

Defeat Debt

Credit Advisors Foundation

Volume 52, Issue 4

Saving for a Rainy Day

Saving can be accomplished in a variety of ways:

1. Only purchase those goods and services that you really need as opposed to those you only want.
 2. Pay less for the goods and services that you do purchase by careful comparison shopping, use of discounts and coupons, employing secondary markets such as thrift stores and second hand shops, and clever re-purposing of the items you already have.
- Effectively manage the money that remains in your pocket due to step 1 and 2.

Creating and following a spending plan that addresses all your fixed and variable expenses is always your first step. Check out the "Resource" section on our web site at www.creditadvisors.org. There you will find articles such as "Personal Budgets", "Budgeting 101", and "Guidelines for Budgets/Credit". This will give you some guidelines on how much

you should spend on housing and other expenses. It will also provide you with suggestions on determining what you are really spending now.

Spending less for the things you need sounds like a good idea but is challenging to execute. It does require an investment of your time and planning but the rewards can be amazing. For example, depending on your family size up to 20 percent of your budget may be going to groceries. Planning your meals carefully, shopping and using of coupons and sales will reduce grocery expenses by a third, freeing up six percent of your income. Once you know what is on sale at your local market, use the internet to find coupons and recipes for budget menus using the items you intend to

purchase. Make your list and stick to it. Call your service providers such as cable, telephone, or insurance and ask how you can save money on your bill. Ask your landlord if you can obtain the same free month of rent when you renew your lease as they are offering with their move-in special.

Once you know where your money needs to go and you have researched all the ways that you can keep more of it, you need to determine the best way to manage your savings. There are three types of saving accounts everyone needs:



(Continued on page 2)

Inside this issue:

<i>Saving for a Rainy Day</i>	1
<i>Be Successful, Be Bankable</i>	3
<i>With All His Experience, Todd Knows The Answer</i>	4
<i>Francisca Takes The Time To Make It Work</i>	4
<i>April 2009 PIFs</i>	4

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Saving

(Continued from page 1)

retirement, cushion, and planning. It is best to keep them in separate accounts, possibly separate banks, so that you are clear on the purpose of each type.

Retirement savings should ideally begin with your very first job. However, it is never too late to start. Check with your employer to determine if they offer any retirements plans, if you are eligible to join, and if there are matching funds available. If your employer offers a plan with matching funds, contribute at least up to the match amount. For example, your are eligible to join the company's 401K plan and contribute up to 10 percent of your income with a three percent match from your employer, that means if you contribute three percent of your funds (payroll deducted pre-tax and relatively painless) you will receive a matching amount from your employer. That is free money! If your employer does not have a retirement plan-don't worry! You can create your own by opening an IRA (Individual Retirement Account). There are a variety of IRAs available including pre-tax, post-tax and self-employed. Research the different types available or ask a tax professional to recommend a type based on your circumstances. Shop around with FDIC insured banks to find out what types of products they offer. Some accounts require funding (creation, deposits) on an annual basis while others will allow you to fund the account through a payroll deduction or direct deposit in smaller more frequent intervals. While there are several other venues through which you can fund an IRA, during these challenging economic times the safest route is probably an FDIC insured bank. Even now, during

what many consider the worst economic times since the Depression, less one-third of one percent of banks have failed. No one has lost money at any FDIC insured institution. Since these funds cannot be withdrawn without penalty until you reach retirement, make certain the amount you deposit will fit in your budget. In times of financial binds, retirement savings may be minimized in the short term but should never be taken entirely out of a budget.

Your cushion account is savings that can be withdrawn immediately without penalty. This is what is commonly called an emergency fund. Ideally an emergency fund should cover at least six months of expenses in the event of a serious illness or job loss. Your monthly expense requirements are calculated based on all the items listed as "needs" and not "wants" in your budget. While six months worth of these expenses may seem insurmountable to start with, know that all emergency funds start out small and grow. To start your fund, shop around for banks or credit unions that have easy access either in person or electronically. Hopefully you won't ever need to withdraw funds but in an emergency you will want to be able to get to the money. Build your fund incrementally. The first goal for building your emergency or cushion should cover all of the small crises that could occur during the course of your year. This would include the total of your health, auto, and home insurance deductibles and co-pays, the cost of minor home repairs such as a broken

window or step, an airline ticket if a relative becomes ill, or any other out of pocket expenses that you can imagine coming up over the course of a year. Aim to save this total by setting aside as much as you can work into your budget every pay period.

