Charting Your Course to Home Ownership

Unit 2
Staying on Course with Financial Management

LSU AgCenter
Research & Extension

Charting Your Course to Home Ownership

Managing Your Family Finances: Organize and Set Goals

Most families spend more time planning a yearly vacation than they spend planning their financial future! They may know where they are going this summer, but they don't know where they are going in life!

Your future, however, does not have to be uncertain. Let's use the simple analogy of a family vacation to understand the importance of financial planning. If you ***are*** planning a trip, you begin with the end – your destination – in mind. You decide where you want to go then … you plan the best route to get you there.

- Financial planning is much the same. You plan goals…then you plan the most logical steps that will help you achieve your goals.

To achieve goals, it takes planning. Many people today, however, live in the fast lane. They never stop long enough to see where they are now … much less plan for the future. It's no wonder they feel lost. It's hard to get anywhere when you don't know where you are now…or where you are going!

Financial Management to Stay on Course

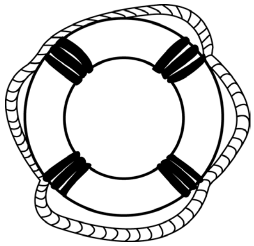
Identifying goals is often the easy part! But making these goals a reality can be difficult without a plan. To "Chart the Course" for your family's financial future, follow these four key compass points:

- Decide where you want to go – set SMART financial goals.
- Find out where you've been – track your cash flow. Find out exactly where your money has been going. Collect income and expense records to track your past spending.
- Find out where you are now – determine your net worth. A net worth statement is a "snapshot" of where you are now on your financial journey. It's a statement of how much you own and how much you owe.
- "Chart the Course" for your future – prepare a family budget. Preparing a family budget is the plan to help you achieve your goals.

To accomplish any of these points – track your cash flow, determine a net worth, or prepare a budget— the first step is to organize your financial records.

Organizing Financial Records

An organized system of record-keeping can make managing family financial matters much easier. If you don't already have one, organize a specific place in your home to use as your home office or financial center. You will need an area



Life Saver:
Why use a portable filing system? For emergencies-- whether evacuating for a hurricane, fire or tornado or caring for a loved one during an extended hospital stay, we all face emergencies that may take us away from home on short notice or for an extended stay. If your financial records are in a portable filing system, leaving home suddenly is not a problem. You will be prepared and you will have far less stress!

However, if you do choose to keep your current records in a permanent file or desk drawer, keep an empty portable file box on hand. This way, you can quickly transfer files to a portable container and you're "out the door" in an emergency.

large enough to work, as well as to organize your files and keep your supplies (checks, calculator, pens, pencils, stamps, file folders and envelopes).

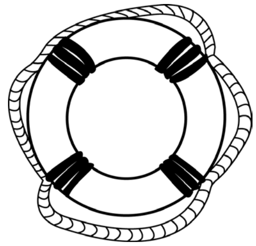
Your financial center may be elaborate or simple. The type of system doesn't matter as long as you have one! Most people prefer to file their documents in file folders. You may, however, use envelopes, pocket pages or zippered freezer bags. Files may be stored in a filing cabinet, a desk drawer, a cardboard box, an accordion folder or a large binder.

Whatever type of storage system you use, divide your files into two main areas -- current financial records and inactive financial records. It is strongly recommended that you keep current records – those used this year – in a ***portable*** filing system. Inactive files may be stored in a more permanent place such as a filing cabinet.

Current Records

In setting up your files for current records, what categories should you use? Folders will vary for each family, but generally, you will want to make a file folder for:

- **Bills to be paid.** Put all incoming bills in this folder. Also, include a list of when each bill is due or develop a bill payment calendar, designating in the numerical squares of the calendar when each bill is due. When bills are paid, mark the payment stub with the date, amount paid and check number; then move the payment stub to the appropriate creditor folder. If you pay a bill in cash, attach the receipt to your bill stub and move to the appropriate creditor folder.
- **Papers to file.** Put all papers, except bills, into this file immediately upon receiving them. This will keep you from losing or misplacing them before you have time to permanently file them. Sort through this folder each month so that all filing is up to date.
- **Each creditor.** Anyone you owe money to is a "creditor." Some examples of creditors are your landlord, your mortgage company, your utility service companies (electricity, gas, water, sewer, cable TV, telephone, cell phone), your credit card companies, your installment loans and so forth.
- **Each insurance policy** (auto, health care, dental, home owners or renters).
- **Automobile maintenance.** Did you know that automobile manufactures are not obligated to warranty their products unless you can prove that you've properly maintained the vehicle? This means … when you have the oil changed, save the receipt! If you change the oil yourself, save the receipt from the oil purchase.
- **Bank statements** and/or canceled checks.
- **Savings account records.**
- **Paycheck stubs** for each working member of the family.
- **Other income records.** Other potential sources of income may be child support, Social Security benefits, unemployment, public assistance, bonus income checks and so on.
- **Current income tax working files.** Include documents or notes to verify deductible items. Include receipts from charitable donations.



Life Saver
Financial records are a vital part of your life. A "system" for organizing your financial records can save hours of anxious searching, can help preserve peace and harmony in your home and make it easier to cope with emergency situations.

- **Receipts for personal purchases.** To keep your cash flow statement up to date, you need to know how much money you have spent and where you have spent it. Receipts for personal purchases such as clothing, groceries, household items and gifts are all helpful tools for documentation.
- **Cash flow work sheet.**
- **Net worth statement.**
- **Family budget.**

One final tip — you should sort through and clean out your files once a year. You don't have to keep everything forever! When a year has passed, you may want to throw away old phone bills, utility records and so forth. Bank statements, paycheck stubs and tax records can be moved to your inactive file.

Inactive Records

What categories should you use to set up your files for inactive records? A detailed list of financial records is available in the LSU AgCenter Publication No. 1842, "Organize Your Important Papers – What to Keep and Where." However, a good rule to follow is to keep the item at home unless it is a legal document or is difficult to replace or duplicate. These basic tips should help.

Keep these records seven years:

- Bank statements
- Canceled checks that support tax returns.
- Tax returns and records

Keep these records permanently unless otherwise stated:

- Insurance policies. In addition to the policies, keep a list of the dates and amounts of premiums paid for as long as you own the policy.
- Housing records. Keep a copy of the lease as long as you rent a property. If you buy a house, keep an updated record of the total investment in the property. Checks or receipts for property improvements (those that have added to the value of your property) should be kept as long as you own the property.
- Charge accounts. Keep a list of account numbers and the phone numbers to call if one or more cards are lost or stolen. Additionally, you should keep all statements and payment records until you have paid them down to a zero balance.
- Medical records.
- Educational records such as transcripts and diplomas.
- Photocopy of your will and instructions to the executor(s).
- Warranties and operating instructions for appliances, receipts for major purchases and service contracts should be kept as long as you own the items.
- Employment records, such as letters of recommendation, awards or achievements, resumes and fringe benefit information.
- Legal papers pertaining to properties formerly owned.
- Reports from any trusts.

- Records of family corporations, articles of incorporation, annual meeting minutes and other documents relating to the corporation.
- Household inventory. Write down the value of the personal possessions you buy or receive as gifts during the year. Transfer this information once a year to a complete household inventory kept in a safe deposit box.
- Keys to your safe deposit box and a list of the items in the box. This should be a running record of items you put in and take out.

Keep these important hard-to-replace records in a safe deposit box at a bank (or at the very least, in a fireproof box at home):

- Birth certificates, Social Security cards, marriage certificate and military service records.
- Originals of your will, living will and power of attorney documents.
- Deeds to real estate currently owned and investments.

Identify Your Destination: Set Goals

To get where you want to go in life, it is important to decide in advance how you will get there. Goals point you in the direction you need to take. Financial goals help us organize and direct our financial lives. By keeping your goals in view, you can direct your energies toward achieving your goals.

There are a number of factors to consider when setting a goal. The best goals are SMART:

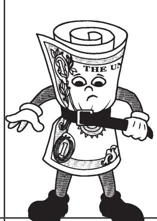
- **S**PECIFIC—determine dollar amounts, dates and resources to be used
- **M**EASURABLE—determine regular amounts to set aside weekly or monthly to accomplish the goal
- **A**TTAINABLE—doable within your financial situation
- **R**EALISTIC—do you have the RESOURCES to achieve the goal?
- **T**IME-BOUND—specific timeline for accomplishment of the goal

For wise financial planning, it's often best to break your goals into three categories:

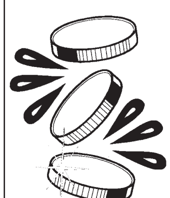
- **Short-term goals** include the things you want to do this year. Short-term goals may be really small such as buying your daughter a new prom dress, or they may be somewhat larger such as planning a family vacation.
- **Mid-term or intermediate goals** are things you want to do in the next two to five years. An intermediate goal may be to purchase a new car or to save the down payment you'll need to purchase a home.
- **Long-term goals** are those goals that will take five or more years to accomplish. Long-term goals may be paying off a mortgage, putting your children through college or funding your retirement account.

Next, plan action steps to meet your goals. For example, think through all of the things you want to accomplish this year. These are your short-term goals. Then add the costs of these goals and divide by 12 (months) or the number of paychecks you receive (26 if you are paid every two weeks). This is the amount you need to save (budget) from every paycheck to accomplish your short term goals. These examples may help get you started:

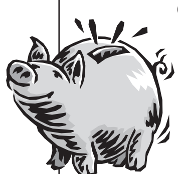
Short-term Goal Work Sheet

	Example	My Goal
Specific	I want to take my family to the beach for summer vacation.	
Measurable	I'll need $1,200.	
Attainable	I will avoid the vending machine at work by bringing healthy snacks from home.	
Realistic	 I'll save $100 a month for 12 months.	
Time bound	I want to save all the money by July 1st, ______ (year).	

Mid-term Goal Work Sheet

	Example	My Goal
Specific	 I want to save the down payment and closing costs for a new family home.	
Measurable	I'll need a down payment of $3,600 to cover all costs.	
Attainable	I will be able to save the money I need by paying off my credit cards and taking my lunch to work.	
Realistic	 I'll save $100 a month for 36 months.	
Time bound	I want to save all the money by July 1st _______ (year).	

Long-term Goal Work Sheet

	Example	My Goal
Specific	 I want to help my child with his/her college education.	
Measurable	I'll need $12,000 to assist my child with living expenses.	
Attainable	 I will start now (my child is an infant) by establishing a college fund and making regular contributions.	
Realistic	I'll save $50 a month for the next 18 years. With interest earned, I'll exceed my goal of $12,000.	
Time bound	I want to save all the money by May 1, ________(year).	

