for long distance service.
- When possible, use cold water instead of hot or warm water when doing laundry; air-dry clothes rather than use the dryer.
- Make "special" gift-wraps made from colored pictures, maps, the color comics, fresh flowers, sprigs of leaves, pine branches, pine cones, colored twine, and yarn scraps rather than purchased wraps, ribbons, and bows.
- Purchase second-hand or re-built appliances.
- Take showers instead of baths; baths use more water.
- Take your lunch to work instead of eating out.
- Eat at home; not only will you save money, you will eat healthier.
- Cancel magazine and newspaper subscriptions; use the library.
- Borrow movies from the library at no cost.
- Make gifts—use sewing, cooking, hobby, gardening, and craft skills.
- Attend public celebrations and local festivities instead of paying for entertainment.
- Watch for "free" days at the zoo, museums, art galleries, and science museums in the local newspaper. Dress rehearsals of plays and concerts are often free.
- Use coupons to lower the price of items you regularly purchase.

**Conserving resources also saves money.**

- Turn down the heat or air conditioning at night and when not at home.
- Combine shopping trips to save time and gas.
- Conserve energy by using less hot water; rinse dishes in cold water.
- Put plastic on the windows to prevent heat loss.
- Place "draft dodgers" against doors to stop heat loss from heated to unheated spaces.
- In cold weather wear layers of clothing to keep warm; wear thick socks.
- Take shorter showers; use a kitchen timer to limit showering times.
- Buy only what you need—don't buy things just because they are on sale.

No one will be able to implement all of these DOLLAR DECISION\$ ideas, but it is a start. Everyone needs to make DOLLAR DECISION\$ to stretch income to match monthly expenses, and to include savings for those unexpected necessities.

Acknowledgements:  
Cornell Cooperative Extension (1995) *BUC\$* curriculum.  
FDIC (2001) *Money Smart* —Financial Education Curriculum, *Money Matters*.



## DOLLAR DECISION\$ WHAT WOULD WORK FOR YOU?



Using items from the "*Make DOLLAR DECISION\$ to Increase Income and Decrease Expenses*" or your own ideas, list ways that you and/or your family could increase income and decrease expenses.

**Ways to *increase income*:**


**Ways to *simplify your life and decrease expenses*:**


**Ways to reduce expenses by *sharing*:**


**Ways to reduce living costs by making *substitutions*:**


**Ways to *conserve resources*:**


# Expenses Versus Debts

- Expenses
  - Monthly or regular costs that must be paid
- Debts
  - Expenses that cannot be paid in one payment
  - Amount you owe someone others past due or requiring more payments

# Payment of Debt: Order of Importance

- Pay off creditors who can take the quickest action to hurt you, not those who are calling the most often
- Loudest, most persistent creditors may have no other way to get you to pay



# Secured Versus Unsecured Debt

- Secured
  - Creditor has filed a mortgage or lien which gives them the right to repossess the property that money was loaned on or that you put up as collateral to get a loan
- Unsecured
  - Creditor has given you a loan without requiring you to pledge collateral – there is nothing for them to take back if you default (don't make your payment)



# Prioritize Debts: Essential to Non-Essential

Consider your family situation:

- current income
- future income potential
- family size
- past financial history
- risk tolerance
- stage in life
- other unique factors



# Pay Essential Debts First

- In times of financial crisis
  - essential debt payment is highest priority
  - non-essential debt payment a worthy goal
- Don't pay non-essential debts at the risk of defaulting on essential debts
- Don't let creditors harass you into paying non-essential debt if essential debts go unpaid