The first goal for building your emergency or cushion should cover all of the small crises that could occur during the course of your year.

Once you have this immediate needs cushion in place, continue to set money aside every

month and over time you will achieve your six month reserve.

The last type of savings is for your plans. Once you have begun to secure your retirement and have provided for protection from crises, it is time to save for your dream. While this is the account that is funded last, it is probably the account that is the most fun. Here is where you save for vacation, a down payment on a home, education, new car, redecorating, elective surgery, or a shopping spree. Of the three types of savings this may require the least amount of discipline and have the greatest amount of motivation. Retirement funds are locked up until you retire and emergency funds should never be touched outside of a true crisis, but a planning account can be used whenever you decide that the money is being put to good use. This is the account to which you can shift your savings habit once your emergency account is fully funded

Saving is a habit that takes some discipline to develop but will comfort you through difficult and uncertain times and allow you to plan and meet your goals and dreams.

Be Successful, Be Bankable

Banks have existed since the beginning of human civilization. One of the oldest examples of lending dates back to the 18th Century BC. In Babylon, there are records of merchants borrowing money from monks. During the 1930's, many consumers lost complete confidence in the banking system after banks failed because of the stock market crash. During this current recession, consumers' faith in banks is once again wavering. Banks are essential to today's economy and to be financially successful you need to be bankable.

Banks are safe. According to the FDIC (Federal Deposit Insurance Corporation), there are over 8,400 banks in the United States which are FDIC insured. While the banking system is currently going through some rough seas, the total number of banks that have failed since 2000 is 72. That is .8 percent (eight tenths of one percent) of all banks open during this time. Forty-two of the 72 banks failed in 2008 and most of the 2008 failures were involved in the recent mortgage crisis. That means between 2000 and 2007, only 30 banks failed out of over 8,400. That is less than .05 percent (five one hundredths of one percent) of United States banks. No depositor with less than \$100,000 on deposit in the bank has lost money so far.

Often it is nearly impossible to live successfully in America without a bank account. Creditors, landlords, mortgage lenders, insurance companies and others consider the ability to maintain a bank account an indicator of stability. It indicates that you have a consistent source of income, you can manage that income and live within your means, you are able to save for your future, and you can create and stick to a plan. Right or wrong, this information becomes part of your whole picture when these parties make decisions regarding entering into a relationship with you. Many employers require employees to participate in payroll deposit as a

cost savings measure. Access to mainstream banking is often assumed to be common in our culture.

So how do you become "bankable"? Just like creditors, banks have bureaus such as ChexSystems which they use to gain access to information about your banking past. This bureau will provide information such as your previous history of insufficient funds checks and overdrawn accounts. If you have any inactive accounts with outstanding checks or overdraft balances, these must be paid in full prior to opening a new bank account. These previous problems may take time to repay, but it must be done to enter the financial mainstream. Obtain a copy of your file and begin to clear the accounts one at a time.

In the meantime, if you have an immediate need to keep your cash safe and perform basic financial transactions such as depositing your payroll or using a debit card there are alternatives available. The fees involved in these alternative systems such as Green Dot or the Walmart prepaid system, while somewhat greater than a traditional bank account, are lower than using the check cashing and money order system. Check cashing locations can charge up to 10 percent of the amount of the check and money transmitter rate are as high as \$12.50 per \$100. Your funds are also safer than when kept in cash which is easier to lose, steal, or send without thought.

When you are ready to open an account find the bank that is best for you. Check branch locations and ATM availability. Many banks charge extra fees for using ATM's that are "foreign" and some have fees for talking to tellers. Review what you need from a bank: ATM, Saturday hours, on-line banking, free teller assistance, wire service, etc. All banks publish a list of their fees and must make it available to the public. Notice the banks located near your home, work, favorite grocery store, bus

routes or other frequented locations. Collect and study their fees charts. These charts will outline the terms for opening checking and savings accounts. Pay attention to minimum balance requirements, limits on the number of withdrawals every month, and any other features that apply to your particular needs.