These key thoughts may help you stay motivated:

- **Know your course!** Goal setting gives us direction and keeps us from getting lost in life.
- **Stay on course!** Write **SMART** (Specific, Manageable, Attainable, Realistic and Time-bound) goals to help you stay on course. You are more likely to achieve goals that are written.
- **Keep your eyes on the horizon!** Planning long-term goals makes your dreams a reality!

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

Additional References:

- *Federal Deposit Insurance Corporation. (2008). "Money Matters." Money Smart. Retrieved April 18, 2008 from http://69.0.254.19/wwMS/english/main.htm*
- *National Endowment for Financial Education. (2006). High School Financial Planning Program: Student Guide. Greenwood Village, Colorado. National Endowment for Financial Education.*
- *O'Neill, B. & Ensle, K. (2006). Small Steps to Health and Wealth. Ithaca, NY. Natural Resource, Agriculture and Engineering Service Cooperative Extension.*
- *O'Neill, B., Brennan, P., Christenbury, J., Fox, L., Kratzer, C., Leech, I., Philipp, K., Porter, N. Schuchardt, J. & Witter, J. (2002). Investing for your Future. Ithaca, NY. Natural Resource, Agriculture and Engineering Service Cooperative Extension.*
- *Tucker, J. (2007). Organize Your Important Papers: What to keep and Where. Baton Rouge, La.. LSU AgCenter Pub. 1842. Retrieved on April 13 from http://www.lsuagcenter.com/NR/rdonlyres/75630ADE-84D8-4700-8FD9-1D43520E6634/38066/pub1842importantpapersHIGHRES1.pdf*

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Charting Your Course to Home Ownership

Managing Your Family Finances:
Chart Your Cash Flow

After you have set your goals and organized your home office, you are ready to use the records you've gathered to develop important financial tools – cash flow worksheet, net worth statement, and family budget.

Cash Flow — the Tool to "Chart your Journey"

The next compass point in the money management process is cash flow. Understanding cash flow will help you get a clear picture of the ebb and flow of your money – past income and spending habits. A simple way to think of cash flow is that it is the money you have coming in and the money you have going out.

Income is generally easy to verify – it's usually the same every week or month unless you work on commission. Remember to include all verifiable sources of income such as child support, Social Security benefits, public assistance and so on.

To get an accurate picture of your cash flow, it is helpful to record everything you earn and spend for a typical month or two. Expenses are generally broken down in two ways. **Fixed** expenses are those expenses that stay the same every month. They are also the expenses you must pay each month to protect your credit rating. Examples of fixed expenses are rent or mortgage payments and installment payments such as a student loan, a car loan, or a furniture loan. Other fixed expenses are those "survival" expenses such as utilities (lights, gas, water and sewer) and phone services.

Flexible, or **controllable,** expenses are the expenses that vary each month. Examples are groceries, clothing, entertainment, household cleaning supplies, personal grooming items, etc.

When recording expenses for a typical month or two, it's helpful to set up your own expense categories. It may be helpful to think of expense categories as "labels" that identify related groups of things you spend money on. Examples of typical expense categories are housing, transportation, loans, credit cards, groceries, utilities, household cleaning items, personal grooming items, etc.

This publication will introduce you to three different tools to help you monitor your cash flow. Everyone's lifestyle and recordkeeping skills are different, so it is important to find a system that works for you.

The "Spending Record – On the Go" tool on pages 13-14 provides a simple, handy method for tracking your spending each day. Keep it in your purse or pocket to write down your expenses **each and every time you spend money**! Then total your daily expenses. You may be surprised to know how much you actually spend each day.

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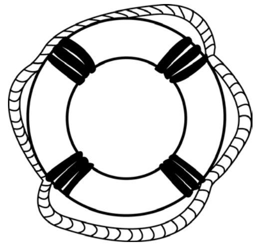

Life Saver
Don't forget to budget for periodic expenses such as gifts, school clothes, dues, holidays, and other expenses that only occur a few times a year. These are often budget busters! Also, plan ahead for emergencies! Think carefully. How old are your tires? Are any of your appliances over 10 years old? Most unexpected expenses are not really unexpected; they are just neglected. Plan for emergencies by setting a savings goal equal to at least one month's take-home pay. This is the bare minimum you should have in savings! Ideally, experts suggest setting aside at least 3 months' take-home pay. Individuals with unstable income or income that fluctuates – such as people who work on commission or who have seasonal jobs should set aside 6 months take-home pay.

Keep in mind – recording your expenses may take time, but it is well worth the time spent. If you do this – record your expenses for a typical month or two – you will have a much clearer picture of where your money is going. To aid you in this process, we have several examples and work sheets.

Expense Ledgers and Cash Flow Work Sheets – Tools to chart where you've been!

You can purchase a ledger book from an office supply store, use the ones provided in this publication or you can design your own **ledger sheets** by simply making columns in a looseleaf notebook.

The steps are simple:

- Label a column for each of your expense categories.
- Each time an expense is incurred, record it in the appropriate column in the expense ledger. It will be easy to transfer the expenses that you have recorded in your "Spending Record – On the Go" to your ledger sheet each day or week.
- At the end of each month, total each column.
- Transfer monthly totals into your cash flow work sheet.

Now you have a true and accurate picture of where your money has been spent! By completing ledger sheets and transferring your totals into a **cash flow work sheet**, you can determine whether cash flow is positive (income greater than expenses) or negative (expenses greater than income). Sample ledger sheets, ledger forms, sample cash flow work sheets and cash flow worksheets are provided on pages 15-20.

Why does cash flow matter? To be a successful financial manager, your income and expenses need to balance. If you continually spend more than you earn, you will have a negative cash flow. As a result, you'll eventually go broke!

The opposite is also true – if you live below your means, you'll have a positive cash flow. You'll have the money you need to save and invest for long term goals such as a mortgage, your child's college education and your retirement.

If your cash flow doesn't look as positive as you would like it to be, take control of your spending. Find ways to reduce expenses and bring them in line with your income. One way to do this is the "10% Solution." This simply means try to save 10% of your monthly income by reducing flexible household expenses such as food, clothing and entertainment. Over time, the results really add up! If you can't save 10%, start with 5% … even 2%! Any amount you save will be a step in the right direction!

Preparing a cash-flow statement not only improves your financial planning but also helps you secure credit. Lenders will often ask about your cash flow to determine if you will be able to meet your debt obligations while still making ends meet for your family. As a potential home buyer, having an accurate cash-flow statement will show your lender that you are financially responsible.

Anchor Deeper: Please keep in mind … these forms and work sheets are only examples of tools you can use to track cash flow. You could also organize expense envelopes, labeling each envelope with your expense category. Or, if you're handy with computer spreadsheet software, you could create a working tally sheet that allows you to have a running total of expenses. If you're even more advanced, you could use personal finance software programs like Quicken or Microsoft Money. Not only do these programs allow you to record expenses in categories that you set up for yourself, they also balance your checkbook!

Spending Record on the Go

Week of: ______________

Instructions: Record all the money you spend each day. Total each category, then transfer totals to your ledger.

Sunday

Category	Amount

Total: ________

Monday

Category	Amount

Total: ________

Tuesday

Category	Amount

Total: ________

Wednesday

Category	Amount

Total: ________

Thursday

Category	Amount

Total: ________

Friday

Category	Amount

Total: ________

Saturday

Category	Amount

Total: ________

Spending Record — On the Go

Instructions:

1. Fold form in half lengthwise. Results in 4.25" x 11"

2. Fold in half crosswise. Results in 4.25" x 5.5"

3. Fold in half again crosswise. Results in 4.25" x 2.75"

4. Identify the week you are recording by filling in the "Week of: ____________" section. (Example: Week of: April 20-26, 20__)

5. Keep the expense tracker in your purse or pocket. Anytime you spend money, write it down. Identify each expense by its budget category.

6. Total your expenses each day.

7. At the end of each week, transfer your expenses, by category, to your ledger sheet.

Ledger Sheet to Track Expenses

Month March **Year** 2008

Date		Gas		Groceries		Household Supplies		Personal Grooming		Restaurants	
3-1	Chevron	49	29								
3-1	Kroger's			34	26	10	01	5	29		
3-2	Market Basket			12	31						
3-3	Sonic									5	49
3-4	Chili's									36	00
3-5	Dollar General					6	59				
3-6	Wal-Mart			79	01	22	44				
3-8	Chevron	51	29								
3-8	Kroger's			49	79						
3-9	Albertson's			10	00			4	37		
3-10	Dollar General					10	39				
3-11	Market Basket			21	29						
3-12	Wal-Mart			31	93	3	11				
3-14	Hair Salon							25	00		
3-15	Nail Salon							25	00		
3-16	Exxon	47	20								
3-18	Wal-Mart			8	98						
3-20	Dollar General					4	79				
3-21	McDonald's									10	95
3-22	Kroger's			9	02						
3-23	Popeye's									14	99
3-24	Kroger's			11	98		79				
3-26	Market Basket			29	11						
3-29	Seafood Mart			49	00						
3-30	Stop-N-Go			2	59						
3-31	Nail Salon							25	00		
	TOTALS	147	78	349	27	58	12	84	66	67	43

Ledger Sheet to Track Expenses

Month ________________ Year_____________

Date											
	TOTALS										

Cash Flow Work Sheet

Monthly Income (Cash in)		
Salary (take home pay)		3,600
Child support		376
Public assistance/food stamps		
SSI/Social Security/Retirement benefits		
Other		
Other		
Total		$3,976
Monthly Expenses (Cash out)		
Fixed Expenses		
Rent (or house note)		550
Car note(s)		200
Child care/elder care		250
Child support/alimony		
Other loan payment(s)		75
Credit card		50
Credit card		100
Gasoline		147
Home owners or renters insurance		300
Health insurance		100
Life/disability/long-term care insurance		
Car Insurance		89
Savings		250
Utilities:		396
Electricity	90	
Natural gas	119	
Water/sewer	20	
Garbage	20	
Cable TV	49	
Telephone		
Cell phone	77	
Internet	21	
Total	396	$2,507

Flexible (Controllable) Expenses		
Food at home		349
Food out		67
School lunches		25
Household supplies		58
Lawn care		80
Personal grooming supplies		84
Clothing		145
Laundry/drycleaning		20
Entertainment/Recreation		30
Auto repair/maintenance		203
Medical		67
Donations		50
Pet Care		33
Personal Allowance ("Mad Money")		25
Monthly periodic expenses		50
Other		60
TOTAL		*$1,346*
Income Total		*$3,976*
Fixed Expense Total	*2,507*	
Flexible Expense Total	*1,346*	
Expense Total	*$3,853*	*$3,853*
Difference between income and expenses		*$123*

