

Simplified Guide to
FINANCIAL LIFE SKILLS

volume 5



Simplified Guide to **FINANCIAL LIFE SKILLS**

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Disclosure Statement: The author of the “Simplified Guide to Financial Life Skills” is providing general information, not legal or accounting advice. These materials have been developed to educate, teach and help individuals understand the basics of budgeting, credit and debt.

Sources: The author has compiled much of this information from personal experience and public domain.

WELCOME TO THE SIMPLIFIED GUIDE TO FINANCIAL LIFESKILLS

Dear Bankruptcy Participant:

Please find enclosed the "Course Curriculum" for your Post Bankruptcy Education requirement. You will need to review and study this material for 1 to 2 hours prior to your scheduled Telephone Counseling Session. If your Telephone Counseling Session is going to be conducted as a conference call, you will need to call the conference line about 5 minutes prior to the start of the session. If your call is dropped at any time and you are unsuccessful at resuming the call, you will be required to start this course from the beginning at a later date. Failure to complete this course could jeopardize your bankruptcy filing as well. At the time you call in, you will be required to verify personal information that is listed on your personal account through Pioneer Credit Counseling. Please allow up to 2 hours for your counseling session. Prior to class, you will be able to submit your answers of the Final Test by faxing to **605-348-8537** or submitting on-line at www.pioneercredit.com. You may also call us to verbally give your answers prior to scheduling your conference class. If you have any questions prior to your session, please do not hesitate to call **1-866-210-3590**.

Telephone Conference Information

Date Scheduled: _____ *Case #* _____ *Account #* _____ *Time Scheduled:* _____

Conference Telephone number: _____ **Access Code:** _____ (Enter when prompted to be placed in correct session)
(Call **1-866-210-3590** to schedule class and to get the conference number & access code)

Below you will find our bankruptcy disclosures. Review them, and then initial the required statement on your test answer sheet located on page 32.

BHCR, Inc. d/b/a Pioneer Credit Counseling is a provider of bankruptcy educational course in accordance with the Bankruptcy Reform of Act of 2005. These interactive courses fulfill your BAPCPA Credit Education Course requirements. It automatically saves your progress so you may leave and come back at any time. This course contains engaging content to give you a rewarding and informative experience. Learn about budgeting, money management, rebuilding credit and credit rights through your debtor education course. If you request expedited or overnight shipping of certificates or materials, these will be charged at the actual cost of the service provided, which may include postage, shipping, handling and materials and will be payable at time of service. *PRINT THESE TERMS/DISCLOSURES: For record keeping purposes, Pioneer Credit Counseling encourages you to print these Terms/Disclosures.

Fee Waiver: Black Hills Children's Ranch Inc. d/b/a Pioneer Credit Counseling, agrees to review each consumer's or debtor student's circumstances to determine eligibility for a fee waiver. If the consumer or debtor student has income less than 150 percent of the applicable poverty guideline as published by the United States Department of Health and Human Services (DHHS) (<http://aspe.hhs.gov/poverty-guidelines>), for all judicial districts Pioneer Credit Counseling seeks approvals, their fee will be waived upon completion of credit counseling or debtor education. A reduced fee will be given when other information is gathered that indicates some ability to pay upon completion of credit counseling or debtor education.

Please Note:

1. The income provided during your counseling session or debtor education will be used for comparison to the poverty guidelines.
2. Governmental assistance (such as food stamps or housing subsidies) are not included in calculating debtor income.
3. The income of a spouse is included in calculating income whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.
4. The income of any other member of the household is also included.
5. Household size is also used in the waiver determination process and must be provided for consideration of a fee waiver.

Pioneer Credit Counseling Bankruptcy Disclosures

1. Client understands and agrees they are receiving a Personal Financial Management Course (Post) through Black Hills Children's Ranch, Inc D/B/A Pioneer Credit Counseling, 1644 Concourse Drive, Rapid City, SD 57703, a 501(c) (3) non-profit, bonded, consumer credit counseling and educational agency and client hereby authorizes Pioneer Credit Counseling to receive any information regarding client accounts and/or creditors. This course is offered in both English and Spanish at no additional charge. If client needs the course in another language, we will refer you to the EOUST's website to find an agency to assist you.

2. The fee charged for the Pre Bankruptcy Counseling Session and/or Personal Financial Management Course will be no greater than the client's ability to pay and no greater than \$50.00 individually. If the client's income is less than 150 percent of the poverty guidelines, the fee will be waived. A reduced fee will be given when other information is gathered that indicates some ability to pay upon completion of counseling or education. Please note the above fee includes any fees associated with the generation of the certificate. Please send money orders or cashier checks to above address ATTN: ACCOUNTING DEPT. Fee for counseling services or debtor education are reasonable and Pioneer Credit Counseling will provide services for free or at a reduced rate based upon the debtor's lack of ability to pay and will not withhold a certificate of counseling because of an inability to pay. This release agreement for information on my account may be copied and the copy of the signature may be deemed to be equivalent to the original and may be used as a duplicate original. Client understands original will be stored in Laserfiche.

3. The Post Bankruptcy Courses are provided through the Internet via an interactive learning module. The Post Bankruptcy Courses can be accessed 24 hours a day 7 days a week and 365 days a year, but contact with live counselors is subject to the business hours of 7am to 7pm MST Monday – Friday and 8am to 12pm MST on Saturdays. It is Pioneer Credit Counseling's obligation to provide a certificate to the client/debtor promptly upon completion of counseling services/instructional course. The client/debtor will only receive a certificate if the debtor completes counseling services/instructional course. Pioneer Credit Counseling does not pay or receive fee or other consideration for the referrals. It is your responsibility to ensure that your attorney, legal advisor or court has received your certificate by the date required for your filing.

4. Client understands that these fees are nonrefundable once paid, unless the fee is later reduced or waived based on the client's income and the poverty guidelines published by the United States DHHS. If you decide NOT to file for Bankruptcy or file Chapter 13 and you have paid for the Personal Financial Management course, you may contact us for a full refund of your un-used Personal Financial Management Course fee. To arrange for a refund please send a written request to the address mentioned above in number one, Attention: Refunds.

5. Pioneer Credit Counseling will act upon the information received by client in clients' best interest. Client understands that Pioneer Credit Counseling is in no way offering legal advice. Pioneer Credit Counseling will use discretion when disclosing any information or amount of income, living expenses and debt as necessary.

6. Client understands that Pioneer Credit Counseling is a nonprofit agency and receives support from counseling fees charged to clients and funding from voluntary contributions made by creditors.

7. Client understands Pioneer Credit Counseling is a non-profit third party administrator and is not representing itself as a loan company or insurance company. Client also understands we are not giving any legal advice nor are we attorneys. Client also understands that no promise, warranty, or guarantee has or will be made on the part of Pioneer Credit Counseling to clear client of any debts or make client payments on client's behalf. Client understands that by filing bankruptcy or enrolling in a Debt Management Plan, that the client's credit report may reflect a consumer credit counseling status or that the client has filed bankruptcy and may cause a negative effect on client's credit report for up to 10 years. Client understands that they should consult an attorney for any information regarding bankruptcy. Client understands that Pioneer Credit Counseling cannot repair or prevent any ratings that may appear on this credit report past, present, or future. Client hereby authorizes Pioneer Credit Counseling to obtain clients' credit report solely for the purpose of the pre-bankruptcy counseling session. Client understands this will appear as a soft inquiry on their credit report.

8. Client understands by paying for the Post Bankruptcy Courses Pioneer Credit Counseling will make available to them the following benefits: on-going consultations with Certified Counselors for review of debts, educational counseling pertaining to basic credit and budgeting.

9. All counselors who are assisting or facilitating the Bankruptcy Counseling courses are employees of Pioneer Credit Counseling. Counselors are required to become enrolled in a certification course approved by the Financial Counseling Association of America (FCAA) within six months of beginning in a counseling position. The counselor is then required to complete the certification course within the first year of employment in a counseling position.

10. Nothing herein shall apply to actions or claims under the provisions of the United State Bankruptcy Code, 11 U.S.C. § 101 et seq.

11. Client agrees that any dispute between us that cannot be amicably resolved, and all claims or controversies arising out of this agreement, shall be settled solely and exclusively by binding arbitration in Pennington County, South Dakota, administered by, and under the Commercial Arbitration Rules then prevailing of, the American Arbitration Association (it being expressly acknowledged that I will not participate in any class action lawsuit in connection with any such dispute, claim, or controversy, either as a representative plaintiff or as a member of a putative class), and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. The interpretation of this agreement will be governed by the laws of the State of South Dakota.