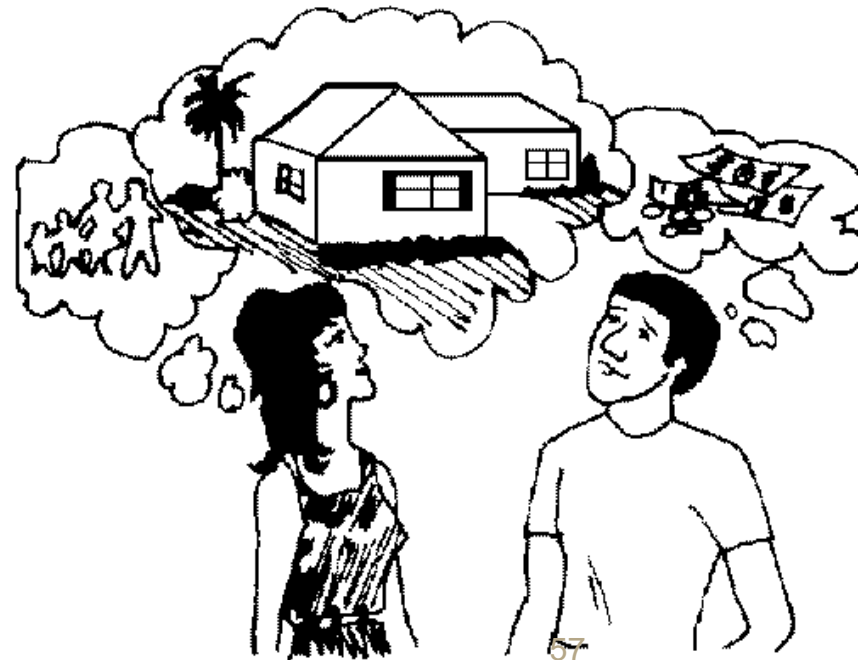
# Essential Debts

- Consequences if unpaid
  - → serious
  - → possibly devastating
  - → life-threatening
- Basic and essential family needs
  - family necessities: food, medical emergencies
  - home-related bills: mortgage/rent, real estate taxes, income taxes, car loans



# Non-Essential Debts

- Many unsecured loans
- Lowest priority until able to regain financial health
- What is essential and non-essential depends on family's situation



# DEBT DECISION MATRIX

Managing Your Family Finances

<b>Debts</b>	<b>Essential</b>	<b>Nonessential</b>
<b>Secured</b>		
<b>Unsecured</b>		

# PLAN FOR HANDLING DEBT OBLIGATIONS

**Total monthly household net income \$**\_\_\_\_\_

**Total money available to be applied to debt payment each month \$**\_\_\_\_\_

Debt Obligation  Prioritize – beginning with the most essential debts	Outstanding Balance	Monthly Debt Amount		Secured		Determine Payment: • Minimum monthly payment • Portion of minimum amount • Unpaid
		Essential	Non- essential	Yes/No	If secured, list collateral and value	
1.	\$	\$	\$		\$	\$
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
<b>Total</b>	\$	\$	\$		\$	\$

# Seek Proper Council and Assistance

- Consequences can range from severe to devastating
- Seek debt-management assistance from a reputable consumer credit counseling service
  - Check out service carefully
  - Accredited by the National Foundation for Consumer Credit (NFCC) [www.nfcc.org](http://www.nfcc.org)
  - Find services near you by going to [www.debtadvice.org](http://www.debtadvice.org)
  - Closest to us: Consumer Credit Counseling Service of the Black Hills, Rapid City – 800-568-6615; GreenPath Debt Solutions, Cheyenne – 800-648-8114; CCCS of Montana, Billings – 877-275-2227
- Seek information from bankruptcy attorney before filing for bankruptcy



# Defaulting on Non-Essential Secured Debt

- Consequences range from inconvenient to very costly - but not devastating
- Market value of property may determine action of creditor



# Defaulting on Unsecured Debt

- Creditor cannot take away defaulted property
- Creditor can:
  - stop doing business with you
  - cancel credit/charge privileges
  - report default to credit reporting agencies
  - turn debt over to collection company
  - sue to obtain court judgment for collection