Fixed expenses *are those that stay the same each month. Fixed expenses also include "survival" expenses such as utilities… or any payment that protects your credit rating such as the minimum monthly payment on a credit card or the required monthly payment on an installment or student loan.*

Flexible expenses *(sometimes called variable expenses) are those that fluctuate each month. They are also the expenses that you have some control over. For example, if you want to save money on groceries, you can buy less expensive cuts of meat, clip coupons, shop on sale, or use generics instead of brand names.*

Cash Flow Work Sheet		
Monthly Income (Cash in)		
Salary (take home pay)		
Child support		
Public assistance/food stamps		
SSI/Social Security/Retirement benefits		
Other		
Other		
TOTAL		
Monthly Expenses (Cash out)		
Fixed Expenses		
Rent (or house note)		
Car note(s)		
Child care/elder care		
Child support/alimony		
Other loan payment (s)		
Credit card		
Credit card		
Gasoline		
Home owners or renters insurance		
Health insurance		
Life/disability/long-term care insurance		
Car Insurance		
Savings		
Utilities:		
Electricity		
Natural gas		
Water/sewer		
Garbage		
Cable TV		
Telephone		
Cell phone		
Internet		
TOTAL		

Flexible (Controllable) Expenses		
Food at home		
Food out		
School lunches		
Household supplies		
Lawn care		
Personal grooming supplies		
Clothing		
Laundry/drycleaning		
Entertainment/Recreation		
Auto repair/maintenance		
Medical		
Donations		
Pet Care		
Personal Allowance ("Mad Money")		
Monthly periodic expenses		
Other		
TOTAL		
Income Total		
Fixed Expense Total		
Flexible Expense Total		
Expense Total		
Difference between income and expenses		

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Additional Resources:
• Federal Deposit Insurance Corporation. (2008). "Money Matters." *Money Smart. Retrieved April 18, 2008 from http://69.0.254.19/wwMS/english/main.htm*
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Charting Your Course to Home Ownership

Managing Your Family Finances:
Determine Your Net Worth

How Much Are You Worth?

A net worth statement is a "snapshot" of where you are now on your financial journey. It's a statement of how much you own and how much you owe. Your net worth is determined by subtracting all you owe (your debts or **liabilities**) from all you own (your **assets**). Assets include bank accounts, investments, retirement funds, valuable personal items (vehicles, furniture, and jewelry), real estate and cash value of life insurance. The difference between what you own (assets) and all that you owe (liabilities) is how much you are worth – your **net worth**.

Information about your net worth is required when applying for a loan (such as a mortgage), when determining insurance needs and when planning your financial future. Your net worth gives you or a potential creditor a picture of your overall financial standing.

This worksheet is designed to help you prepare a statement of your financial position and to calculate how much you are worth. It will help you assemble the information needed to analyze your financial situation and make changes, if needed to prepare for the mortgage process.

Follow these steps to determine your net worth:

1. Insert the figures for all items listed under cash and cash equivalents. These are funds that you can count on now or that can easily be converted to cash.
2. Figure and record the market value of all other possessions listed in the investment, real estate, personal property and other categories. Time will be needed to convert these assets into money. Always calculate the market value –the price you would receive now if you were to sell.
3. Total all of your assets.
4. Write down all that you owe – current (short- and intermediate-term) and long-term debts.
5. Total all of your liabilities.
6. Subtract your total liabilities from your total assets. This gives your net worth and shows how much you are worth at a specific point in time. Date the form.

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Net Worth Statement

Assets *(What You Own)*

What is owned?	$ Mine	$ Yours	$ Joint
Cash or Cash Equivalents			
Cash on hand			
Checking accounts			
Savings accounts			
Investments (Market Value)			
Certificates of Deposit			
Cash value of life insurance			
Stocks, bonds, mutual funds, etc			
Annuities, IRAs			
401(k), 403(b), 457 plans			
Pension plan			
Other securities			
Real Estate/Property (Market Value)			
Home			
Land			
Other real estate			
Personal Property			
Automobiles			
Recreational Vehicle			
Boat			
Furniture and appliances			
Musical Instruments			
Collections (art, antiques, etc,)			
Jewelry			
Other			
Other			
Inventory value of farm or business			
Debts owed to you			
Other			
Total Assets			

Liabilities *(What You Owe)*

What is owed?	$ Mine	$ Yours	$ Joint
Current Debts*			
Utilities			
Medical			
Credit cards			
Department store cards			
Back taxes			
Legal			
Other			
Mortgages and Liens*			
Home			
Land			
Other			
Loans*			
Automobile			
Recreational vehicle, boat			
Bank/finance company			
Education/student loans			
Loan on life insurance policy			
Loans on investments			
Personal loans (from family or friends)			
Other			
Other			
Total Liabilities			

Write the interest rate you pay next to each liability. Consider paying off the ones with the highest interest rate.

Net Worth

How much am I worth?

Total assets minus total liabilities = Total net worth

Total Assets $______________

- Total Liabilities $______________

Date ______________________________

= Net Worth $______________

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

Additional Resources:
- Federal Deposit Insurance Corporation. (2008). "Money Matters." *Money Smart. Retrieved April 18, 2008 from http://69.0.254.19/wwMS/english/main.htm*
- *Matejic, D. (2004). How much am I worth? New Brunswick, New Jersey. Rutgers Cooperative Extension Service. Retrieved April 19, 2008 from http://njaes.rutgers.edu/pubs/publication.asp?pid=FS012*
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Pub. 3086-C 09/08

Charting Your Course to Home Ownership

Managing Your Family Finances:
Develop a Family Budget

A budget, or spending plan, like a compass, can guide families to get a grip on their money. It can help families spend their hard-earned dollars more effectively, live within their income, reduce the need for consumer credit, save for a home and other goals and develop skills in financial management.

Unfortunately, the word budget, or spending plan, frightens some consumers as much as the word diet. It makes them think of deprivation and restrictions or loss of freedom. Actually, a budget brings more freedom: the freedom to make dreams come true. If you create your own spending plan, how can it keep you from doing exactly as you like?

Your Family Budget (Spending Plan) – The Tool to "Chart Your Course" for the Future!

Spending plans may range from a very simple list on a blank page to a book of detailed record sheets, but all budgets include two main parts: income and expenses. Households are rarely alike – thus no spending plan will apply to everyone. Individual and family needs, tastes and economic situations vary from one to another – even when they have identical income and the same number of family members.

Create a budget that is realistic and workable for you and your family. Be willing to try new ideas and make adjustments. A spending plan may require many revisions before it fits your needs and works well.

To develop your own spending plan, follow these 5 simple steps:

1. Calculate your monthly income. Include the income of all earners in your household. Write down the net (the amount actually available to spend after deductions). If your income varies from month to month, determine your average monthly income by adding your income for the past 6 months and dividing by 6.
2. Determine the monthly amount needed for periodic expenses. Some expenses only come once or twice a year. To plan for them, determine the total amount you need for each month. Total your monthly needs then divide by 12. This will tell you the amount you need to budget each month to cover these expenses.

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Periodic Expense Category	
Periodic expenses are those that don't occur every month. They can be either fixed (such as car insurance) or predictable (such as changing the oil in the car) or variable (such as car repairs). Remember, plan for periodic expenses! Good money managers look at each month to predict what periodic expenses will occur that month.	**Monthly Total**
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total annual periodic expenses	

Anchor Deeper: *When developing your spending plan, always include savings as an expense category. This is often referred to as "Paying Yourself First." Remember, emergency savings equal to 3 months' take-home pay is ideal (6 months if your income is on commission or seasonal). It may also be helpful to plan to give every family member an "allowance." Everyone needs a little money to spend without having to account for every cent!*

3. Calculate your monthly fixed expenses. These expenses (like rent or mortgage, car note and insurance) vary little from month to month.
4. Determine your monthly flexible (or controllable) expenses. These expenses vary each month and can be controlled and managed to some extent. Food, clothing and entertainment are examples of flexible expenses.
5. Subtract total monthly expenses from total monthly income. If you are spending more than you are making, you must find a way to "cut" from your expenses in order to balance your budget and live within your means. Before making cuts, ask yourself:
   - Which expenses are essential to your family's well-being?
   - Which expenses have the highest priority?
   - Which expenses can be reduced to keep your family's spending within its income?
   - How much can be afforded in each category?

Then, adjust the amounts you plan to spend in each expense category and enter the revised amount in your budget worksheet.

What can be done if expenses are greater than income?

- Increase income. What are the possibilities for part-time or temporary work to increase income? Can other family members get a job?
- Cut spending. You may be able to cut back on utilities, food, gas, clothing, entertainment, contributions or gifts.
- Reduce fixed expenses. If too much money is being spent on fixed expenses such as housing or debt payments, there may not be enough money left over for your other living expenses. You may find it necessary to refinance loans, move to lower cost housing or even sell assets to reduce debt load.
- Look at other assets. Do you have savings, investments or property that could be used or converted to cash?

What should you do if your income exceeds your expenses?

Allocate the extra dollars to debt reduction, savings for future short- and long-term goals like buying a home, saving for retirement or funding your child's education.

Once you have developed a spending plan that provides for essential family needs and balances expenses with income, review the plan with your family.

Talk with your family about spending and saving money. Write down needs and wants or dreams of each individual and the family as a whole. Separating real needs from wants is the hard part! No family ever has enough to do everything it would like. Be prepared for some healthy discussions and difficult choices.

If family members have a voice when tough choices have to be made, they will be more willing to work together to live within your means and work toward family goals.

Getting the most from your income requires careful planning and wise spending decisions. A spending plan based on what your family considers to be the most important can help balance spending with available income and resources. These step-by-step procedures will help you develop your spending plan.

Resources:
- *Federal Deposit Insurance Corporation. (2008). "Money Matters." Money Smart. Retrieved April 18, 2008 from http://69.0.254.19/wwMS/english/main.htm*
- *Goeting. M. (2007). Developing a spending plan. Bozeman, Mont. Montana State University Extension. Retrieved April 19, 2008 from http://msuextension.org/publications/FamilyFinancialManagement/MT199703HR.pdf*
- *Howell, B. ((2005). "Manage Money Successfully." Starkville, Miss. Mississippi State University Extension. Retrieved April 18, 2008 from http://msucares.com/pubs/publications/p1738.pdf*

Spending Plan (Budget) Worksheet

Instructions:

1. Calculate monthly net income in box 1
2. Estimate monthly expenses [sum of fixed (2a), controllable (2b) and monthly portion of periodic expenses (2c)]
3. Compare income and expenses and make adjustments

1. Monthly net income	
Net*monthly wages	$______
Net monthly wages of others in home	$______
Public Assistance/food stamps	$______
Unemployment/disability	$______
Child support/alimony	$______
Social Security/retirement	$______
Other	$______
Other	$______
Total net monthly income	$______
**After tax withholding and other deductions*	

3. Compare income and expenses	
*Net monthly income	$______
Estimated expenses: Fixed………………..$______ Controllable………..$______ Periodic………..……$______ *(monthly portion)*	
Minus………….....	$______
Balance………...	$______

2c. Periodic expenses

Periodic expenses come up once or twice a year. Fill in the estimated costs under the month they are due. Taxes, insurance premiums, car maintenance, tires, license, birthdays, holidays, educational costs and vacations are examples. Do not include taxes withheld from your paycheck, but do include estimated tax payments you make to the IRS. Add your total yearly periodic expenses and divide by 12 to determine the monthly portion.