12. Pioneer Credit Counseling has been approved by the Executive Office for the United States Trustees (EOUST) and the Middle & Southern districts of Alabama and all districts of North Carolina as a Nonprofit Budget and Credit Counseling Agency and a provider of a Personal Financial Management Instructional Course. The EOUST has reviewed only those credit counseling and debtor education pursuant to 11 U.S.C 111(d), but has not reviewed or approved any other counseling services provided by Pioneer Credit Counseling. Pioneer Credit Counseling may disclose debtor information to the United States Trustee in connection with the United States Trustee's oversight of the provider, or during investigation of complaints, during on-site visits, or during quality or service review.

13. An alternative to bankruptcy is the opportunity to negotiate an alternate payment schedule regarding unsecured debt, such as a Debt Management Plan, which Pioneer Credit Counseling offers.

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Purpose

The main purpose of this guide is to educate you, the consumer, on a variety of financial information. A financial crisis does not discriminate and it can effect young, old, rich and poor. This guide will give you some of the tools that you will need to plan, prepare, and prevent a financial disaster. We want to provide you with the building blocks that you need to build a strong foundation and secure your financial future. We hope you will have learned the following items by the time you complete this course.

One of the most important areas we will cover is developing a Monthly Budget for you and your family. It is not just putting numbers down on a piece of paper and trying to only spend what you put down. There are a variety of steps to follow to make sure that you are

setting up your budget correctly each month, and that you are developing goals to represent what you are working towards.

Another area that will be covered is managing your money instead of letting your money manage you. This will show you how to make sound financial decisions and how to save money for your financial goals, whether you are retiring early or just being able to make the house payment each month.

Using credit correctly is also a fundamental part of money management. We will explore different options that you have in the credit realm, along with alternatives to credit.

You also need to know who to turn to if you need help. We also provide you with references and referrals to a variety of organizations that can provide you with additional help, everything from consumer protection to investing options.

The Effectiveness of the Pre-test and Final Test

By taking the Pre-test and Final Test you will see how much you can achieve. By educating yourself on financial issues, you will prevent any future financial hardships from hurting yourself and your family. Your test completion will also help us to evaluate the effectiveness of this educational course.

PRETEST

Pretest Guidelines

The purpose of the pretest is to help show you how much you already know prior to beginning the Life Skills Budgeting Guide. This will not count against you.

1. Not saving on a regular basis, borrowing money to pay bills, and not paying bills on time are all warning signs that your debt may be out of control. **T or F**
2. A budget is important because it helps to manage your family's money and keeps you in control of your spending. **T or F**
3. You do not need to set up Goals as part of your monthly budget. **T or F**
4. You should only start planning your financial future when you start a family. **T or F**
5. The 3 C's of Credit are, Character-Do you pay your bills on time?, Capacity-What is your ability to pay back the loan?, Collateral-What is the security to back up the loan? **T or F**
6. When looking to borrow money, it's best to apply at a bank that you do not have history with. **T or F**
7. The two basic types of debt are Secured and Unsecured. **T or F**
8. The three major credit reporting agencies in the United States are Transunion, Experian, and Equifax. **T or F**
9. It is wise to pay more than the "minimum amount due" on credit card balances. **T or F**
10. Credit cards should be used with the intention of paying them back within a short amount of time. **T or F**
11. Periodic Expenses are bills that are due every month. **T or F**
12. The interest you pay for your mortgage is tax deductible. **T or F**
13. Gross income is the amount that you take home every month. **T or F**
14. No credit is just as bad as bad credit. **T or F**
15. You should always shop around for different insurance premium costs. **T or F**
16. Whole life insurance policies have cash value. **T or F**
17. A Will tells the courts what you wanted to do with your property if you died. **T or F**
18. Using Rent to Own companies is defined as "smart borrowing". **T or F**
19. Always look for credit cards with no or low annual fees. **T or F**
20. Using a budget is a good way to increase your income. **T or F**

CHAPTER 1 - Identifying Debt Warning Signs

Check all that apply.

- I am not saving on a regular basis.
- I have no budget - I do not know where my money goes.
- I am spending most of my income paying monthly bills.
- I am borrowing money to pay bills.
- I paid a bill I shouldn't have paid.
- I paid the same bill twice.
- I am using credit cards to pay for food, utilities, insurance, entertainment, etc.
- I am not paying my bills on time.
- I only use pre-paid cell phones to avoid phone calls from unpaid creditors.
- I alternate my payments of bills every month.
- I receive calls at work or home from creditors demanding payments.
- I receive papers from the sheriff or courts to appear for non-payment of bills.
- I use NSF checks to pay bills until payday.
- There is stress in my family relationship when bills are talked about.
- I am contemplating leaving the area to try and get a new start.
- I make good money and I want to get out of debt.

If you are doing any of the above, you may need to consider getting some help through not only budget counseling, but a Debt Management Program.

COMPLETE THE INCLUDED CREDITOR DEBT FORM TO CHECK YOUR TOTAL BALANCE ON UNSECURED TYPE DEBT. (page 26)

CHAPTER 2 - Setting Up a Family Budget

When you are setting up a Family Budget, this means you will plan how much money your family will spend and save over a period of time. This includes, but is not limited to, housing, transportation, food, insurance, clothing, utilities, healthcare, childcare, entertainment, contributions, etc.

You ask why is a budget important? A budget is an important tool for managing your family's money. It also keeps you in control of your spending, instead of letting your spending control how you live. It will also help you plan how to get the most out of your money - now and in the future. Your planning today can make tomorrow easier.

Preparation for setting up a budget will include the following:

1 - Set goals: Make a list of the things that are important to your family. This will help you to determine what to do with your money now and in the future.

A - Immediate Goals: Things you and your family cannot do without. Food, utilities, clothes, health-care, rent/mortgage, etc.

B - Short Term Goals: Things you and your family need or want in the near future. Appliances, home computer, family cell phone plan, car, home repairs, sports tuitions, etc.

C - Long Term Goals: Things that you need to start saving for by making them a part of your everyday budget. Down payment for a house, retirement fund, college for kids, cash for vacation, etc.

2 - Be realistic about those things that you really want and can afford.

3 - Take a look at your financial health.

A - How much do you own? Try to come up with a current value of everything that the family owns (assets). The most common assets are a home, vehicles, household goods/furnishings, money in checking/savings/cash on hand and any retirement plans with value

ASSETS \$ _____

B - How much do you owe? Try to come up with the total amount owed which would include credit cards, secured or unsecured loans, any unpaid bills, etc.

DEBTS \$ _____
SUBTRACT DEBTS FROM ASSETS \$ _____

-If your assets are more than your debts - you are off to a good start towards financial freedom.

-If your debts are more than your assets - you need to plan a way to pay your debts gradually. You need to make a realistic plan for repaying them which might include a Debt Management Plan for your unsecured debts.

CHAPTER 2 - Setting Up a Family Budget

4 - Let's take a look at your total family income.

This will include all sources of income from the following:

A - Salary/wages

1. **Gross income-** This is the amount that you earn from your employer without any deductions (taxes, insurance, etc.) subtracted from it. This amount can be found on your pay stub.
2. **Net income-** This is the amount that you actually take home on pay day or the actual pay check amount. If you get paid weekly, you can multiply your take home pay by 4.3 to come up with a monthly figure. If you get paid semi-monthly, multiply it by 2.

B - Food stamps, Supplemental Security Income (SSI), Social Security benefits, child support or alimony, pension, rent, second job, etc.

C - Interest or dividends from bank accounts or investments.

TOTAL INCOME \$ _____

5 - What are your total expenses? You will need to review prior bills, receipts, cancelled checks, etc., or keep a "spending diary" to record all of your family's spending for a month or two.

A - Fixed expenses, which are the same each month, might include the following:

rent/mortgage, insurance, car payments, loan payments, property taxes

B - Variable expenses, which may be different each month, might include the following:

food, clothing, transportation, heat, gas/electricity, water, phone, medical, entertainment, recreation, furniture/appliances, personal

C- Periodic expenses, which are due a few times each year, could include the following:

homeowner's or renter's insurance, car insurance, certain types of taxes, or some forms of utility bill payments

6 - You need to look at your goals and compare them to your expenses and income. If your fixed and variable expenses are less than your total income, you should consider starting a regular savings plan. Your savings can be set aside for emergency expenses. Once you have an emergency fund, you can save toward your short and long term goals.