Equally important as your ability to open a bank account is your ability to maintain your bankability. This will require diligence on your part.

- You must check your statement every month and reconcile it. Make certain that you can account for all transactions on the statement. You must notify the bank immediately if there are any transactions in error. It is your right to dispute any transaction that you did not authorize.

- Watch your fees. Forgetting to allow for fees related to overdrafts, ATM activity or other bank activity is the easiest way to lose track of your balance. Question any fee you do not think is appropriate. If you feel you are paying too much in fees, ask your banker for a recommendation of the type of account that better suits your banking patterns.

- Guard your checks, deposit slips and account numbers. When you receive your checks, go through each packet and make sure all checks are present and in the correct order. Each time you obtain a new packet, check the numbers to make certain they are in sequence. Over 90% of identity theft is committed by a person known to the victim. Taking a single check out of a packet of unused checks is one of the most common ways to gain access to an account.

With research and diligence you can join the financial mainstream to begin to work on your goals: saving for the future, homeownership, and education. That's a plan you can take to the bank!

Francisca Takes The Time To Make It Work

Credit Advisors is proud of our dedicated staff. Over the next this year we are introducing our Account Managers. They are the “go to” person for those in a debt management program. They make sure the program runs smooth and if there are any problems they will find the best possible resolution.

Francisca Monjarez has worked in almost every department throughout her five years at Credit Advisors. As an Account Manager she serves clients in: the military, Canada, the District of Columbia, Florida, Nebraska, Puerto Rico, and the Virgin Islands.

Defeat Debt: How long have you been an Account Manager?

Francisca: For a year and a half. I originally began in client care before there were account managers.

Defeat Debt: What is your favorite part of your job?

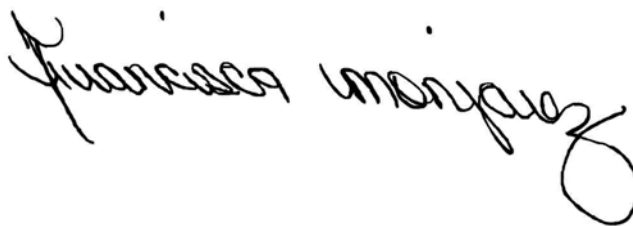
Francisca: I enjoy helping clients

throughout their program.

Defeat Debt: What other positions have you had here at Credit Advisors?

Francisca: Client care, account manager, and bankruptcy counselor

Defeat Debt: What is the biggest



difference you’ve notice between working with American creditors and Canadian creditors?

Francisca: American Creditors seem to put more pressure on clients and credit counselors. Canadian Creditors are very down to earth and easy to work with.

Defeat Debt: What about the man-

agement of accounts would surprise most clients if they knew?

Francisca: It is a very time consuming task. It takes a lot of time to process certain things on their accounts.

Defeat Debt: If you could let your clients know one thing that would increase the success of their program, what would it be?

Francisca: To obtain no new credit and make payments on time. If you skip

payments, it can cause the creditors to drop you from the program and your balances will grow.

Defeat Debt: What is your favorite holiday and why?

Francisca: Fourth of July. I love the “get togethers,” fireworks, and cookouts

PIF

It takes time, perseverance, and dedication to become debt free.

Each month we honor those who paid off all their creditors with a Credit Advisors Debt Management Program.

April 2009

93

Debt Management Programs
Paid In Full

Congratulations!

They Should Have Called Credit Advisors

(1999, Washington) A penchant for life's little luxuries led to lousy luck for one bungling burglar. This Seattle bank robber rented a limousine. He instructed the chauffeur to drop him off at Bank of America, and return when contacted by telephone.

The thief presented a teller with a written demand for money, collected his cash and coins, and ran from the bank to a nearby Starbucks. While he was paying for a double latte with stolen coins, an alert customer phoned police and notified them of the criminal's whereabouts.

While waiting for the latte, the bank burglar called his chauffeur from a pay phone and arranged to be picked up outside Starbucks. The police quickly surrounded the store and apprehended the crook, after a brief foot chase, just before his getaway limo arrived. The driver confirmed that he had driven the man to Bank of America, and was returning to pick him up.

Story courtesy of darwinawards.com.

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Friday, June 12, 11:00am or 2:00pm

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If you cannot attend in person, call
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