Jan ______________________ July ______________________

Feb ______________________ Aug ______________________

Mar ______________________ Sep ______________________

April ______________________ Oct ______________________

May ______________________ Nov ______________________

June ______________________ Dec ______________________

Total Periodic Expenses $__________

Total Periodic Expenses ÷ 12 = Monthly portion periodic expenses

Spending Plan (Budget) Work Sheet

2a. Fixed Expenses

Housing	
Rent or Mortgage	$
Insurance/Taxes	$
Utilities	
Telephone	$
Heating/Gas	$
Electricity	$
Trash/garbage	$
Water	$
Sewer	$
Cable	$
Other:	$
Credit Card payments	
	$
	$
	$
	$
Auto	
Loan/lease payment	$
Boat/RV loan payment	$
Insurance	$
Family Care	
Child support/alimony	$
Child/elder care	$
Insurance	
Life	$
Health	$
Disability	$
Long-term care	$
Other fixed expenses	$
Total monthly estimate of fixed spending	$

2b. Controllable Expenses

Savings	
Monthly portion of periodic expenses	$
Emergency fund	$
Saving for long-term goals	$
Food	
Groceries	$
Meals at work/school	$
Food eaten out	$
Household expenses	
Maintenance & cleaning supplies	$
Furnishings & appliances	$
Outside upkeep & lawn	$
Transportation	
Gas	$
Auto repairs & upkeep	$
Other transportation costs	$
Personal expenses	
Medical care	$
Health club or other fees	$
Personal care items	$
Clothing	$
Laundry and dry cleaning	$
Diapers	$
Internet service	$
Cell phone	$
Charity/gifts	$
Recreation and Entertainment	$
Other monthly controllable expense	$
Total monthly estimate of controllable expenses	$

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

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Charting Your Course to Home Ownership

Credit Management

What is Credit?

Credit means someone is willing to loan you money – called principal – in exchange for your promise to pay it back. Good credit means that you make your loan payments on time and you repay your debts as promised. Good credit is important because it makes it more likely that you can get a loan in the future when you want to make a major purchase such as a house.

Three C's of Credit Worthiness

Creditors look for consumers who are stable and have the ability to repay the loans they make. Creditors judge credit worthiness by considering three basic factors: character, capacity and collateral.

Character is judged by reviewing your credit history. Creditors look to see if you pay your current bills on time and if you appear to be willing to repay all of your obligations. They also notice how long you have lived in one place because it can be an indication of stability. Creditors want to know they will be able to find you when it is time to collect!

Capacity is your ability to pay. Creditors look to see if you have a stable job and how long you have worked. They will also verify your income to determine if you will be able to meet your debt obligation on your salary. Another consideration is … how much do you already owe?

Collateral is the assets which you own that can be used to back your loan. Assets, which can be used as security for a loan, include a savings account, a car, a home or other possessions.

Another **C** – **Capital**, may also be considered when applying for a mortgage. Capital indicates whether you have enough money to make a down payment and to close the mortgage.

Credit Reports and Credit Scoring

In today's world, most loans are "score driven." This means a creditor makes a decision about whether to give you a loan and the interest rate they will charge based on your credit score. The biggest advantage to credit scoring is that it avoids discrimination. It's all based on a number – your credit score. Although this number is not part of your credit report, the number is generated by data used in your credit report.

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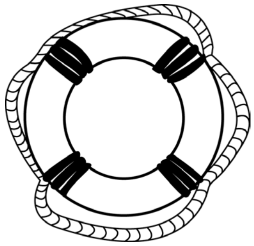


Life Saver
When you apply for a loan, you authorize your lender to ask for a copy of your credit report. This is an "inquiry." Your credit report includes both "voluntary" inquiries (those initiated by your own requests for credit) and "involuntary" inquiries (those made for promotional purposes; example: when lenders order your credit report for the purpose of sending you preapproved credit offers in the mail.) Only voluntary inquiries affect your credit score.

What Is a Credit Report?

A **credit report** is a record of your history of credit card debt and other loan repayment. It shows how much debt you have and if you pay on or before the due date. Credit reports are compiled by three national credit-reporting agencies, often referred to as credit bureaus. These credit bureaus are Equifax, Experian and TransUnion. The typical credit report includes four types of information:

- Personal Identification Information:
  - Name
  - Social Security number
  - Date of birth
  - Present and former address
  - Present and former employer
- Trade Lines or Payment Records:
  - Type of account (bankcard, mortgage, installment, revolving, auto loan, etc.)
  - Account number
  - Date account opened
  - Credit limit and/or loan amount
  - Account balance
  - Payment history
- Public Record and Collection Items:
  - Bankruptcies
  - Foreclosures
  - Law suits
  - Wage attachments
  - Liens
  - Judgments
- Inquiries: a list of creditors who have requested your credit history within the last two years

Always remember – a credit bureau is simply an agency that collects and sells payment history about you. They do NOT make lending decisions – ***lenders do.*** How do lenders make these decisions? They look at your credit score!

What is a Credit Score?

A **credit score** is a number lenders use to help them decide whether to offer you credit, and at what terms, such as interest rate and loan size. This number – your credit score – predicts how likely you are to repay the debt and is based on a statistical model developed by the Fair Isaac Corporation. This score – also known as a FICO® score – is the most commonly used credit scoring system in the United States. Scores range from 300-850 but most people score in the 600s and 700s. Of course, the higher your score, the better!

Lenders generally prefer FICO® scores above 700, because they are considered good and a sign of good financial health. FICO® scores below 600 indicate high risk to lenders and could lead lenders to deny you credit or charge you higher interest rates.

What's NOT in Your Credit Score?

Before determining how to improve your credit score, it's helpful to know what's NOT included in your credit score. Credit scores do not consider:

- Race, ethnicity, religion, national origin, gender, marital status, whether you receive public assistance or have exercised any consumer right under the Consumer Credit Protection Act, such as wage garnishment
- Age
- Salary, occupation, title, employer, date of employment or employment history

  Note that lenders may still consider this information as they make the decision about whether or not to give you credit, but this information is not calculated in your credit score
- Where you live
- Interest rate charged on any credit card or other account
- Items reported as child/family support obligations or rental agreements
- Involuntary inquires (those initiated by creditors for promotional purposes) do not count
- Information not found in your credit report
- Information that is not proven to be predictive of future credit performance
- Participation in a credit counseling program

What IS In Your Credit Score?

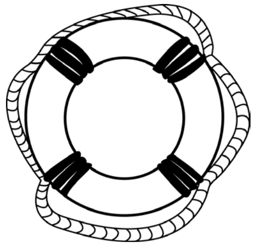
FICO® scores are calculated from a variety of credit data in your credit report. Scores are assessed as follows:

Your payment history = 35% of your credit score.

- Pay your bills on time – Late payments or delinquent items lower your credit score. The severity of the delinquency (how long a bill is past due) is also an important factor. A good track record of paying your bills on time will increase your credit score.
- Bankruptcies, collections and adverse public records (example: foreclosures, law suits, wage garnishments, liens and judgments) lower your score.
- Even though there may be unfavorable data in your credit report, a recent history showing positive change helps to raise your score.

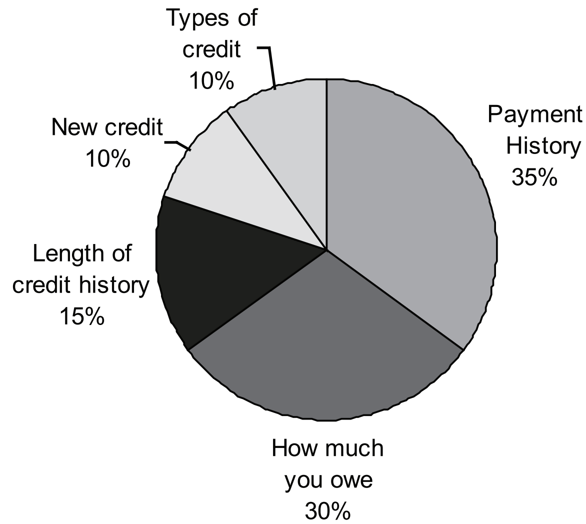
How much you owe = 30% of your credit score. FICO scores look at the amount you owe on each of your accounts, the number of accounts you have with a balance, and how much of your available credit you are using. The more you owe compared to your credit limit, the lower your score will be.

Length of credit history = 15% of your credit score. A longer credit history will increase your score. However, you can still get a high score with a short credit history if the rest of your credit report shows responsible credit management.



Life Saver
If you need a loan, do your rate shopping within a focused period of time, such as 30 days, to avoid lowering your FICO score.

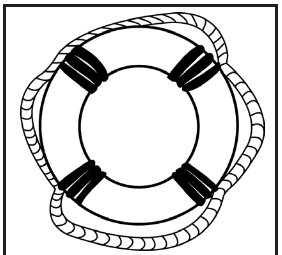
Credit Scoring Factors



New credit = 10% of your credit score. Applying for several new lines of credit within a short period of time can hurt your credit score. Lenders consider this behavior a sign of greater risk of living beyond your means, resulting in possible nonpayment.

Types of credit used = 10% of your credit score. Having a mix of credit types on your credit report – credit cards, installments loans such as mortgage or auto loan and personal lines of credit – is normal for people with longer credit histories and can add slightly to their scores.

Red Flag: Using finance companies or predatory lenders can hurt your credit score.



Life Saver
Reviewing your credit report frequently will help you identify potential identity theft or errors. Consider requesting your credit report every four months from a different credit reporting agency.

Building a Credit Record

If you have never used credit, you may have no credit history. There are several ways to establish a credit history:

- Work at a part-time or full-time job for 6 to 12 months before applying for credit.
- Open and maintain checking and savings accounts in your own name. Although these accounts aren't considered "credit," many lenders view these accounts as a sign of financial stability. Time will show that you can handle money responsibly, meet your financial obligations and establish a savings habit.
- Apply for a secured loan at a local lender, using your savings as collateral.
- Apply for an account or credit card issued by a local store. Local businesses are sometimes more willing to extend credit to someone with no credit history. Once you establish a pattern of making payments on time, major credit card issuers will be more likely to extend credit to you.