7 - Everyone needs to establish some type of a savings account to plan for emergencies or achieve their financial goals, so that you or your family does not have to rely on credit to get through the rough times. It also feels great to be able to pay with cash or write a check for a large item that you have worked hard to save for, instead of filling out paperwork to try and get financing or worrying if the purchase will put you over your credit limit on your credit card. The types of savings accounts could be: Interest bearing account, Christmas Club or Vacation fund account, CD, IRA, 401k, etc. Talk to your bank or credit union about the different types that they offer.

If your income isn't large enough, consider the following: look for cheaper rent/mortgage, find a roommate, take on a part-time job, upgrade job skills to increase income. If these aren't options, contact your local social service agency and check other community resources.

CHAPTER 3 - Tips for Making a Budget

Tips for making a working budget

- Be flexible - do not set them in stone, continue to adjust as needed.
- Involve everyone - riding a bike or walking instead of taking the car can add up to important savings in the long run.
- Use your charge cards wisely - make sure you are able to make monthly payments or payoff completely.
- Shop carefully - compare prices, do you need it, how long will it last, can you wait to buy it on sale.
- Save on energy - ask your state energy office or local utility about energy saving tips.
- Stay organized - review your checkbook regularly, track small purchases with note pad on your cell phone, review budget and other receipts regularly.
- Pay bills on time - late payments mean penalties and interest charges.
- Use check reconciliation sheets to make sure your accounts are balanced. (See example on pg. 24)

Always use a pencil when doing your budget. That way you can easily make changes and correct errors. People who make too many errors in pen may get discouraged or frustrated and may quit using a budget.

Or you can ditch the pencil and paper all together and use your computer to help you keep track. There are plenty of online resources that will help you create and keep track of a monthly budget. For those of you with “smart phones” that have internet access, search for phone apps that you can download on your phone that will help you track your spending on the go.

This will lead to a **joint family affair**. You will need to decide how the money will be spent, who will be the one paying the bills, and who will be doing the record keeping. There should be only one record keeper. This decision should be based on who can do the job best. If more than one person is keeping records, confusion usually results, not to mention the problems this creates between the partners.

You will need to pay all your bills at a **certain time of each month**. Choose once a month to do this or at most twice a month. You may need to request your creditors to change their billing dates so they will coincide with the bill paying dates you’ve selected.

You shouldn’t have to spend more than **two hours** per month writing checks if that’s the method you use to pay your bills. (Money orders and cashier’s checks are different and will take more time depending on how many creditors you are paying.). Setting up bills on automatic payment is the best way to ensure you don’t forget a payment. They can coincide with pay-days and there may be benefits if you sign up for automatic payments. Contact your bank and creditors for steps on how to get set up. If you are not comfortable with automatic bill pay you can still go online to pay many of your bills by setting up a username and password for each account.

Make sure that when all of your money has been spent from a budget category, you **stop spending**. Remember when your payments are due you need to have the **money available**. You may have to hold some money from one pay period to the next in order to pay these bills. Failure to do this is a common mistake.

Don’t be alarmed if your budget doesn’t work out perfectly all the time. You may have some unexpected expenses such as a large car repair bill. Here’s where that savings can come to your rescue. If you don’t have money in savings to draw from, you need to reduce spending on entertainment, phone expenses, or other areas in your budget. Make these adjustments and go from there.

Don’t give up; continue to stick to your budget.

CHAPTER 4 - Shopping Guide & Budget Help

FOOD

1. It will help to plan your shopping list in advance, and only stick to what's on your list.
2. Look for economy cuts of meats or package deals (they are usually cheaper).
3. Watch out for convenience foods such as frozen foods, mixes, etc. Although they are easier, they are more expensive than cooking from scratch.
4. Always check prices on housewares, hardware, or toiletries in a grocery store, as they can be higher.
5. Use coupons. Cut them out when you see them and have them in a file so they are ready when you go shopping. Use the internet to find coupons that fit the items you want to buy.
6. Do not go to the grocery store hungry. You will always spend more.
7. Try to do your grocery shopping several times a month. This will help you spend less.

CLOTHING

1. Look for sales and only buy it if you really need it. A bargain is not a bargain if you won't use it or need it.
2. Look for bargains in thrift shops, discount stores, and department stores. They have excellent sales and clearance racks have some of the best deals. Just because they are known as the more expensive stores, don't eliminate them.
3. Look for off-season sales. Buying next years winter wardrobe in the spring can save you a ton. Just make sure to anticipate the correct size, which can be difficult with growing children.

FUEL & ELECTRIC

1. Storm windows or insulating glass usually will cut half the heat that is needlessly lost through your windows. If you don't want the expense of storm windows, use clear plastic on the inside or outside of your windows.
2. Insulated drapes or curtains will save heat in winter.
3. Install weather stripping and caulk the frames of windows and doors.
4. Check your insulation. Make sure you have the adequate amount to accommodate the area you live in. Good insulation also helps with the air-conditioning.
5. For best results with your heating, find a comfortable setting on your thermostat and leave it there during the day. Raising it just results in higher heating bills.
6. Use ceiling fans to circulate warm and cool air. Most fans have settings that allow a fan to work clockwise or counter-clockwise. Clockwise in the winter and Counter-clockwise in the summer.
7. Dress for the weather, even indoors. Dress warm in the winter with sweaters and blankets and shorts and shirts in the summer. This will help you from having to go to the thermostat too often.
8. Install a programmable thermostat so you can set it to adjust temperatures when you are not in the home.

CAR INSURANCE

1. Shop around. Companies charge substantially different premiums for the same risk.
2. Look for safe driver plans or plans that monitor driving and reward smart driving.
3. Your deductible plays an important part in the cost of premiums. Having a higher deductible results in a lower premium. However, this could be risky since auto body repair bills can be costly. If you have some savings and have an older vehicle, this could be the way to go.
4. Bundle your car insurance with other insurance plans to receive a bulk discount.

CHAPTER 4 - Shopping Guide & Budget Help

CONSOLIDATION LOANS

A consolidation loan helps to regroup your debt; it will not get you out of debt. It can reduce your monthly payments so you have time to get your budget in balance and remove some of the financial pressure. If you have used this type of loan before this may be a sure sign of money mismanagement. Never borrow for non-interest bearing accounts like doctors, dentists, etc. This just starts interest accruing. Refinancing, consolidation loans, and more borrowing are not always solutions, but “symptom” treatments. The key to financial freedom comes with discipline and sacrifice.

CREDIT CARDS

1. Look for credit cards with no annual fees and low interest rates.
2. If you are taking cash advances you are paying higher interest rates.
3. Trouble may be ahead if you need to use credit cards for such items as groceries, toiletries, etc.
4. The biggest dangers facing credit users are misuse and overuse. This results in committing your future income to cover current borrowing.
5. Pay at least the minimum amount due each month, but it is smart to pay more than the minimum to avoid extra interest and payoff your balance faster.
6. Credit cards can be beneficial to your credit if used and then paid off at the end of the month, avoiding a balance that carries over from month to month.
7. Find a card that offers cash back rewards, or points that you can earn for items or travel. Don't choose a card based solely on rewards though. No fees or interest should be first priority.

Other Ways to Supplement Money and Alternatives to Borrowing for Unanticipated Events

INCREASE YOUR INCOME BY

1. Using a budget.
2. Working extra hours.
3. Changing jobs.
4. Working another job. (Spouse may work inside of the home, daycare, etc.)
5. Having a garage or yard sale.
6. Selling items online through Craigslist or Ebay.

DECREASE YOUR SPENDING BY

1. Using a budget to monitor spending.
2. Reducing your involvement in clubs/organizations.
3. Limiting telephone use. Use the phone during discount times.
4. Unsubscribing to cable television.
5. Buying items on sale or at clearance.
6. Only buying items that you need.
7. Postponing purchases or repairs that can wait.
8. Trading goods and services that you possess for something you need.

CHAPTER 5 - Money Management Help

Types of Debt

There are 2 Basic Types of Debt: **Unsecured debt** – Loans that don't require assets. Your word secures the funds. Ex – signature loans, credit cards. **Secured debt** – Loans backed by property or assets that you own. Ex- Car or home.