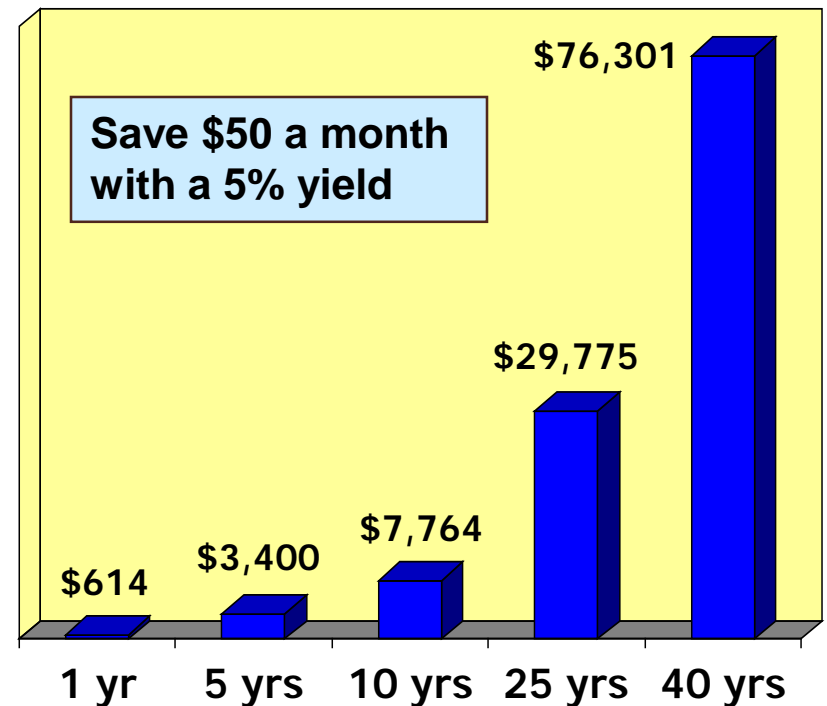
# Handling Debt Obligations

- Don't ignore the debt!
- Develop a plan of action to put you in control
- Communicate with creditor
- Negotiate a work-out agreement with creditor

# Savings

## Pay Yourself First – PYF

- Save for emergencies
- Save for your goals
  - Down payments
  - College education
  - Retirement
  - Vacation