- As a last resort, ask a parent or friend to co-sign a loan for you. You still need to make your payments on time because failure to do so will harm your credit as well as your co-signer.

Getting Your Credit Report

Thanks to the federal government, consumers in the United States are entitled to a free credit report each year! The Free File Disclosure Rule of the Fair and Accurate Credit Transactions Act (FACT Act), enables consumers to request a free copy of your credit report from each of the three national consumer reporting agencies – Equifax, Experian and TransUnion – every 12 months.

Consumers may request their **free** annual credit report online, by phone or mail.

- For online requests … go the website www.annualcreditreport.com
- To call toll-free … dial 1-877-322-8228.
- For mail-in requests, complete the Annual Credit Report Request Form (found online) and mail to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

Credit reports or **credit scores** may be **purchased** at a low cost from:

Experian
www.experian.com
1-888-EXPERIAN (397-3742)

Equifax
www.equifax.com
1-800-525-6285

Trans-Union
www.transunion.com
1-800-680-7289

What Information Must I Provide?

To receive your credit report, you will need to provide basic information, including:

- Name
- Address
- Social Security number
- Date of birth. (If you have moved in the last two years, you may also have to provide your previous address.)

To maintain the security of your file, each credit bureau will ask you for personal information which only you will know. (Examples: How much is your monthly mortgage payment? What was your High School mascot? etc.).

What If I Want To Know My Score?

If you have never checked your credit score, consider doing so to have a general idea of how you are doing. Although your credit report is free, you will have to pay a small fee to get your credit score. The fee varies per agency, but is usually less than $20. This option will appear when you are on the Web site, or you can mail in your fee with your credit report request.

Are There Any Other Authorized Online Sources?

NO! Despite numerous television ads promoting free credit reports, www.annualcreditreport.com is the **only** source of free credit reports authorized by the federal government.

Is the Web Site Secure?

YES! As the official Web site promoted by the federal government, the Web site is secure.

> *Red Flag: Neither the annualcreditreport.com Web site, nor the individual credit reporting agencies, will call you or e-mail you to ask for personal information. If you get such a phone call or e-mail – or see a popup ad –it's a scam. Don't supply any information – or click any link in the message! Instead, forward any e-mail that claims to be from www.annualcreditreport.com to spam@uce.gov, the Federal Trade Commission's database of deceptive scams.*

Correcting Your Credit Report

The information in most credit files is correct, but errors and omissions may occur. They may be the result of a computer malfunction or human error. For instance, if two people have similar names, credit information could mistakenly be placed in the wrong credit file.

Omissions may also occur if a creditor chooses not to report information about customers to the credit bureau. Creditors such as utilities and landlords sometimes report only delinquent debts, not timely payments.

Since omissions and errors can occur, it is a good idea to check the accuracy of your credit file periodically. This is especially important for those planning a major purchase such as a house or a car. Avoid last-minute disappointments by checking your report at least three to six months prior to making a major purchase.

If you disagree with any information in your file, the credit bureau must investigate and verify it before it can be added or removed. The process may take 60 to 90 days. To insure that the mistake gets corrected as quickly as possible, contact both the credit bureau and the company that provided the information to the credit bureau. By law, both of these parties are responsible for correcting inaccurate or incomplete information in your report under the Fair Credit Reporting Act.

Steps include:

1. **Tell the credit bureau in writing what information you believe is inaccurate**. The credit bureau must investigate the items in question – usually within 30 days – unless they consider your dispute frivolous. You will want to include copies (NOT originals) of documents that support your position. In addition, your letter should:
   - Include your complete name and address.
   - Clearly identify each item you wish to dispute.
   - State the facts and explain why you are disputing this information.
   - Request deletion or correction of the items you are disputing.

   You may also want to include a copy of your credit report with the item or items that you are disputing circled. Send your letter by certified mail, return receipt requested, so you can document that the credit bureau received your correspondence. ***Keep a copy of your dispute letter and all documents or receipts that you enclosed to support your case! (See Sample Letter 1)***

2. **Write to the company with whom you have a dispute.** Again, include copies of documents and receipts that support your position. Again, ***keep a copy of your dispute letter and all documents or receipts that you enclosed to support your case! (See Sample Letter 1.)***

Note that many companies specify a special address for disputes. If the company again reports the same information to a credit bureau, it must include a notice of your dispute. Request that the company copy you on any correspondence they send to the credit bureau. Expect the process to take between 30 to 90 days.

If the credit bureau cannot solve a problem, you are entitled by law to submit a brief letter of explanation (100 words or less) stating your side. Your statement becomes a permanent part of your credit file.

Sample Letter 1.
Dispute Letter (Credit Report Errors)

Date
Your Name
Your Address
Your City, State, ZIP Code

Name of Credit Reporting Agency OR Name of Company (with whom you have a dispute)
Complaint Department
Company Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute information in my file. The items I am disputing are also circled on the enclosed copy of my credit report.

This information (identify specifics of dispute and name of company) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the above mentioned be investigated and corrected (or request another specific change).

Enclosed are copies of (describe any documents you are enclosing such as payment records, court documents, receipts that support your position). I request that you thoroughly investigate, correct this matter and notify all agencies and companies involved of the results. I also request a copy of any correspondence sent on behalf of this matter.

Respectfully,

Your Name

Enclosures: (List what you are enclosing)

Keep a Good Credit Rating

To keep a good credit rating remember to always use your legal name (no nicknames) when applying for or using credit. A legal name contains the birth-given first name and a surname. There are several legal variations. The variation or form depends on your marital status and your preference. Whichever variation you choose, use it consistently!

Do not overextend your obligations nor attempt to obtain too many credit accounts at the same time. Many creditors have standards concerning the number of credit bureau file inquires that are acceptable over a given period of time. For example, more than three inquires in a 90-day period may cause denial. Having too many credit accounts may also reduce your credit score.

Once you have established a good credit record, guard it. To keep your good credit record, always:

- Read credit contracts thoroughly. Make sure you understand them, and pay back your credit obligations as agreed.
- Contact creditors immediately if you must miss a payment.
- Correct any billing errors promptly.

What If Credit Is Denied?

If you have been denied credit, a lender must notify you in writing within 30 days. Common reasons for denying credit are: too short a period of residency or employment, lack of credit references, insufficient income, delinquent credit obligations and no credit file.

If denial was based on information in a credit report, the lender must give you the name and address of the credit bureau that furnished the report. According to law, the credit bureau must furnish information about the contents of your credit report at no cost if you have been denied credit within the last 30 days.

If any errors were reported and corrected, you may also ask the credit bureau to send a copy of the revised report to any creditor or employer who requested your record within the last six months.

What Are My Credit Rights?

Several credit laws give consumers certain rights: the Equal Credit Opportunity Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, Fair Credit Billing Act and the Fair and Accurate Credit Transactions (FACT) Act. The following summarizes some of the important points of each act.

Equal Credit Opportunity Act (ECOA)

The Equal Credit Opportunity Act ensures that all consumers are given an equal chance to obtain credit. It doesn't mean that all consumers who apply for credit will get credit. Factors such as income, expenses, debt and credit history are considerations for credit worthiness.

The law protects you when you deal with any creditor who regularly extends credit, including banks, small loan and finance companies, retail and department stores, credit card companies and credit unions. Anyone involved in granting credit, such as a real estate broker who arranges financing, is also obligated to adhere to this law.

The Equal Credit Opportunity Act requires:

- You cannot be denied credit based on your race, gender, marital status, religion, age, national origin or receipt of public assistance.
- You have the right to have reliable public assistance considered in the same manner as other income.
- If you are denied credit, you have a legal right to know why.
- Requires that a credit grantor notify you within 30 days to inform you if your application for credit was accepted or rejected. If you have been denied credit, the grantor must give you a notice that tells you either the specific reasons for your credit denial or your right to learn the reasons if you ask within 60 days.

Fair Credit Reporting Act (FCRA)

The Fair Credit Reporting Act (FCRA) is designed to help ensure that credit bureaus furnish correct and complete information to any creditor who requests your information. Your rights under the Fair Credit Reporting Act:

- You have the right to receive a copy of your credit report. The copy of your report must contain all of the information in your credit file at the time of your request.
- You have the right to know the name of anyone who received your credit report in the last year for most purposes or in the last 2 years for employment purposes.
- Any company that denies your credit application must supply the name and address of the credit bureau they contacted, provided the denial was based on information given by the credit bureau.
- You have the right to a free copy of your credit report when your application is denied because of information supplied by the credit bureau. Your request must be made within 60 days of receiving your denial notice.
- If you contest the completeness or accuracy of information in your report, you should file a dispute with the credit bureau and with the company that furnished the information to the bureau. Both the credit bureau and the company who furnished the information are legally obligated to investigate your dispute.
- You have a right to add a summary explanation to your credit report if your dispute is not resolved to your satisfaction.

The Fair Debt Collection Practices Act (FDCPA)

The Fair Debt Collection Practices Act applies to personal, family and household debts. This includes money owed for the purchase of a car, for medical care or for charge accounts. The FDCPA prohibits debt collectors from engaging in unfair, deceptive or abusive practices while collecting these debts.

Your rights under the Fair Debt Collection Practices Act:

- Debt collectors may not contact you before 8:00 a.m. or after 9:00 p.m.
- Debt collectors may not contact you at work if they know your employer disapproves.
- Debt collectors may not lie when collecting debts, such as falsely implying you have committed a crime.
- Debt collectors must identify themselves to you on the phone.
- Debt collectors must stop contacting you if you ask them to in writing.

Fair Credit Billing Act (FCBA)

The Fair Credit Billing Act establishes procedures for resolving mistakes on credit card statements. Remember, it is important to check your credit card statement each time you receive it. Mistakes can damage your credit status.

The FCBA settlement procedures apply only to disputes about "billing errors." For example:

- Unauthorized charges. Federal law limits your responsibility to $50.
- Charges that list the wrong date or amount.
- Charges for goods and services you didn't accept or weren't delivered as agreed.
- Math errors.
- Failure to post payments and other credits such as returns.
- Failure to send bills to your current address – provided the creditor receives your change of address, in writing, at least 20 days before the billing period ends.
- Charges for which you ask for an explanation or written proof of purchase along with a claimed error or request for clarification.

To take advantage of the FCBA's protection, you must:

- Write to the creditor at the address given for billing inquiries – not to the address for sending your payments – and include your name, address, account number and a written description of the billing error (see sample letter 2).
- Send your letter so that it reaches the creditor within 60 days of when the first bill containing the error was mailed to you.