- Secured items are also known as collateral. If you don't pay the payments, they can repossess your home or car.
- Lenders usually base borrowing on your earning power, past credit history, debts, credit card limits.
- Usually creditors rely on the 28/36 rule. 28% of your income should be spent on home expenses, 36% on borrowing.
- If you are unable to borrow based on your own credit history, you can use a co-signer to back the loan. That basically says that if you don't repay it, the co-signer will.
- If you have trouble repaying a debt, it's your responsibility to take action and solve the problem by working to repay the debt. Understanding what caused the problem can help you to change your spending habits.

Borrowing Money

- There is smart borrowing and bad borrowing. {Proverbs 22:7 says, "The rich rules over the poor, and the borrower becomes the lender's slave."}
- Smart borrowing is used for items that are too large to save for – home, car, and education.
- Bad borrowing could be borrowing money to bail someone else out of financial hardship, vacation, buying clothes. You may have big problems later if you don't use debt wisely now. {Timothy 6:10 says, "For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs."}
- Remember, if it sounds too good to be true, it probably is. Businesses that advertise, 90 days, same as cash, or No payments, No interest for 1 year, etc., are not all they are cracked up to be. It is true that there won't be any interest for a certain period of time, but if you do not pay off the loan in that amount of time, interest will not only start accruing, usually at 25% or higher, but they will also add all the interest charges they would have charged you for the time that you had to pay it off before the expiration date.

Loans

- Always shop around for good interest rates. These will vary from place to place and will also depend on your credit.
- Best place to start are banks or credit unions that you already have accounts at. You have already built some type of history with them.
- Credit Unions are usually more flexible in repaying because they are member owned.
- When you do obtain a loan, keep all copies of loan documents that they give you. Financial institutions are by law required to give you a full disclosure of all fees and charges associated with the loan.
- Most important thing to remember, always read all agreements or contracts before signing.

Car Loans

- When financing a vehicle purchase, the car becomes the collateral on the loan. If you stop making payments, they can repossess the car.

Car Loans Continued Next Page

CHAPTER 5 - Money Management Help

Car Loans Continued...

- Loans are usually made by banks, credit unions, or car dealers. Loans are usually for 3-5 years. Make sure you read the fine print of the loan. Charges can vary from place to place. How long is the term? Are there additional fees? Is there a penalty fee if I pay off the loan early?
- The better your credit rating, the lower your interest will be.
- New cars are not really a good deal. The minute you drive them off the lot, they lose thousands in value. Used cars are a better deal. Have a mechanic you trust inspect the vehicle before you purchase it.
- When purchasing a car, shop around. Prices vary with dealers. Also shop for the financing.
- Do your homework. Once you decide on a car, check out its safety rating, different features, etc.
- Before you buy, make sure you do a checklist of your needs and wants in a car. Does the car you picked qualify? Will it fit your needs?
- Watch for balloon financing – lower payments but one large one at the end.
- Decide on how much you want to spend before you go shopping. Checking out the financing first will also give you an idea of the monthly payments so you know how much you can spend. Make sure you account for all the costs associated with the vehicle including gas mileage and maintenance.
- Leasing – basically you are renting a car. Any damage is your responsibility to pay for. You could also be charged additional fees if you go over the pre set mileage limit the contract states.

Mortgage Loans

- Used to purchase a home. It is part of the smart borrowing.
- Interest is tax deductible – but shop for the lowest rates.
- Things you will need for the Mortgage application – Social Security Number, copy of the contract of sale, survey of the property, list of what you own and owe, verification of income, account numbers and addresses of financial institutions that you carry accounts at, tax returns for the last 2 years.
- Mortgage Brokers – people who help find the best rates for a fee. Good credit, they usually charge you about 2%, bad credit, they may charge up to 10%.

- Different types of loans – 3 of the most popular.

Conventional Mortgage – A 20% down payment is preferable. Remaining amount is financed at a fixed interest rate for the next 15 to 30 years. Monthly payments are usually smaller.

Adjustable Rate Mortgage – Features a varying rate of interest that is usually tied to the government prime rate or one year treasury bills. Usually interest rate changes once per year. This could cause payments to go up or down. It will be hard to set a budget with this type of loan.

VA and FHA Mortgages – Usually lend you more of the amount and put less of a down payment on the home. VA loans – have to be a veteran to qualify. FHA loans also have strict guidelines for the property that you want to purchase.

- Many other types of financing are also available that varies from state to state. Best thing to do is to talk to a few different lenders to see what is available for your situation. First time home buyers also have different programs available. Realtors can usually help point you in the right direction as well as a HUD Approved Housing Counselor.

CHAPTER 5 - Money Management Help

Rent to own

- Directed at people facing financial hardship. You rent the item until it's paid for.
- **2 problems** – Items purchased are expensive. Sometimes you pay 3 times the cash price of the item. Interest rates can be over 200%. If you miss even one payment, the item can be repossessed. A better option is to save the money to purchase the item.

Credit Cards

- Credit Cards allow you to borrow up to a certain limit. You pay the money back in monthly payments or all at once, but you need to at least make the minimum monthly payment to avoid fees.
- Credit cards can be of general use, Visa, MasterCard, or can be for certain stores, Target, JCPenney, Sears.
- Store credit cards usually charge higher interest so it's better to have a general card to use at the stores versus a bunch of store-issued cards.
- Biggest problem with credit cards is their convenience. You can charge too much and not be able to make the minimum payments.
- Credit Control – before you charge, ask yourself, “How are you going to pay it back?” “Is the item essential to your well-being?” Someone once said that when you use a credit card, you are committing future income on something you probably won't have or be using when you actually earn enough to pay it back.
- If you do have a high interest credit card, it's a good idea to roll the balance over to a lower introductory rate card, but be careful to read the terms of the rate.

Obtaining Credit

Credit Applications

- Asks for personal information, occupation and income, previous employers, accounts, and debts.
- Be honest on applications, the information will be checked.
- Don't hide credit problems. You have a better chance by explaining them before they are seen on a credit report.
- Things lenders look for – How long at residence and job, owning a home, savings accounts, low debt, and good credit references.

3 C's of Obtaining Credit

- Character – Do you pay your bills on time?
- Capacity – What is your ability to pay back the loan?
- Collateral – What is the security to back up the loan?
- Obtain credit in your name to establish a history. It takes credit to get credit. No credit can be as bad as bad credit.
- If you are not able to obtain a loan by yourself, see if a co-signer can help. Remember, they are responsible if you don't pay.
- Open a credit card with a small limit. Make a small purchase and pay the money back based on the monthly payment schedule. This will show a good payment history for you. Do the same thing with a small loan.
- Secured credit cards are also a good way to build credit. You deposit an amount of money into an account, the Credit Card Company sets your limit at that or maybe a little above. If you don't pay it back, they take the money deposited.

CHAPTER 5 - Money Management Help

Debt to Income Ratio

- The debt to income ratio is another way to assess the state of your finances and can help determine if you are over extended on debt. This is a ratio that compares your monthly debt payments relative to your monthly net income.
- To calculate take the Total Monthly Debt Payment amount and divide by total Monthly net Income and that equals your Debt to Income ratio. Generally we like to see a debt to income ratio well below 20%, usually 0-5%.
- Advantages to a low debt to income ratio: appeals to new creditors, financial stability, builds savings. Disadvantages with a high debt to income ratio: very little money for savings and increases chances for financial problems. Recommend that this is reviewed periodically to make sure the ratio does not get too high to handle all other debts.

Credit Bureau Reports

- Three major credit reporting agencies – TransUnion, Equifax, and Experian.
- They organize and distribute credit history to lenders.
- Reports include personal information, name, address history, employment history, social security number, and date of birth. Next are any public records of judgments, liens, garnishments, or bankruptcies. Then credit history of accounts which includes the creditor name, type of account, credit limit, terms of each account, account numbers, balances, payment history, payment amount, and past due amounts. Next is a list of lenders that have requested a copy of your report and a list of the lender's names, phone numbers, and addresses that have reported information on the report.
- Prices range from \$15 to \$20 for a report, but if you have been denied credit in the last 60 days, you can obtain one for free. Just keep your denial letter.
- Everyone is allowed to obtain a free Credit Bureau Report from each of the three reporting agencies every 12 months by calling 1-877-322-8228 or online at www.annualcreditreport.com.
- Monitor reports yearly for any errors or fraud. Report immediately to the credit bureau if any are found.