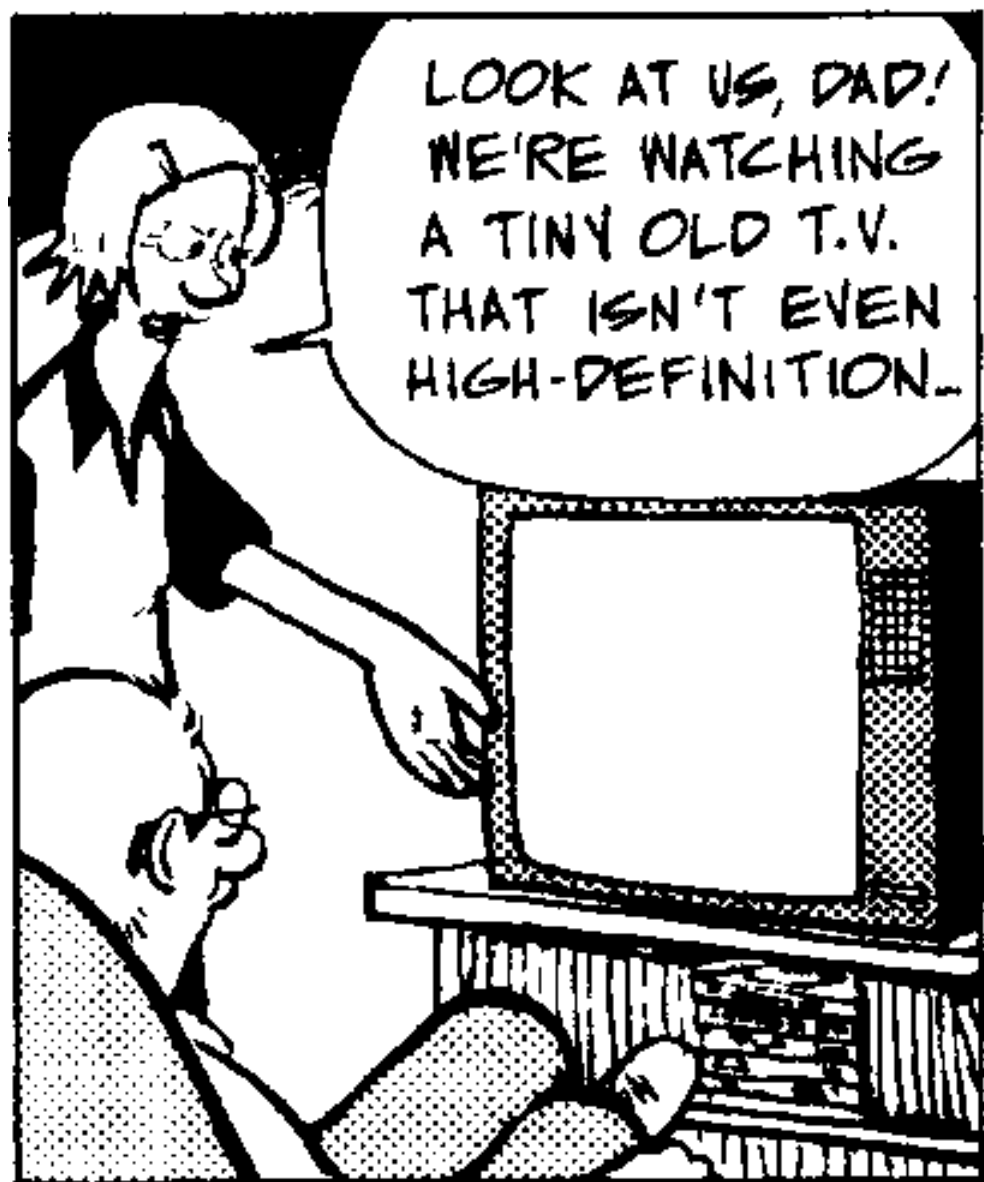




# Charitable Donations

## Learn to give to others

- There are always others worse off than you
- Giving to the needs of others will give you a sense of worth and accomplishment that few other actions can give
- Even a small amount (\$1 or \$5 a month) can add up to be just what someone else needs
- With the segmentation of the extended family and commercialization of our society many of us have not learned the rewards of helping others





**MOST AMERICANS ARE  
USING CREDIT TO BUY  
ALL KINDS OF COOL  
NEW STUFF!**



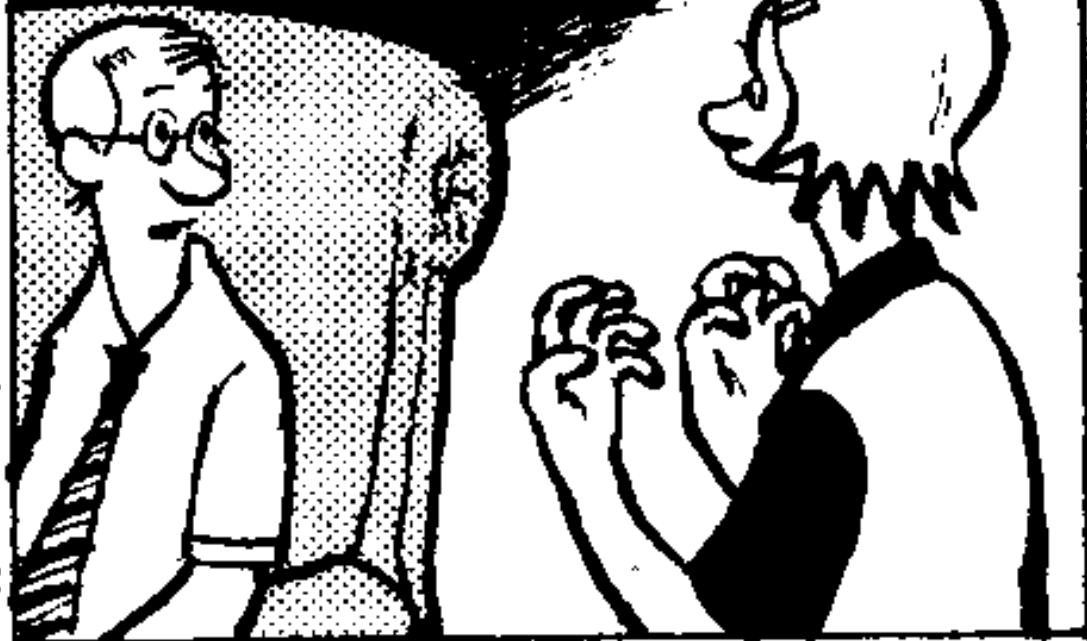
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MOST  
AMERICANS  
ARE BROKE  
SNEETHEART.

BROKE WITH  
JETSKIS,  
DAD! WHERE  
AM I LOSING  
YOU?





## *STEP 4: Follow the plan – and give it time*

- Implement a system of disciplined spending
- Limit expenditures to budgeted amounts
- Avoid end-of-the month juggling
- Give the plan enough time to see if it works
- Review the plan – and make adjustments
- Hold family meetings to discuss adjustments



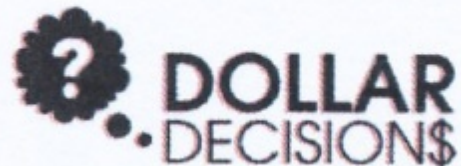
# Plan of Action

- **STEP 1: Monitor and total your expenses by category for 2-3 months.**
- **STEP 2: Establish financial goals with the family.**
- **STEP 3: Develop a spending plan.**
- **STEP 4: Follow your plan and adjust it as needed.**

# Spending Decision Card

When your will power lets you down take out this card. Review each question; answer honestly.