It is recommended that you send your letter by certified mail, return receipt requested, so you have proof of what the creditor received. Include copies (not originals) of sales slips or other documents that support your position. Keep a copy of your dispute letter!

The creditor must acknowledge your complaint in writing within 30 days of receiving it, unless the problem has been resolved. The creditor must resolve the dispute within two billing cycles (but not more than 90 days) after receiving your letter.

Sample Dispute Letter (Billing Disputes)
Sample Letter 2.

Date

Your Name
Your Address
Your City, State, ZIP Code

Name of Creditor
Attention: Billing Inquiries
Address
City, State, ZIP Code

Re: Your Account Number

Dear Sir or Madam:

I am writing to dispute a billing error in the amount of $____________ on my account. The amount is inaccurate because (describe the problem). I am requesting that the error be corrected, that any finance and/or other charges related to the disputed amount be credited as well and that I receive an accurate statement.

Enclosed are copies of (use this sentence to describe any enclosed information, such as sales receipts, payment receipts or canceled checks) supporting my position. Please investigate this matter and correct the billing error as soon as possible.

Respectfully,

Your name

Enclosures: (List what you are enclosing)

Fair and Accurate Credit Transactions Act (FACT)

The FACT Act provides consumers the opportunity to receive a free credit report each year from each of the major credit reporting agencies (Experian, Equifax and TransUnion). Other specific provisions include:

- Safeguarding receipts by requiring that only the last 5 digits of credit card numbers be printed
- Enabling consumers to "opt out" or block solicitations from companies they do business with
- Requiring banks to inform you if it reports negative information about you to the credit bureaus
- Allowing identity theft victims to block fraudulent information from appearing on their credit reports
- Placing fraud alerts on credit report to alert creditors that your financial information has been or may be compromised

Using Credit Wisely

Credit, like any other resource, must be managed and used wisely. Unwise credit choices can create financial problems that affect other areas of your life such as buying a home or getting a job.

Wise credit management involves a few important steps: know the content of credit contracts, shop carefully for credit, establish a system for handling bills, set a personal credit limit, analyze credit habits and look for ways to reduce credit costs.

Know Content of Credit Contracts

Most consumers are unaware of the content of their credit contracts. Study each one carefully to find these important details:

- Finance charge and how it is figured
- Annual percentage rate (APR)
- Minimum monthly payment
- Penalties for early repayment of a loan or for late payments
- Repossession information
- Responsibilities of the borrower

Shop for Credit

Since the cost of credit varies so much from lender to lender, it is important to shop for credit. The Truth-In-Lending Law requires creditors and lenders to state their credit charges in a clear and uniform manner to make it easier to compare credit costs. According to the law, cost must be expressed in two ways:

Finance Charge – the total dollar amount paid for using credit including interest or service charges, credit report charges and premiums for credit insurance (if required).

Annual Percentage Rate (APR) – The total cost of credit expressed as a percent and based on a yearly interest rate.

The Truth-In-Lending (disclosure) law does not set the price of credit. It only requires creditors and lenders to state their prices.

When shopping for credit cards, don't forget to compare annual fees, late fees, penalties, grace periods and methods of calculating finance charges. Your credit paying style may affect your choice. For instance, a higher interest rate is not as important if you pay bills in full each month.

Set a Personal Credit Limit

If you have several credit card accounts, your total credit limits may exceed what you can safely handle. Keeping track of your total charges, payments and outstanding balances on all of your accounts can prevent problems. Keep credit balances and limits low enough to fit within your income (below 15% to 20% of your monthly income) or an amount that could be repaid in full within 24 months. If you are house hunting, lenders typically like to see that the balance you owe on any given credit card is 40% or less. Of course, the less outstanding debt you have, the better off you will be.

Analyze Credit Habits

It is easy for families to get into the habit of charging most purchases. In some cases, the ease of charging can lead to financial difficulties.

You can break the credit card habit in many ways if it is creating financial problems for you. One technique is to keep your number of credit cards to a minimum. To control impulse purchases, make it a personal rule to use your card(s) only for emergencies. The fewer credit cards and loans that you have, the easier it will be to keep track of your debts.

Look for Ways to Reduce Credit Costs

Many things can be done to reduce the cost of credit. Here are several suggestions:

- Borrow the smallest amount possible by making as large a down payment as you can.
- Arrange the highest monthly payments you can afford. Pay back the loan as soon as you can. Credit costs are less if a loan is paid back in one year rather than two.
- Pay your bills on time to avoid late fees.
- Annual fees can add up! Keep the number of your credit cards to a minimum.
- Shop around for the best credit card deal for your paying style.
- Pay off credit card debts with high interest rates as soon as possible.
- Review bills carefully each month and report billing errors as soon as possible.
- Use credit only when you need it. Planning purchases and paying cash can mean big savings. Most consumers spend much more when using credit than when paying cash.
- Consider several sources for purchases. Many ways of buying are less expensive than using credit cards.

For example, if you want to buy a $400 TV, you could do several things:

1. You could rent it with an option to buy it. If you rented the TV, you would pay about $13 per week (about $56 per month) for about 78 weeks (18 months), making the total cost of the TV more than $1,000.
2. You could buy it on credit. If you bought it on credit with a 15% interest rate and 18 months to pay it back, your monthly payments would be about $24.95 or a total cost of $449.17.
3. You could save up for it. If you saved $13 per week (the same amount you would pay to rent), you could pay cash for the TV in 31 weeks, which is less than eight months. (In the meantime, you could watch TV on an old black and white loaner from a friend!) If you and your family can wait and can make yourselves set aside the $13 a week, this is the lowest cost alternative, $400.

That means your family has $49.17 or as much as $600 to spend on something else!

When shopping for the item you want, you need to look for the best buy. Some stores offer low cash prices but charge high credit interest rates. Others have high prices but low interest rates. Most will be somewhere in between. Where you buy depends on whether you are paying cash or using credit.

When to Use Credit

Credit can be very helpful in times of emergencies. At these times, you may have no other choice but to use credit. However, using too much credit can create problems. You and your family have to decide when to use credit and when to use some other alternative to get the things you want.

Stop to ask yourself a few questions before each purchase involving credit:

- How will added payments fit into my present budget?
- Will this item last longer than the payments?
- Will I want this item as much later, when I am making payments, as I do right now?
- Will this item increase income, save time or improve health?
- How much will using credit increase the total cost?
- If I lost my income, how would I make payments?
- Am I using credit for convenience with a sure means of paying later, OR am I using credit because I do NOT have the means to pay?

Generally, credit should be used for things that last longer than the payments. It is best not to use credit for small purchases and everyday expenses.

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.
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Credit Check Up

Most of us use credit. Credit allows us to use goods and services while paying for them. But using too much credit can lead to problems. Which of the following statements apply to you and your family?

		Yes	No
1.	You pay only the minimum amount due on your credit card(s) each month		
2.	You make so many credit purchases that the amount you owe does not go down from one month to the next		
3.	You take out new loans to pay off old ones		
4.	You have to skip some payments		
5.	You overdraw your checking account		
6.	You charge day-to-day expenses like shampoo instead of paying cash		
7.	You receive past due bill notices		
8.	You rely on extra income from overtime to make ends meet		
9.	You use savings to pay current bills		
10.	Not counting your mortgage or rent, your credit payments are 20% or more of your take-home pay		
11.	You borrow money to pay expected expenses like insurance and taxes		
12.	You are late in making payments each month		
13.	Your emergency fund is less than one month's take-home pay		
14.	You put off medical and dental visits because you can't afford them		
15.	You are afraid your utilities will be shut off or something you own will be repossessed		

If you checked the "yes" column for more than two or three of these statements, you may be heading toward credit problems.

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Credit Card Comparison Chart

Feature	Card 1	Card 2	Card 3
Issuer:			
Interest Rate :			
Purchases			
Cash Advances			
Balance transfers			
Penalty for late Payment			
Fees:			
Annual			
Late Payment			
Over-limit			
Cash Advance			
Finance Charges :			
One-cycle or two-cycle billing			
Minimum Finance Charge			

LSU AgCenter Research & Extension

Feature	Card 1	Card 2	Card 3
Interest Calculated:			
Fixed, variable or tiered basis (Ex. introductory rate)			
Grace period: (no. of days)			
If you carry a balance			
If you pay off the balance monthly			
For cash advances			
Type of Card:			
Secured, regular or premium			
Perks and Rewards:			
Rebates			
Frequent-flier miles			
Insurance			
Points			
Cash Back			
Other			

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Bankrate.com. (2007). Compare credit cards. Financial Literacy 2007: Credit cards tool kit. Retrieved April 18, 2008 from http://www.bankrate.com/brm/news/financial_literacy/Feb07_credit_card_compare_work sheet_a1.asp?caret=13 on.

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Charting Your Course to Home Ownership

Home Owner Tax Planning

For many years, the federal government has encouraged home ownership by giving tax benefits to home owners that are not available to renters. Here is a general description of some of the current tax benefits associated with home ownership.

Income Tax Deductions

A tax "deduction" is an amount that can be subtracted from your actual ("net") income to reduce your taxable ("gross") income. In the past you may have taken the standard deduction rather than itemize your deductions on your federal income tax returns. But once you are a home owner, you can deduct the interest you pay on your mortgage and certain other expenses. To do so, you will need to use IRS Form 1040 (the "long form").

Initial Closing Expenses

Certain one-time costs are associated with the purchase of a home and can be deducted from your income tax, such as:

- Origination Fee/Points (percentage of the loan amount)
- Mortgage Interest Discount Points (percentage of the loan amount)
- Pre-paid Interest (collected at closing)
- Pre-Paid property tax (collected at closing)

Home Mortgage Interest

The deduction for interest alone may save you thousands of dollars in federal income taxes. Especially in the early years of your mortgage, the bulk of your monthly mortgage payment is interest. Each monthly payment is divided slightly differently between principal and interest. As time goes on, you pay less and less interest and more principal. The lender will give you a statement each year showing how much interest you have paid and your principal balance at year-end.

If you have both a first and a second mortgage on your house, the interest you pay on both mortgage loans is deductible (within limits).

In your first year as a home owner, your tax break may be even larger since points paid to the lender to obtain your mortgage loan also count as interest. If certain conditions apply, you can deduct the full amount of points in the same year they were paid, even if they were paid by the seller. Points paid to get a home improvement loan or a home equity loan may also be fully deductible in the year paid.

You can also deduct as mortgage interest other charges such as late payment fees and prepayment penalties that you pay to your mortgage lender.

Property Taxes

Federal tax law allows a deduction for taxes on real property paid to state or local jurisdictions. This means that as a home owner, your local real estate (or property) taxes are deductible.