FICO Score

- Creditors use your score to evaluate whether or not you are a credit risk.
- Also used to determine what your credit limits and interest rates will be.
- Scores are based on: payment history (35%), amount that you owe (30%), account history (15%), types of credit used (10%), and new credit (10%).
- It takes time to improve credit scores. The more time goes by, the less impact a negative item will have on your score.
- Scores range between 300-850. Below 620 is the higher risk and higher interest rate market.
- You can obtain your score from the 3 major credit bureaus or from FICO directly.

CHAPTER 5 - Money Management Help

VantageScore

- New credit score that debut in 2006 and is being used by the 3 major credit bureaus.
- Similar to Fico but assigns a letter grade to score ranges and a slightly different scoring model
- Scores are based on: payment history (32%), credit utilization (23%), credit balances (15%), depth of credit (13%), recent credit (10%), and available credit (7%).
- Scores range between 501-990.

A: 990-901

B: 900-801

C: 800-701

D: 700-601

F: 600-501

Rental Information

- Landlords usually will look at credit reports to decide if they want to rent to you or not. They are looking for collection accounts, past due utility bills, etc. Most large landlords do this. Most small ones do not. They will have to disclose to you ahead of time if they are going to do this.
- Remember, not only will the landlord probably ask for the deposit and first month's rent up front, but there will usually be connection costs for your utility hookups too. If you have had no credit or bad credit with utility companies before, they may require a higher deposit. Try staying with landlords that already have the utilities in their name, and include the bills with your rent.
- If you run into a bad financial situation, and can no longer afford the rent that you pay, try moving to a less expensive home. It's better to leave when you are able to and have time, than be evicted.
- If you have to break the lease, the landlord can charge you rent until the home is re-rented, but watch to make sure he is making a good faith effort to make this happen as quickly as possible.
- If you sign a lease, read it very carefully. Make sure you get a copy of it so you can reference it later to see when rent payments are due, what fees are charged if it is late, and what the terms of the lease are. Some will tell you how much advance notice you have to give before moving out. Most month to month leases are 30 days.
- Make sure you get everything in writing with the landlord. If there are any damages to the home when you move in, make sure you notate those, take pictures, and even better, show the landlord the damage before you move everything in and have him notate the damage on the lease so you don't have to pay for the repairs when you move out.
- When you leave the home, make sure you clean it completely so that you can get your deposit back.



CHAPTER 6 - Conquer your Financial Stress

Follow some of these simple steps

- 1 - Make out a simple BUDGET and stick with it.
- 2 - Shop at the same food store to become familiar with regular prices and specials.
- 3 - Plan your shopping schedule around seasonal specials.
- 4 - Cut coupons that appear in newspapers and magazines and go online to find them for foods on your list.
- 5 - Buy containers to store leftovers so no food goes to waste.
- 6 - Prepare a shopping list prior to going to the store.
- 7 - Stretch out your main courses by serving salad or soup along with it.
- 8 - Plant a garden to save money on vegetables.
- 9 - Shop at discount food stores for savings on canned foods.
- 10 - Try your supermarket's house brands rather than favorite brands.
- 11 - Make your own baby food.
- 12 - Use self-service to save on gas and oil.
- 13 - Drive at a steady speed limit to save on gas.
- 14 - Start a car pool.
- 15 - Buy your gas in the morning or evening before it expands in the heat of the day.
- 16 - Maintain your vehicle regularly before minor problems turn into major troubles.
- 17 - Take the bus for transportation and save on gas as well as "wear and tear" on your car.
- 18 - Walk or ride a bike instead of driving.
- 19 - Buy a new car in August before new models come out.
- 20 - Check on lower insurance rates if your teen has had driver's education or has good grades.
- 21 - Learn to sew and repair clothes yourself and make them last longer.
- 22 - Look for name-brand clothes at discount stores.
- 23 - Match new purchases to clothes you already own.
- 24 - Buy socks in quantity.
- 25 - Check factory outlet stores for bargains.
- 26 - Compare prices at different dry cleaners.
- 27 - Always try on clothes when shopping.
- 28 - Use the internet to comparison shop and know what you are looking for before you go out to shop.
- 29 - A healthy lifestyle can save you on healthcare costs and help you maintain your figure and wardrobe.
- 30 - Consider buying "seconds" or clothes that are irregular.
- 31 - If you have a new sport or hobby, rent or borrow the equipment first.
- 32 - Go to matinee movies as they cost less and are less crowded.
- 33 - Make your own gifts.
- 34 - When you travel with children look for hotels that don't charge for kids.
- 35 - Comparison shop online to find the best deals on travel.
- 36 - Use your library for free books, movies, magazines, resources, and internet service.
- 37 - Try the classifieds for big bargains, or use online sites like Craigslist, Ebay, or even Amazon.
- 38 - **BORROW WISELY.**

CHAPTER 6 - Conquer your Financial Stress

Family Income Percentage Guide

Gross Income	10,000	15,000	20,000	40,000	50,000	60,000
Tithe	10%	10%	10%	10%	10%	10%
Taxes*	15%	15%	15%	28%	28%	28%
Net Spendable	7,500	11,250	15,000	24,800	31,000	37,200
Housing	34%	32%	30%	28%	25%	25%
Auto	15%	15%	15%	12%	12%	12%
Food	10%	15%	16%	14%	14%	10%
Insurance	4%	5%	5%	5%	5%	5%
Entertainment	2%	7%	7%	7%	7%	7%
Clothing	5%	5%	5%	5%	6%	6%
Medical/Dental	3%	5%	5%	4%	4%	4%
Miscellaneous	5%	6%	7%	7%	8%	8%
Savings	2%	5%	5%	5%	5%	5%
Debts	2%	5%	5%	5%	5%	5%
Investments	n/a	n/a	n/a	8%	9%	13%

This is only a guideline, not an absolute

** does not include social security contribution/head of household-does not consider deductions, family size or other adjustments*

How to use this information

What is your income bracket? Apply these percentages to your personal situation. Where are you spending too much, where could you spend more? Use this guideline in creating your ideal family budget.



CHAPTER 7 - Tips for Dealing with Creditors

When dealing with creditors DO THE FOLLOWING!

- Promise only what you can send and then send what you promised.
- Call your creditor if you will be late or have to miss a payment.
- Call them first - do not wait for them to call you.
- Give your creditors a truthful explanation of why you will be late and you may want to say “I really need your help with this”.

When dealing with creditors DO NOT DO THE FOLLOWING!

- Do not promise the creditor a payment and then not send it.
- Do not promise a payment just to get them “off your back”.
- Do not give lame excuses for not paying or being late.
- Do not be rude, swear, or holler at the creditor (no matter how they treat you).

CHAPTER 7, PART II - Planning, Preparing, & Managing Your Financial Future

Pre-retirement planning means you need to take the time now to prepare for your future. For most people, the future of retirement includes: financial security, housing needs, leisure time, emotional well-being, health and fitness, and legal needs.

You need to plan now! Many people fail to plan and assume they have plenty of time, or they assume that Social Security will provide the income they need.

If you are one of those who fail to plan, you will find that your retirement years are less than “golden.”

You can make your retirement a success if you plan now. The earlier you begin, the better off you will be.

- 1- When should you start? Everyone should start now, no matter what your age!
 - A - If your 5 to 15 years from retirement, it is not too late. Answer these two questions; When do you want to retire? How much money will you need? Most experts agree that you will need 60-75% of your current income.
 - B - If you have just started a career, you need to consider the following: You will need more money for retirement than a worker who retires today, more of the money will come from you, and you are the only one responsible for your future.

Planning, Preparing, & Managing Your Financial Future

2 - Use these 4 steps in planning your future:

- A - Set goals - think about your retirement and what kind of activities you will want to enjoy.
- B - Get information - educate yourself about the financial issues. Read information, talk to retired people and share ideas with friends.
- C - Get advice - ask a professional about money management, health, leisure, housing, and legal affairs.
- D - Write down a plan - make a list of things you need to do.

3 - What will you live on when you retire? Look at the following options:

- A - Social Security - do you qualify? How much can you expect?
- B - Company plans - how do they work? Understand your pension plan, if applicable, obtain statements from your employer.
- C - An IRA - how do your earnings grow? You can start to withdraw at age 59 1/2 .
- D - Investments - You should plan to invest some money. Consider stocks, bonds, or real estate. Ask reliable experts such as Certified Financial Planners, Accredited Financial Counselors.
- E - Life insurance - These policies will have cash value and the money can be used for income purposes.