- Will this purchase meet one of my goals?
- Do I really want and need it?
- Can I afford it?
- What must I give up to have it?
- Am I buying this only because it's on sale?
- Would I buy this if I had to pay cash?
- Am I buying because I'm depressed?
- Would I come back tomorrow to buy this?
- How much do I owe on my credit card this month?
- If I charge this, can I pay off this month's bill?
- Could I feel better now without spending money?





# PowerPay<sup>©</sup>

- PowerPay<sup>©</sup> is a computer program developed by Utah State University to help you figure out how to put the most bang in your buck when paying bills.
- Principles:
  - Pay as much as possible (including a little extra if you can) on the bill with the highest interest rate and reduced or minimum amounts on those with lower interest rates.

# PowerPay<sup>©</sup> (cont.)

- Principles (cont.)
  - Once the highest interest rate debt is paid off add all you were paying on it to the payment on the next debt with the highest interest rate.
  - Continue rolling your payments over without reducing them (or as little as possible) until all your payment is paying off the last debt.
  - Your payments will stay constant each month until you are out of debt.
  - You will cut the time and interest paid to a fraction.

# PowerPay<sup>©</sup> (cont.)

<b>Creditor</b>	<b>Balance</b>	<b>Monthly Payment</b>	<b>Annual %</b>	<b>Time w/o PowrPay</b>
VISA	8000.00	150.00	18	9 yr 1 mo
MC	5000.00	100.00	14	6 yr 4 mo
Sears	1500.00	50.00	12	3 yr 0 mo
Credit Un	7500.00	150.00	8	5 yr 2 mo
Auto	23,000.00	350.00	7	7 yr 0 mo
Mortgage	53,000.00	375.00	7.5	28 yr 9 mo
<b>TOTAL</b>	<b>98,000.00</b>	<b>1175.00</b>		

# PowerPay<sup>©</sup> (cont.)

## Without power payments:

- Monthly payment varies
- Time to repay: 28 yr 9 mo
- Loans paid: \$98,000.00
- Interest paid: \$95,107.07
- Total paid: \$193,107.07

## Power payment – high interest first

- Monthly payment: \$1175
- Time to repay: 10 yr 6 mo
- Loans paid: \$98,000.00
- Interest paid: \$49,236.06
- Total paid: \$147,236.06
- Savings: \$45,871.01, 18 yr 3 mo

# Adding to minimum payment

- Adding even a small amount to the minimum payment will pay **big** dividends.
  - \$100,000 home mortgage
  - 7% interest for 30 years.
  - Payment = \$665.30/mo
  - Interest paid = \$139,508

# Adding to minimum payment (cont.)

- Same mortgage
- Add \$50/mo
  - Time = 25 yr 2 mo (reduced 4 yr 10 mo)
  - Interest = \$113,001 (reduced \$25,507)
- Add \$100/mo
  - Time = 20 yr 7 mo (reduced 9 yr 5 mo)
  - Interest = \$89,029 (reduced \$50,479)

# Adding to minimum payment (cont.)

- Credit card debt:
  - Owe \$1000
  - Interest rate – 10%
  - Minimum payment – \$15
  - Without adding any charges – 8 yr 2 mo to payoff
  
  - Add \$15/mo
  - Without adding any charges – 3 yr 3 mo to payoff
  - Savings: \$300, 4 yr, 11 mo

DON'T YOU UNDERSTAND?  
I NEED A CREDIT  
CARD!



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HOW AM I SUPPOSED  
TO BUY THINGS I DON'T  
HAVE ENOUGH CASH FOR?