Many states also have "**homestead exemptions**." In Louisiana, the first $75,000 of the assessed value of your home is free of property tax.

Rental Property

If part of your home is rented out, the rent you receive must be reported as income for income tax purposes. However, you can deduct from the rent the cost of any repairs and operation expenses (such as the cost of utilities, insurance and advertising for tenants), as well as an annual depreciation allowance. If your deductions are greater than your rental income, you can report a loss (subject to limitations), which will lower your taxable income.

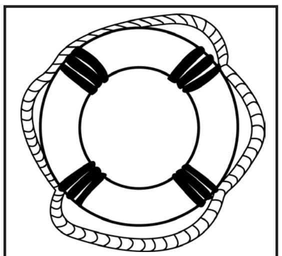
Capital Gains Exclusion

Generally, when you sell something for more than you paid for it, you must pay a capital gains tax on the increase (your profit). Here again, home owners receive special tax treatment.

The Taxpayer Relief Act of 1997 changed the home owner capital gains tax rule so you no longer have to "trade up" to a more expensive home to defer taxes on the gain (profit) from the sale of your home. The new law allows home owners to exclude up to $250,000 of gain ($500,000 for married couples filing a joint return) from the sale or exchange of a principal residence occurring after May 6, 1997. In plain English, that means you pay no taxes on your profit from the sale of your home (up to the above limits).

This exclusion is allowed at any age each time you sell or exchange your home (but not more often than once every two years). You are not required to reinvest in a new home to claim the exclusion.

To be eligible, the home must have been owned and not used as rental property for at least two years out of the five years prior to the sale or exchange. In addition, if there is any rental or business use of your principal residence, you must show gain to the extent of any depreciation allowable.



Life Saver
Consult your tax advisor or IRS publications for detailed information and any recent changes regarding capital gains.

Keeping Records

For tax purposes, it's important to keep accurate and complete records of your home mortgage and home equity loan interest costs, including points (for itemized deductions) as well as your home purchase costs and costs of any improvements you make to your house.

There could be a time when you need to know your home's "basis," the amount used for figuring a gain or loss when you sell it. **The basis is the price you paid for your home adjusted up or down by certain other costs**.

Some of the closing costs you paid when you bought your house also can increase your home's basis when you sell. So don't throw your settlement sheets away.

Although home improvement costs are not tax-deductible, home improvements (but not home repairs) increase your home's basis. Home improvement receipts should be kept for as long as you own that home plus three years.

Home improvements are expenses that add to its value, prolong its useful life or adapt it to new uses. A "repair" keeps the home in an ordinary condition, such as repainting and fixing broken parts. Repairs do not change the basis and are not generally deductible.

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

Additional Resources:
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How to Save When There Isn't a Dime to Spare

You may think, "There's no way I can save any money!" But most people find they can save when they really put their minds to it. Here are some tips to get you started.

Money Saving Tips That Work!

- **Pay Yourself First.** Make your "savings bill" a part of your spending plan, just like rent or utility bills. When you pay your other bills, pay your savings bills by depositing the money in your savings account.
- **Use Payroll Deductions.** Have your employer deposit your savings directly from your pay into a credit union or bank account. If you never see it, you might not miss it.
- **Save Bonus Income.** Try to save tax refunds, overtime pay, gift money, refunds and rebates.
- **Pay Installments to Yourself.** Once you pay off an installment loan (and if other loans are not overdue), continue to make those payments to your savings account.
- **Collect Loose Change.** At the end of each day, throw your loose change in a jar. Bump it up a notch by putting your loose change and a dollar bill in the jar every day. At the end of the month, you should have at least $50 … at the end of the year, you'll easily have $600!
- **Break a Habit.** Every time you don't have a doughnut at coffee break or don't spend money in the vending machine, save the money you didn't spend.
- **Save Lunch Money.** Get up 10 minutes earlier and make your own lunch instead of buying it. Save the money you would have spent on lunch.
- **Save Money on Sales.** When you buy an item on sale, save the difference between the sale price you paid and the full price you would have paid if the item had not been on sale.
- **Have a Nothing Week.** Once in a while, have a week when you try not to spend any extra money. Don't go to the movies, don't go out to eat, don't go bowling. Save the money you would have spent.
- **Use a Crash Budget.** A crash budget works just like a crash diet. You try to cut out all unnecessary spending and save as much as possible for a limited time span.

- **Use store brands or generics.** You will probably find that the store brand is equal to (or even better!) than the national brand. "Save" the money you would have spent on a brand name by putting the difference in your loose change jar.
- **Avoid paying credit charges.** Pay credit purchases in full each month – save the interest you would have paid if you carried a balance on your account.
- **Save your tax refund – now!** Do you usually get an IRS refund in April? If so, too much money is being withheld from your paycheck. Adjust your tax withholding so that it's fairly close to what you'll owe in April. Your next paycheck should be substantially bigger. Now, determine the difference between your previous take-home pay and your take-home pay now. Put in the difference into a savings account each month. Now, you, not Uncle Sam are making interest on your money!
- **Be a comparison shopper**. Comparing prices and products can save as much as 50% off the price you may have paid without making the comparison. Bank the money you save.
- **Check for unclaimed property**. You may locate "missing money" from bank accounts, security deposits, stock dividends, pension benefits, insurance policies and other sources. Contact your state's unclaimed property office (in Louisiana the Louisiana Department of the Treasury— http://www.treasury.louisiana.gov/) or visit www.missingmoney.com to search for "hidden treasure."
- **Adopt the two-week rule.** If you think you really want something, wait two weeks before buying it. You may find the item less expensive elsewhere, or you may discover you really didn't want the item at all. This habit will make you an impulse saver, not an impulse spender.
- **Avoid waste.** Keep items that are still good. Pocket the money that you would use to purchase unnecessary replacements.
- **Become a coupon clipper.** Take advantage of money saving coupons for items that you normally buy. Saving $6 a week by using grocery coupons will yield over $300 per year. Bank the savings to fund your goals.
- **Find the best insurance prices.** Contact the Louisiana Department of Insurance (http://ldi.louisiana.gov/) for a publication showing typical prices charged by different insurers. Then call at least four of the lowest-price licensed insurers to learn what they would charge you for the same coverage. Check into the cost of having home, auto and other policies with the same insurer – it can save you money.
- **Raise deductibles.** Talk to your insurance agent about raising your deductibles on collision and comprehensive coverage to at least $500. Or, if you have an old car, consider dropping this coverage altogether. This can save you hundreds of dollars on insurance premiums.
- **Use the library.** To save dollars on entertainment and education, visit your local library. They have the latest in books, magazines, newspapers, music CDs and video DVDs.
- **Bank windfalls.** Whenever you receive a raise or unexpected money such as a gift or contest winnings, put all or part of the money into your savings account.

- **Reduce bank fees.** You can save more than $100 a year in fees by selecting a free checking account or one with no minimum balance requirement. Request a list of fees that are charged on these accounts, including ATM and debit card fees. See if you can get free or lower cost checking through direct deposit or agreeing to ATM only use. Be aware of charges for using an ATM not associated with your financial institution.
- **Avoid late fees.** To avoid late payment fees and possible interest rate increases on your credit cards, make sure you send in your payment a week to 10 days before the due date. Late payments on one card can increase fees and interest rates on other cards.

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

Additional Resources:
• Consumer Literacy Consortium. (2006). 66 Ways to Save Money. Retrieved April 13, 2008 from www.66ways.org
• Christenbury. J. (2007). Finding Money to Invest. In Investing for Your Future (unit 3). Retrieved April 13, 2008 from www.investing.rutgers.edu/unit03.html

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Charting Your Course to Home Ownership

Getting the Most From What You Have

Look at the way you spend your money and how you use other resources. Time, skills and effort can often substitute for spending. Below are money-saving tips for a variety of spending categories to help you stretch your dollars. Put a check mark (√) in front of ideas you want to try.

Housing

- ❏ Look at total housing costs (including utilities, taxes, insurance, maintenance and transportation). Could you find a less costly place to live?
- ❏ Try to find rent-free or reduced rent quarters by managing apartments or offering to do some of the maintenance or yard work for the owner.
- ❏ If you have extra space, consider renting out a portion of it.
- ❏ Move in with relatives for a specific time span.
- ❏ Other: ____

Heating and Cooling

- ❏ Replace insect screens with solar screens or apply solar film to windows to block solar heat from entering your home. Exterior shading is much more effective than inside window treatments, but closing blinds and shades or using curtains with white backings is also helpful.
- ❏ Change or clean your air conditioner's filter monthly. Make sure your air conditioner is cleaned and serviced every year.
- ❏ Use fans to keep cool with less air conditioning.
- ❏ Dress lightly in summer and warmly in winter so you can set the thermostat at 78 degrees in summer and 68 degrees in winter. Don't fully heat and cool your home during the day when no one is home.
- ❏ Keep closet doors closed so that space isn't fully heated or cooled.
- ❏ Close vents in rooms that are seldom used except when this would cause moisture problems.
- ❏ On a windy day, use a lighted candle to find drafts around windows and doors. Use weather stripping and door sweeps to seal these areas.
- ❏ Install outlet gaskets behind face plates of all outlets and switches.
- ❏ If your windows are leaky, make clear plastic storm windows. Inexpensive kits are available to make it easy.

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❑ Use paintable caulk to seal cracks and spray foam sealant to fill large plumbing holes.

❑ Other: ____

Electricity *(Other than heating and cooling)*

❑ Turn water heater down to lower setting (125 degrees unless your dishwasher needs 145 degrees).

❑ Check hot water usage. Don't let it run, and fix leaks right away. Don't prewash dishes going into a dishwasher. Run the washer and dishwasher only when full. Use cold rinse on all laundry.

❑ Wrap your water heater with an insulation kit.

❑ Keep your refrigerator and freezer's coils clean. Vacuum them often. Defrost the freezer when ice is ¼ inch thick.

❑ Install dimmer switches or switch to three-way bulbs so a lower level of light can be provided when bright light isn't needed.

❑ Switch to fluorescent lighting whenever possible. It uses less electricity and makes less heat than incandescent. Consider investing in compact fluorescents to replace incandescent bulbs in lamps and fixtures used the most.

❑ Turn off lights when not in use. Do not leave appliances on longer than needed (coffee pot, TV, etc.)

❑ Hang-dry clothes to avoid dryer cost, or always remove clothes promptly from dryer to reduce need for ironing.

❑ Use microwave, small appliances or stove-top burner instead of using the oven. Cook several foods together.

❑ In the summer, avoid baking during the heat of the day.

❑ Other: ____

Telephone

❑ Switch to a cheaper service, if possible.

❑ Whenever you pay for calls by length of call, list what you will discuss before you call and keep within a time limit.