Wills

What will I need a Will for?

- A Will tells the state court what to do with your property and your children when you die. It is a legal document and can be typed, handwritten, or oral, although, handwritten and oral Wills are not valid in all states. Check with your state to be sure which applies.
- 4 things in which you should identify in your Will:
 1. *Name an Executor, or a person to whom will be responsible for carrying out the terms of your Will after your death.*
 2. *List all of your property which you want to distribute and to which family members, friends, or organizations.*
 3. *List your beneficiaries, as these are the individuals and organizations that will receive your property.*
 4. *If you have minor children, you will need to choose a guardian which will care for your children.*
- After you have put together a basic Will, you will need to consult with an attorney to make sure it agrees with all of the laws in your home state. You will need witnesses to witness your Will, the number will depend on your home state. Once you have completed your Will, keep it in a safe place with other important documents such as birth certificates or marriage certificates.

**YOUR FUTURE BEGINS TODAY SO PLAN TO HAVE A
SUCCESSFUL RETIREMENT!**

Insurance

Insurance is needed for many things in your life. It can prevent you from a financial hardship when having to deal with your life's events. With all types of insurance it is important to shop around and find a specific policy that suits your needs. It is also important that you update any coverage you have and review your policies yearly.

Automobile Insurance – Everyone that has a valid driver's license and operates a motor vehicle is required by law to have automobile insurance. Automobile insurance does not only protect your vehicle, it covers the costs of bodily injury to yourself or others, lost wages due to injury, any lawsuits resulting from an accident, vehicle repairs to your car or other vehicles involved in an accident, and benefits to survivors if there was a death in result of an accident.

Automobile insurance rates are determined by certain factors. These could include:

Gender - Rates are less for younger women than for younger men.

Age - Rates are higher for drivers under 25 years old.

Type of vehicle - New and nicer vehicle will have a higher rate.

Driving record - Cleaner records result in lower rates.

Where you live - Rates are higher for urban areas than in rural areas.

How much you drive - The more miles you drive, the higher the chance you can be in an accident.

Most drivers are required to have the minimum of liability coverage. Some people who have older vehicles may not want to pay for full coverage, since the value of their vehicle is not worth the monthly premium. Many choose to have full coverage for their vehicle. This covers your car if it is damaged, stolen, or totaled.

Health Insurance – It is important that everyone has health insurance. The cost of medical care continues to rise and in the event that you or a family member have an accident or require long term care, insurance can save you from a financial burden that many can never recover from.

There are generally two types of health insurance. There are reimbursement plans that allow you to choose your own doctors and pays for your expenses under a specified contract. Then there are managed care plans that provide broader coverage, but through a network of health care providers that have certain arrangements with an insurer. Some examples would be an HMO (health maintenance organization) or a PPO (preferred provider organization).

Many employers provide health insurance coverage for employees and their families. This coverage will pay a significant amount for hospital or doctor bills. You may be required to meet a deductible before insurance goes into affect. A deductible is the amount you'll have to pay toward your medical expenses before the insurance company begins to pay claims.

If your employer does not supply an adequate plan that fits you or your family's needs, it is important to check into a policy with an outside company. A good policy will include coverage on prescription drugs, mental health benefits, maternity care, vision, and dental care. Some policies include one free visit a year under the plan before you have to meet a deductible.

Insurance ctd.

Life Insurance – A financial safety net for your family in the event of your death. If anyone depends on your income as a means of support it is important that you get a life insurance policy. These are the two more popular policies that people choose from.

Whole-life: Provides protection with a cash value incentive. Though more expensive, the premiums stay at a fixed rate throughout the contract. The policy will build up cash value, which you can use while you are still alive. However, borrowing from your policy will lower the death benefits.

Term: Least expensive coverage that is for a fixed period of time (usually one to 30 years) and can be renewed. Your beneficiary gets a fixed amount of money if you die during the term of the policy. Premiums will generally rise with your age.

To consider how much life insurance coverage you should have, you need to figure out some important costs. You will need enough coverage to cover any final expenses including hospital care, funeral charges, taxes, and attorney costs. Then consider any outstanding debt you owe like car loans, credit cards, student loans, etc. Include your mortgage, monthly expenses (utilities, food, entertainment, clothing, childcare, etc.), and college tuition for any of your children. Consider how long you want to provide this coverage for your dependents and you should come up with a figure of how much coverage you would need. Your health and lifestyle can affect the costs of your life insurance policy. If you use tobacco, are overweight, or have a poor medical history you will have higher premiums for your life insurance.

Homeowner's/Renter's Insurance – This is one of the most inexpensive types of insurance and just as important as the others. Most homeowners are required to pay the insurance and it can be included in their monthly mortgage payment. However not everyone that rents is required to get renter's insurance. A landlord has coverage that protects his buildings, but not what's inside them, and if you were the cause of an accident you could be held responsible for damages. Renter's insurance will protect your things and you in the case of stolen or damaged property or if someone gets hurt in your residence. Accidents happen all the time and it is certainly worth the cost to be covered.

Here are some annual average costs for renter's insurance

<u>Coverage</u>	<u>Cost (approx. per year)</u>
\$10,000	\$150
\$20,000	\$250
\$30,000	\$350

Disability Insurance - Missing a significant amount of work due to an illness or injury can make paying routine bills a nightmare. Disability insurance will replace a portion of the lost income and make it easier to keep up with your bills. There are two types of coverage.

Short-term: This covers the early part of when you miss work from an illness or injury. Many employee benefit packages include short-term disability coverage.

Long-term: This covers lost income for longer periods of time. Some employers provide long term insurance but most people have to purchase it individually.

Planning, Preparing, & Managing Your Financial Future - ctd.

One Million Dollars

How long does it take to accumulate \$1,000,000?

The answer depends on three things:

- How many years are available to accumulate the funds
- The after-tax rate of return, and
- The method of contribution: one lump sum or monthly contributions

The table below shows how long it takes to accumulate \$1,000,000 under varying circumstances. The results shown are hypothetical.

Annual Rate of Return (after-taxes)

Years	Annual Rate 6%		Annual Rate: 8%		Annual Rate 10%		Annual Rate 12%	
	Lump Sum	Monthly	Lump Sum	Monthly	Lump Sum	Monthly	Lump Sum	Monthly
5	\$747,258	\$14,391	\$680,583	\$13,709	\$620,291	\$13,709	\$567,427	\$12,447
10	\$558,395	\$6,155	\$463,193	\$5,552	\$385,543	\$5,003	\$321,973	\$4,506
15	\$417,265	\$3,485	\$315,242	\$2,962	\$239,392	\$2,510	\$182,696	\$2,121
20	\$311,805	\$2,205	\$214,548	\$1,757	\$148,644	\$1,392	\$103,667	\$1,097
25	\$232,999	\$1,479	\$146,018	\$1,100	\$92,296	\$811	\$58,823	\$593
30	\$174,110	\$1,026	\$99,377	\$710	\$57,309	\$485	\$33,378	\$328
35	\$130,105	\$728	\$67,635	\$467	\$35,584	\$294	\$18,940	\$183
40	\$97,222	\$524	\$46,031	\$310	\$22,095	\$180	\$10,747	\$103

Example: If you were to contribute \$1,757 per month to an investment which returns 8% after taxes, you should accumulate \$1,000,000 in 20 years. Likewise, if you currently have \$214,548 invested at 8% (after taxes) for 20 years, it will grow to \$1,000,000 without any additional contribution.

The Rule of 72 and the Rule of 115

How long will it take to double or triple your investment?

The “Rule of 72” is a handy mathematical rule which helps in estimating approximately how many years it will take for an investment to double in value at a specified rate of return.

For example, at a 1% rate of return, an investment will double in approximately 72 years; at a 10% rate of return it will take only 7.2 years, etc.

The “Rule of 115” is a similar rule that allows one to estimate how long it will take an investment to triple.

Rate of Return	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
Years to Double	72	36	24	18	14.4	12	10.3	9	8	7.2	6.5
Years to Triple	115	57.5	38.3	28.8	23	19.2	16.4	14.4	12.8	11.5	10.5
Rate of Return	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%
Years to Double	6	5.5	5.1	4.8	4.5	4.2	4	3.8	3.6	3.4	3.3
Years to Triple	9.6	8.8	8.2	7.7	7.2	6.8	6.4	6.1	5.8	5.5	5.2

For example, at 1% rate of return, an investment will triple in approximately 115 years; at a 10% rate of return it will take only 11.5 years, etc.