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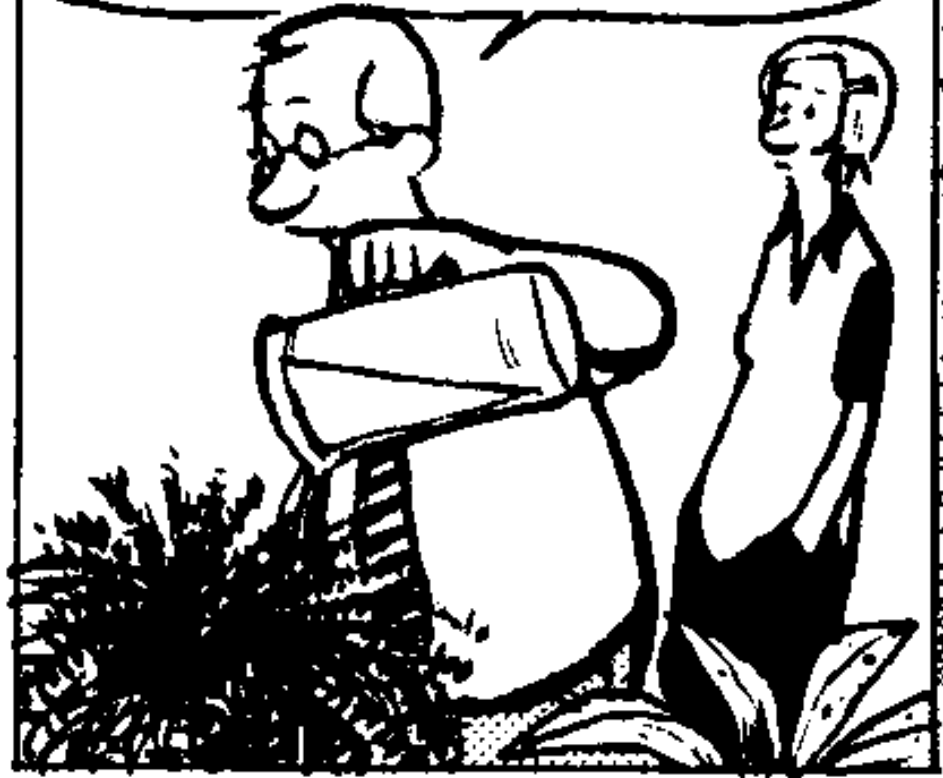
I SUPPOSE  
SAVING IS OUT  
OF THE QUESTION.

DAD, DAD..  
SAVING IS  
SO RETRO.



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CLARE, IF YOU NEED A  
CREDIT CARD BECAUSE YOU  
DON'T HAVE ENOUGH MONEY  
TO BUY THINGS...



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AND WHEN YOU CAN'T MAKE  
THOSE ANYMORE, YOU JUST  
BORROW MORE. IT'S TOTALLY  
EASY, DAD!



4/25  
MARK  
PITT



AN EASY  
WAY TO GO  
BANKRUPT.

COME ON, DAD!  
**CONGRESS**  
UNDERSTANDS  
THIS! WHY CAN'T  
YOU?!



# **IT IS TIME TO TAKE CHARGE OF YOUR FINANCES NOW!**

**ONLY YOU CAN DO IT – NO ONE  
CAN DO IT FOR YOU!**

**TAKING CHARGE WILL GIVE YOU A  
SENSE OF CONTROL YOU HAVE  
NOT HAD BEFORE.**



## TIPS FOR SMARTER BORROWING

Credit is the use of someone else's money for a price, which is called interest. Other fees may also be charged. The use of credit creates debt, which is the outstanding balance owed to lenders. Debt repayment is a major expense for many families. Some people spend a day's pay (or more) per week repaying car loans, credit cards, and other debts. Not only is this expensive, but money that goes toward payments is unavailable for investing. Below are 24 tips for smarter borrowing.

**1. Borrow as little as possible by making the largest down payment you can afford (e.g., on a car).** When car payments end, continue making the previous monthly payment to yourself as a way to build savings for items such as your next car.

**2. Shop for the best credit deal, just as you would for other purchases.** Compare at least three credit issuers (e.g., banks) for the lowest APR and fees. Use the Credit Card Comparison Worksheet (Exercise I-12) on page 28 to compare three credit card offers.

**3. Separate borrowing decisions from purchasing decisions.** In other words, don't just accept the financing arrangement offered by a merchant (e.g., car dealer or furniture store). Shop around for better terms (e.g., through an employer credit union).

**4. Always pay more than the minimum monthly payment.** Otherwise, it could take years, even decades, to repay a loan. Even small amounts added to minimum payments produce awesome savings. For example, according to the book *Slash Your Debt*, send \$25 a month more than the minimum on a 17% credit card with a \$5,000 outstanding balance and you'll save \$7,192 in interest and 352 payments (almost 30 years).