❑ Make all long distance calls when rates are lowest.

❑ Cancel or don't subscribe to special services like call waiting, etc.

❑ Dial numbers directly. Don't use a long distance operator unless absolutely necessary.

❑ If you use a cell phone, make sure your calling plan matches the pattern of calls you typically make. Understand peak calling periods, area coverage, roaming and termination charges.

❑ Before making calls when away from home, compare per minute rates and surcharges for cell phones, prepaid phone cards and calling card plans to find how to save the most money.

❑ Other: ____

Food

- ❑ Plan meals a week in advance, and stick to your plan.
- ❑ Make a grocery list from your weekly plan, and stick to your list when shopping. Check cupboards and refrigerator to see what's on hand.
- ❑ Plan your grocery list and weekly meals around weekly and seasonal specials.
- ❑ Shop only when necessary and not more than once a week. Eliminate quick trips to the convenience store.
- ❑ Don't grocery shop when hungry; there is a tendency to purchase more.
- ❑ Try generic or store brands instead of name brands.
- ❑ Make sure purchases are charged correctly.
- ❑ Compare unit prices. The cost per ounce or per pound determines the best value.
- ❑ Bring lunch from home instead of buying it.
- ❑ Avoid vending machines by bringing your own snacks and drinks.
- ❑ Use leftovers in soups, casseroles, stews and salads or make freezer TV dinners.
- ❑ Avoid most snack foods. They are expensive and have little nutritional value.
- ❑ Plant a garden for low-cost fruits and vegetables.
- ❑ Skip high-priced soft drinks and French fries at fast food restaurants.
- ❑ Other: ____

Transportation

- ❑ Organize a car pool or use public transportation, if available.
- ❑ Walk or use a bike for traveling short distances.
- ❑ Have a used car checked by a reputable mechanic before buying it. Also, compare the seller's asking price with the average retail price in a "bluebook" or other guide to car prices.
- ❑ When buying a car, consider costs of depreciation, gas and repairs as well as initial price.
- ❑ Have your tires inflated properly. Under-inflation causes them to wear out too soon and lowers gas mileage.
- ❑ Buy oil and other fluids from a discount center, and add or change them yourself.
- ❑ Comparative shop locally for lowest price of a gallon of gas.
- ❑ Save up to $100 a year on gas by keeping your engine tuned!
- ❑ Learn how to do minor repairs.
- ❑ Comparison-shop for repair work. Check both price and reputation. Get estimates in writing.
- ❑ Carefully comparison-shop for car insurance. Check for any discounts (two car, no traffic tickets, etc.).

- ❑ Consider higher deductibles, which lower annual costs.
- ❑ For an older model, consider dropping collision protection since the cost may be too high in relation to the car's value.
- ❑ Other: ____

Clothes

- ❑ Buy only because you need the clothing, and buy only those items that will fit into your present wardrobe.
- ❑ Buy usable clothing from thrift shops, garage sales, seconds stores or discount centers.
- ❑ Plan your necessary purchases during sale time: clearance, end-of-month or end-of-season.
- ❑ Exchange clothing with friends or relatives.
- ❑ Buy versatile clothes that will expand your wardrobe. Buy accessories that can give a new look to what you have.
- ❑ Buy multiseason clothes, such as all-weather coats with zip-in linings.
- ❑ Buy minimum care clothing: washable, no iron. Choose durable fabrics. Dark clothing usually shows wear less than light colors – especially coats and slacks. Always check the "care" label before buying. Dry cleaning can quickly cost you more than the price of the item.
- ❑ Consider saving by sewing, but estimate costs carefully. You may be able to buy most items on sale for less than you would spend on fabric and supplies.
- ❑ Remodel clothing to give it a new look.
- ❑ Other: ____

Medical

- ❑ Explore possibility of community health-care services. Some clinics offer reduced or sliding fee costs. The local public health department will tell you what is available: immunizations, chest x-rays and glaucoma testing.
- ❑ Discuss costs frankly with your doctor. If you have medical insurance, know what it will cover and what you will be responsible for paying.
- ❑ Ask the doctor to prescribe a drug by its generic name rather than by brand name, especially for long-term prescriptions.
- ❑ Shop locally for the outlet that fills prescriptions at lowest cost. Consider ordering a several month supply of maintenance medications by mail.
- ❑ Save all receipts from medical bills and prescription drugs. These, plus medical insurance payments, can sometimes be claimed as federal income tax deductions.
- ❑ Invest in a healthy lifestyle. Quit smoking. Eat a balanced, low-fat diet. Exercise regularly. Become more safety alert.
- ❑ Other: ____

Recellation

- ❑ Exchange home entertaining with friends: “pitch-in” parties, family lawn parties, etc.
- ❑ Plan a family game night once a week. Occasionally include friends and relatives.
- ❑ See movies at discount times or go to second-run theaters.
- ❑ Make use of public facilities such as beaches, concerts, parks, local team sports, art centers, museums or free attractions.
- ❑ Take family to celebrations and festivities planned for the public.
- ❑ Use library services. Cancel magazine subscriptions, and check out reading material from the library. If no library is close, exchange magazines with neighbors and friends. Use the Internet at the library for free.
- ❑ Go places with friends and share expenses.
- ❑ Plan vacations in areas where you have family and friends who have invited you to stay with them.
- ❑ Other: ____

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Charting Your Course to Home Ownership

Identity Theft:
When Someone Steals Your Good Name

What is identity theft? Identity theft happens when someone takes your personal information without your knowledge and uses this information to commit fraud. The type of personal information that is commonly "stolen" is your name, Social Security number, bank account number or credit card number.

Identify theft is a serious crime. The Federal Trade Commission estimates that as many as nine million Americans have their identities stolen each year. The crime takes many forms. Someone may open a credit card in your name; rent an apartment in your name … the scenarios are endless!

While some identity theft victims can easily resolve their issues, others spend hundreds of dollars and weeks or months of valuable time in an effort to clear their name. Consumers victimized by identity thieves can lose out on job opportunities or be denied loans because of negative information on their credit report.

How Do Thieves Steal Your Identity?

Skilled identity thieves use a variety of methods to obtain your personal information including:

- **Dumpster Diving.** Thieves rummage through your trash looking for bills or other papers with your personal information on it.
- **Skimming.** Thieves steal your credit/debit card numbers by using a special storage device when processing your card.
- **Phishing.** Thieves pretend to be financial institutions or companies and send spam or pop-up messages to get you to reveal your personal information.
- **Changing Your Address.** Thieves divert your billing statements to another location by completing a change of address form.
- **Old Fashioned Stealing.** Thieves steal your wallet or purse; mail, including your bank and/or credit card statements; pre-approved credit offers; new checks or tax information They steal your personnel records, or bribe employees who have access to your records.
- **Pretexting.** Thieves use false pretenses to obtain your personal information from your financial institution, telephone company and or other creditors.

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Preventing Identity Theft

Now that you've built a good credit record, you want to keep it! Protect yourself by taking positive steps to prevent identify theft. Follow these key points from the Federal Trade Commission:

- Before you reveal any personal information, find out how it will be used and whether it will be shared with others.
- Pay attention to your statements. If your bills don't arrive on time, contact your creditor. A missing credit card bill might mean the identity thief has changed your billing address and is using your account.
- Guard your mail from thieves. Pick up your mail from your mailbox as soon as possible, or have your mail delivered to a box at your local post office. Place all outgoing mail in post office collection boxes.
- Do NOT give personal information over the phone, electronically, or through the mail unless you have initiated the contact and know with whom you are dealing. Thieves may pose as bankers, government officials or others to get you to reveal your Social Security or bank account numbers.
- Keep items with personal information safe. Shred receipts, credit card applications and old checks or bank statements.
- When you create your personal identification number (PIN) for your ATM, credit or debit card, don't use something a thief might suspect such as your birthday, Social Security number or phone number. Also, avoid using other common subjects like your pet's name or your mother's maiden name. These can be easy pieces of information for thieves to obtain!
- Order a free copy of your credit report from each of the three major credit reporting agencies once a year. How? Use the Web site designated by the federal government (www.annualcreditreport.com).

What to Do If You Think Your Identity Has Been Stolen

Take action immediately! The Federal Trade Commission recommends the following actions if you believe you are a victim of identify theft:

- **Place a fraud alert on your credit reports and check each credit report**. A fraud alert can help prevent an identity thief from opening any more accounts in your name. Contact the toll-free fraud number of any of the three consumer reporting companies below to place a fraud alert on your credit report. You only need to contact one of the three companies to place an alert. The company you call is required to contact the other two, which will place an alert on their versions of your report, too. If you do not receive a confirmation from a company, you should contact that company directly to place a fraud alert.

Equifax:
1-800-525-6285 • www.equifax.com;
P.O. Box 740241, Atlanta, GA 30374-0241

Experian:
1-888-EXPERIAN (397-3742) • www.experian.com
P.O. Box 9532, Allen, TX 75013

TransUnion:
1-800-680-7289 • www.transunion.com
Fraud Victim Assistance Division, P.O. Box 6790, Fullerton, CA 92834-6790

Once you place the fraud alert in your file, you're entitled to order one free copy of your credit report from each of the three consumer reporting companies. And, if you ask, only the last four digits of your Social Security number will appear on your credit reports. Once you get your credit reports, review them carefully. Look for inquiries from companies you haven't contacted, accounts you didn't open, and debts on your accounts that you can't explain.

- Close any account that you believe has been tampered with or opened fraudulently.
- Call to speak with someone in the security or fraud department of each company. Follow up in writing, and include copies (NOT originals) of supporting documents. It's important to notify credit card companies and banks in writing. Send your letters by certified mail, return receipt requested, so you can document what the company received and when. Keep a file of your correspondence and enclosures.
- **File a complaint with the Federal Trade Commission.** You can file a complaint with the FTC by using the online complaint form or call the FTC's Identity Theft Hotline, toll-free: 1-877-ID-THEFT (438-4338); TTY: 1-866-653-4261; or write Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, H-130 Washington, DC 20580.
- **File a police report with your local police or the police in the community where the identity theft took place.** When you go to the police department, take a printed copy of your FTC ID Theft Complaint Form, your cover letter, and any supporting documentation.

Anchor Deeper: *Need more information? The FTC has a wealth of information! Their educational program, "Deter – Detect – Defend," is quite extensive. For more details, visit www.ftc.gov/idtheft*

References:
- *MyFICO. (2008). Identity Theft and You. Retrieved from April 8, 2008 from http://www.myfico.com*
- *Federal Trade Commission (2008). Deter-Detect-Defend Avoid ID Theft. (Factsheet). Retrieved April 9. 2008 from http:/www.ftc.gov/idtheft*

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