Glossary

Account - This means an agreement between a consumer and a credit company. An account can either be like an installment loan (with a closed-end) or a department store type revolving credit card (with an open-end).

Account Number - This number identifies you to your credit company.

Amount - This is the original amount of a loan for any credit account you may have set up.

Amount Enclosed - This is the amount of payment that you send with your payment stub to a creditor.

Annual Percentage Rate (APR) - This is the interest rate charged on an account which is on an annual basis. In order to determine the monthly interest, you can divide the APR by 12 (example: APR=18% of \$1,000 balance. The monthly % is 1.5% = \$15).

Available Credit - This is the unused dollar amount of a person's credit limit. On credit cards, it is the difference between the original credit given and the outstanding balance you currently have.

Balance - This is the outstanding amount owed on any credit account.

Charge-off - This happens when a creditor cannot collect a debt and the debt is written off as a bad debt to reflect on their account receivable books.

Charge-back - This is when a merchant reverses a credit card transaction in order to pay back the cardholder of the original amount charged.

Co-signer - This is another person whom enters into a loan agreement with you and guarantees the monthly payments will be made. If you do not follow through with payments, this person will be responsible.

Credit Limit - This is the maximum amount on a credit card in which you are able to charge.

Current - An account is considered current when you have a history of making your monthly payments on time.

Delinquent (same as "Default") - When you do not make your payment based on the agreed terms with your credit grantor. Your account is considered delinquent after 30 days and will be reported on your credit report.

Finance charge - This is the cost in which you pay in exchange for a creditor that lends you money on credit in order to purchase items. The outstanding balance and the interest rate charged is what will determine the finance charge. These finance charges will appear on your monthly statement you receive from your creditor.

Judgment - This is an award which is granted by the courts to a creditor trying to collect on a bad debt. This forces an individual to pay the amount in full prior to removing this from their credit report.

Lien - If you fail to pay on a debt you owe, a creditor can obtain a court order to place a lien against any property you own. This property could not be sold without paying the creditor first.

NSF Charge - If your checking account did not have sufficient funds (money) at the time a check was written for services. When this happens, your bank will charge you an NSF fee.

Past Due Amount - This amount reflects on your statement from a creditor as to any amount that has been missed previously.

Revolving - This is an account in which the outstanding balance can fluctuate depending on the usage of the card. Most revolving accounts will charge a service fee each month if the balance is not paid in full.

Signature Loan - This is a loan that a credit grantor will give you without having to put up any property or collateral. This is also known as an "unsecured debt".

Monthly Budget Worksheet

Use this worksheet if your income typically comes at the same time each month

	Gross		Net
1st Household Income	\$ _____		\$ _____
2nd Household Income	\$ _____		\$ _____

Fixed Expenses		Net Working Income	\$ _____
Mortgage	\$ _____		
Tithe/Church	\$ _____		
Lot Rent	\$ _____		
Condo Fees	\$ _____		
Heat	\$ _____		
Electricity	\$ _____		
Water/Sewer/Garbage	\$ _____		
Telephone	\$ _____		
Car Insurance	\$ _____		
Car Payment	\$ _____		
Car Payment	\$ _____		
Gas to Work	\$ _____		
Health Insurance	\$ _____		
Life Insurance	\$ _____		
Food/Household	\$ _____		
Child Care	\$ _____		
Alimony/Child Support	\$ _____		

Total Fixed Expenses \$ _____

Flexible Expenses	
Car Repairs	\$ _____
Recreation/Entertainment	\$ _____
Dry Cleaning/Laundry	\$ _____
Clothes	\$ _____
Cable TV	\$ _____
Medication	\$ _____
Student Loans	\$ _____
Loans	\$ _____
Credit Card Payment (all credit cards)	\$ _____

Total Flexible Expenses \$ _____

TOTAL EXPENSES \$ _____

Working Amount +\$ _____

-\$ _____

Check Reconciliation

Easy Steps to Help You Balance Your Checkbook

1. On your duplicate check copy; mark off with a large check (✓) each entry that matches a paid check shown on your check statement.
2. Make sure that other charges or deductions shown on the statement have been subtracted from your check register balance and that all deposits (and other credit items, if any) have been added.
3. List below under “Checks Outstanding” all duplicate checks not showing a large (✓). These are checks you have issued which were not paid by the bank or credit union or previous to the period covered by the statement.
4. Fill in the “Reconcilement Form”. After proving your balance, fold statement and file it with the copies of paid checks for possible future reference.

CHECKS OUTSTANDING

DATE OR NUMBER	AMOUNT	
	DOLLARS	CENTS
TOTAL		

RECONCILEMENT FORM

AMOUNT	DOLLARS	CENTS
	\$	
\$		

Enter the balance from this statement.

Add any recent deposits (not credited on this statement)

Total

Subtract any outstanding checks

Balance your check register and it should show this balance.

If Your Account Does Not Balance

PLEASE CHECK THE FOLLOWING CAREFULLY

1. Are the amounts on your deposits entered in your check register correct?
2. Have all checks been deducted from your check balance?
3. Have you deducted service charges from your check register balance?
4. Have you checked all additions or subtractions in your check register or stub?

Net Worth Statement

ASSETS

Real Estate

Home _____
 Other Properties _____

Personal Property

Automobiles _____
 Household Furnishings _____
 Painting & Art _____
 Furs _____
 Jewelry _____
 Clothing _____
 Other _____

Pensions

Vested Portion of Company Plan _____
 Other Vested Ben. _____
 IRA _____
 Keogh _____
 Other Long Term Assets _____

Securities

Stocks _____
 Bonds _____
 Govt. Securities _____
 Mutual Funds _____
 Gold/Silver _____

Cash

Cash on Hand _____
 Checking Balance _____
 Savings Account _____
 Money Markets _____
 Cash Value of Life Insurance _____

TOTAL ASSETS

LIABILITIES

Real Estate

Balance Owed on Home Mortgage _____
 Balance Owed on Other Property _____

Current Bills

Current Month's Mortgage/Rent _____
 Utilities _____
 Charge Accounts _____
 Credit Cards _____
 Insurance _____
 Other _____

Taxes

Federal Tax Due _____
 State Tax Due _____
 Local Tax Due _____
 Property Tax _____
 Tax on Investments _____
 Other Taxes _____

Debts

Auto Loan(s) _____
 Education Loan _____
 Home Improvement Loan _____
 Other Personal Loans _____

TOTAL LIABILITIES

Total Assets _____
 Total Liabilities (-) _____
 NET WORTH _____

Creditor Debt Form

List the name of the creditor, total balance owed, amount of finance charges, and monthly payment.

Month _____

Creditor	Total Balance Owed	Finance Charge	Monthly Payment
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Total Amount
Due to Creditors \$ _____

Total
Finance
Charges \$ _____

Total
Monthly
Payments \$ _____

How to use this information

Transfer this information to the budget worksheet and net worth worksheet you will be using. This information is vital to getting you on the road to financial freedom. Make 12 copies of this sheet and use for each month of the year.

Resources: Assistance from Public & Private Agencies

The following list of organizations can provide valuable information regarding your financial questions. Some are government agencies while others are private businesses and non-profit organizations.

Consumer Protection/ Identity Fraud

Federal Trade Commission (FTC)
1-877-FTC-HELP (382-4357)
<http://www.ftc.gov>

For your state consumer protection department or Attorney General's office, dial 411.