**5. Say no to credit life or disability insurance if you already have adequate individual or group policies.** If you don't currently have life or disability insurance and need it, shop around for the best buy in coverage.

**6. Avoid being "upside down" on a car loan.** This means that you owe more than a car is worth. Shorten the length of your car loan or make a larger down payment.

**7. Pay credit card bills promptly to reduce the average daily balance on which interest is charged.** Avoid cards using the two-cycle average daily balance calculation method. This method generally increases finance charges because it includes two billing cycle balances.

**8. Limit credit card cash advances.** The interest rate is high because most creditors charge interest from the date money is borrowed (i.e., there is usually no grace period), along with transaction fees (e.g., \$2.50).

**9. Transfer balances on high-rate credit cards to those with low 6-month "teaser rates."** Try to payoff the balance before the low rate expires or seek another low-rate card. (Note: Doing this too frequently could lower your credit score.)

***MONEY TALK***

***A FINANCIAL GUIDE FOR WOMEN***

**SESSION I**

**LESSON 4**

**MANAGING HOUSEHOLD CASH FLOW**

## UNDERSTANDING YOUR CREDIT REPORT (Part 1)

By Bill Taylor

Most studies about consumer debt have only focused on credit cards and mortgages. However, personal debt also may include medical expenses, school loans, insurance, alimony and back child support, car loans, personal loans, legal bills, old utility bills, unpaid property or income taxes and other bank lines of credit. Other causes of debt, which may not as obvious, are things like gambling debt, daycare costs, drug addictions or recurring payments such as gym memberships or subscriptions.

The average debt load per household was estimated in 2003 at \$18,700, and this figure only represents credit card debt and car loan debt.

A person's credit history may be recorded with any or all of the three different consumer reporting agencies: Experian, TransUnion and Equifax.

It is important for an individual to look over their credit reports at least once a year, because any flaw can seriously damage a person's credit rating. Information may have been mistakenly reported or someone may have stolen a person's identity and opened accounts under their name.

By law everyone is entitled to an annual free credit report. Consumers may obtain their free annual credit report via the website at [www.annualcreditreport.com](http://www.annualcreditreport.com), or by calling the toll-free telephone number 877-322-8228, or by completing the Annual Credit Report Request Form found at [www.ftc.gov/credit](http://www.ftc.gov/credit) and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

There are two things to look for in a credit report, 1) the overall validity of it and 2) the FICO score. Even though the credit report is free, a person is still charged a fee to obtain their FICO score which is what all lenders consider before deciding to extend credit. The FICO score is calculated using a mathematical calculation from five types of data obtained in a credit report:

- Payment history
- Amounts owed
- Types of credit used
- New credit
- Length of credit history

FICO scores can go as low as 150 and as high as 950, but usually range from approximately 500 to 850. The higher the score the lower the interest rate and payments. A score of 620 or less is categorized as the riskiest category, known as subprime, in which a person will incur the highest borrowing rates.

Overall, FICO scores determine how risky an individual will be in repaying a credit obligation. FICO scores are not just limited to the mortgage industry; they apply to all aspects of the credit industry: credit card companies look at FICO scores to determine how high to set interest rates; they are used when applying for a car loan or personal loan; employers are now pulling credit reports to help determine a person's character; insurance companies are obtaining FICO scores to

## A downward spiral of payday lending

### Some borrowers plunge into debt at 380 percent interest rate

By STEPHANIE STOUGHTON AP Business writer



Steve Helber, AP

A pedestrian walks to a Cash Advance store in Richmond, Va., Friday. To take out a payday loan, a borrower typically gives the store a postdated personal check that includes the fee and the principal.

RICHMOND, Va. - Elizabeth Lawson's troubles began with an \$800 electric bill, the result of a malfunctioning water heater. But it was her next move that sent her finances spinning out of control.

Lawson, who lives in the small town of Shawsville in southwest Virginia, went to a payday lending store in nearby Christiansburg. She borrowed \$200, agreeing to pay a \$36 charge once she received her next Social Security check.

Then Lawson, 49, began juggling, borrowing from one payday lender to help pay off the other. In 2004 and 2005, Lawson says, she and her husband had more than five loans at different payday shops, racking up fees along the way. She expects her financial problems to result in bankruptcy.