Credit Counseling and Creditor Intervention

Financial Counseling Association of America
(866) 694-7253
www.fcaa.org

National Foundation for Credit Counseling
(800) 388-2227
www.nfcc.org

Insurance Issues

National Insurance Consumer Helpline
(800) 942-4242

Insurance Quotes Service, Inc. (free)
(800)972-1104

TermQuote (free)
(800) 444-TERM

Money Management & Savings for Retirement

Jump\$tart Coalition for Personal Financial Literacy
888-45-EDUCATE
<http://www.jumpstartcoalition.org>

American Savings Education Council
<http://www.asec.org>

American Association of Retired Persons (AARP)
<http://www.aarp.org/programs/retire/rearp.html>

Kiplinger's Personal Finance
<http://www.kiplinger.com>

Home Ownership

Fannie Mae
1-800-688-HOME (4663) English
1-800-782-2729 Espanol
<http://www.fanniemae.com>

Credit Reports/Credit Report Errors

Free Credit Report
www.annualcreditreport.com

Equifax
(888) 909-7304
www.equifax.com

TransUnion
(800) 888-4213
www.transunion.com

Experian
(888) 397-3742
www.experian.com

Fico Score
www.myfico.com

VantageScore
www.vantagescore.com

Business & Consumer Information

Council of Better Business Bureaus, Inc.
(703) 276-0111
www.bbb.org

United States General Services Administration
(Consumer Information Center)
www.gsa.gov

Heartland Better Business Bureau
(800) 649-6814
<http://www.heartlandbbb.org>

Bankruptcy

American Bankruptcy Institute
<http://www.abiworld.org/consumer/A.html>

National Association of Consumer Bankruptcy Attorneys
www.nacba.org

Investment

Morningstar.com
<http://www.morningstar.com>

Pioneer Credit Counseling

<http://www.pioneercredit.com>
1-800-888-1596
1644 Concourse Dr. PO Box 6860
Rapid City, SD 57709

FINAL TEST

Guidelines

To complete your test, please go to page 32 and remove the Answer Sheet from the Guide. Utilize this to record your answers. There will be a Completion Certificate issued upon successful completion of the final test.

- When setting financial goals for your family, they should include:
 - Immediate Goals
 - Short Term Goals
 - Long Term Goals
 - None of the above.

e. a, b and c are correct.
- When trying to determine whether or not you need financial counseling, you should ask yourself:
 - Am I saving on a regular basis.
 - I am borrowing money to pay bills.
 - I am not paying my bills on time.
 - All of the above.
- When trying to increase your income, you should try one of the following:
 - Using a budget.
 - Working extra hours.
 - BOTH 'a' & 'b' are correct.
 - None of the above.
- Why is a budget important?
 - It is a tool to help manage your family's money.
 - It will keep you in control of your spending, instead of letting your spending control how you live.
 - Answers 'a' & 'b' are correct.
 - None of the above.
- When working on the monthly "Budget Worksheet" on page 22 of the Life Skills Book, the Fixed Expense include the following types of bills:
 - Mortgage/Rent
 - Telephone
 - Recreation/Entertainment
 - Answers 'a' & 'b' are correct.
- Goals should be a part of setting up your budget?
 - True
 - False
- Based on the "Family Income Percentage Guide" within the Life Skills Book, what percentage of Savings should go towards your Net Income if income is close to \$24,000 per year?
 - 2%
 - 5%
 - 10%
- When should you start preparing for your financial future?
 - When you turn 30.
 - When you turn 40.
 - When you start a family.
 - Everyone should start now, no matter what your age.
- Four things in which you should identify in your Will are 1-Executor 2-List of your property 3-List of your beneficiaries and 4-Choose a guardian which will care for your children.
 - True
 - False

FINAL TEST - *continued...*

10. The 3 C's of Credit are, Character-Do you pay your bills on time?, Capacity-What is your ability to pay back the loan?, Collateral-What is the security to back up the loan?
- True
 - False
11. A Credit Report can be used for the following:
- When trying to rent a new place.
 - When applying for a new job.
 - When trying to purchase a new home.
 - All of the above.
12. When looking to borrow money, you should do the following:
- Shop around for good interest rates.
 - Read all documents before signing.
 - You should look at a bank or credit union where you already have an account.
 - All of the above
13. When working on a budget, you should:
- Have one record keeper.
 - Do a certain time each month.
 - Make it a joint family affair.
 - All of the above
14. There are two basic types of debt:
- Unsecured
 - Secured
 - Neither of the above
 - Answer 'a' & 'b' are correct.
15. When working with creditors, you should:
- Only promise a payment of what you can send and then send it.
 - Call your creditor if you will be late or have to miss a payment.
 - Answer 'a' & 'b' are correct.
16. You can receive information on your credit from:
- TransUnion
 - Experian
 - Equifax
 - All of the above.
17. A Net Worth Statement, of which there is one for reference in the Life Skills Workbook, should contain the following items:
- Assets
 - Liabilities
 - Both 'a' & 'b' are correct.
18. What are your payment options on a credit card account?:
- Pay the total amount you owe.
 - Pay the minimum monthly payment required.
 - Pay more than the minimum monthly payment required.
 - All of the above.
19. To better handle your debt payments, your debt to income ratio should be below 20%.
- True
 - False

FINAL TEST - *continued...*

20. Per the “Rule of 72” within the Life Skills Workbook, if you were to earn 10% interest on an investment of your money, according to the chart, it would take how many years before it doubled?
- a. 72 years
 - b. 7.2 years
 - c. 4 years
21. Gross Income is the amount that you take home after deductions are made by your employer.
- a. True
 - b. False
22. Periodic expenses can include;
- a. Homeowner’s Insurance
 - b. Car Insurance
 - c. Taxes
 - d. All of the above
23. A Savings account could include which of the following:
- a. Credit card
 - b. CD
 - c. Bank loan
 - d. None of the above
24. The largest factor that is calculated into a credit score (35%) is:
- a. Payment history
 - b. New credit
 - c. Collection accounts
 - d. None of the above
25. What credit score is the cut off point for high risk?
- a. 350
 - b. 620
 - c. 700
 - d. 500
26. State law requires that you carry car insurance.
- a. True
 - b. False
27. The health insurance plan that allows you to choose your own doctors within a network of healthcare providers is a:
- a. HMO
 - b. PPO
 - c. Reimbursement
 - d. Answers ‘a’ and ‘b’ are correct
28. Which of the following factors could affect how much you pay for Life Insurance?
- a. Tobacco use
 - b. Weight
 - c. Poor medical history
 - d. All of the above
29. Renter’s Insurance will cover damages if:
- a. Property is stolen
 - c. You break an item
 - b. Property is damaged
 - d. Answers ‘a’ and ‘b’ are correct
30. Disability Insurance will cover:
- a. Missing a significant amount of work
 - b. A totaled car.
 - c. A fire at your home
 - d. Expenses incurred because of a death

NOTES

ANSWER SHEET

Instructions

Please complete all information listed below. Upon completion of your Final Test, please return the Answer Sheet to the educational organization which provided you with this "Simplified Guide to Financial Life Skills" workbook.

Student Information

Applicant Name: _____
Last First MI

Co-Applicant Name: _____
(If applicable) Last First MI

Mailing Address: _____
Street City State Zip

Phone Number: (____) _____ - _____ **E-mail Address:** _____ @ _____

_____ (Applicant initial here) _____ (Co-Applicant initial here)

FOR BANKRUPTCY CLIENTS ONLY: By initialing you hereby acknowledge that you are in receipt of the Pioneer Credit Counseling Bankruptcy Disclosures of this packet and agree to the same.

Mail this completed Answer Sheet to:

Pioneer Credit Counseling

Attn: Post BK Class

PO Box 6860 Rapid City, SD 57709

FOR QUICKEST RESULTS

FAX TO:

605-348-8537

Question #	Letter for Answer (Please Circle Letter)					Question #	Letter for Answer (Please Circle Letter)			
1.	(A)	(B)	(C)	(D)	(E)	16.	(A)	(B)	(C)	(D)
2.	(A)	(B)	(C)	(D)		17.	(A)	(B)	(C)	
3.	(A)	(B)	(C)	(D)		18.	(A)	(B)	(C)	(D)
4.	(A)	(B)	(C)	(D)		19.	(A)	(B)		
5.	(A)	(B)	(C)	(D)		20.	(A)	(B)	(C)	
6.	(A)	(B)				21.	(A)	(B)		
7.	(A)	(B)	(C)			22.	(A)	(B)	(C)	(D)
8.	(A)	(B)	(C)	(D)		23.	(A)	(B)	(C)	(D)
9.	(A)	(B)				24.	(A)	(B)	(C)	(D)
10.	(A)	(B)				25.	(A)	(B)	(C)	(D)
11.	(A)	(B)	(C)	(D)		26.	(A)	(B)		
12.	(A)	(B)	(C)	(D)		27.	(A)	(B)	(C)	(D)
13.	(A)	(B)	(C)	(D)		28.	(A)	(B)	(C)	(D)
14.	(A)	(B)	(C)	(D)		29.	(A)	(B)	(C)	(D)
15.	(A)	(B)	(C)			30.	(A)	(B)	(C)	(D)

PIONEER CREDIT COUNSELING
PO BOX 6860
RAPID CITY, SD 57709-6860

