

# FINANCIALLY FROZEN?

Melt Away Debt and  
Get a Fresh Start with Your Finances



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Get a Fresh Start With Your Finances**

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## Chapter 1

## You Can Move from Financial Struggles to Stability

Have you used any of these sayings to describe your finances?

- “I’ve got more month than money.”
- “Just when I can make ends meet, someone moves the ends.”
- “I have all the money I need ... until tomorrow.”

If any of these sum up your financial situation, and you’re living paycheck to paycheck, you may be wondering how you can get ahead. Whether starting out in a first job, raising a family, living on a single income, or living on a fixed income, you might be feeling financially stretched by rising prices and an unsettled economy.

And yet, you probably know people who seem to be able to afford what they want, and you may be wondering how they do it.

- Your neighbor bought a new car.
- Your cousin is getting married at a resort in Mexico.
- Your friends bought a house.

Why do some people manage to get ahead financially, while others don’t? There’s no complex formula or a magical secret to follow. **You can get ahead financially by doing some basic things – such as setting goals and making a spending plan – that really can work for you.**

It’s tempting to think that, if you just earned a little more money, your problems would be solved. While it’s true that everyone needs a certain amount of money to pay for necessities – such as food, clothing, shelter, utilities, medications and transportation – more income does not automatically give you financial stability or help you get the things you want.

To get ahead financially, think about what you want to accomplish. Do you want to pay your bills on time each month so you can stop spending extra money on late fees? Do you want to pay off debt? Do you want to start a savings account, or save for a specific goal, such as buying a different vehicle?

When you figure out what you really want, you can make a plan to accomplish it. You can focus your resources, including your money, on your goals. You can do this no matter how little or how much money you have.

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But figuring out what you want, and how to best spend your money, can be a challenge. When you look at the people around you, it's easy to compare yourself to them and their lifestyles. You may look at the people in your life and see them buying newer, bigger homes or recreational vehicles or paying for their child's college education – while you feel like you're barely scraping by.

It's all too easy to compare yourself to them to become disappointed, even discouraged, about your own life. "What are they doing that I'm not?" you might wonder. "Why can't I ever catch a break?"

You never know for sure what is going on in anyone else's financial life. What's important is for you to decide what you want and what you want to do with your money. Too often, people look around at what others are doing and buying, and decide that those things are necessary for a better life. But trying to keep up with the Joneses ultimately just leaves you feeling badly about yourself. A vicious (and often debt-ridden) cycle starts; other people's lives and possessions become the measure of what you think you should have in life. The key to breaking that cycle is to understand what's most important to you, and to use your money on the things that matter most to you.

### **Identify what you value so you can set financial goals**

It's easy to spend money on things that advertisements tell you that you need to have a good life. Your friends or family might urge you to spend money, too, on things you can't really afford or don't need. In order to set effective goals that will help you get ahead financially, you need to know what is important to you, what you value.

You already hold many values. You absorbed some of them while you were growing up, by observing the choices and lifestyles of those around you. Other values are a result of your personal experiences. Because your values can and do shift, it's wise to think about what matters to you right now. You can zero in on what you value by asking yourself a few questions:



- What brings you the most joy and satisfaction?
- What excites you?
- What do you need in order to feel successful?

**Your answers will help you begin to develop financial goals.** To give you an even clearer picture of the things that are important to you, consult the chart below. Read through the entire list, choosing five items that most closely represent what you value. Or, you may add a few of your own values to this list.

- |                  |                      |                   |
|------------------|----------------------|-------------------|
| • Achievement    | • Economic Security  | • Leadership      |
| • Advancement    | • Education          | • Love            |
| • Affection      | • Efficiency         | • Loyalty         |
| • Ambition       | • Effectiveness      | • Money           |
| • Arts           | • Entrepreneurship   | • Nature          |
| • Assertiveness  | • Excellence         | • Pleasure        |
| • Balance        | • Family             | • Power           |
| • Beauty         | • Faith              | • Privacy         |
| • Benevolence    | • Flexibility        | • Public Service  |
| • Bravery        | • Fitness            | • Recognition     |
| • Candor         | • Freedom            | • Religion        |
| • Change/Variety | • Friendships        | • Respect         |
| • Comfort        | • Frugality          | • Reputation      |
| • Community      | • Generosity         | • Security        |
| • Compassion     | • Growth             | • Self Expression |
| • Competence     | • Hospitality        | • Self-respect    |
| • Competition    | • Helping Others     | • Serenity        |
| • Cooperation    | • Humor              | • Sophistication  |
| • Confidence     | • Independence       | • Stability       |
| • Courage        | • Influencing Others | • Status          |
| • Creativity     | • Innovation         | • Time Freedom    |
| • Decisiveness   | • Integrity          | • Truth           |
| • Dependability  | • Ingenuity          | • Wealth          |
| • Discipline     | • Justice            | • Wisdom          |

**Write down five values you identified as being most important to you:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

## Chapter 2

# Develop a Spending Plan That Fits Your Needs and Goals

When you set goals and make a plan to achieve them, you get results. In fact, you might be surprised by how much you can accomplish. Maybe you've heard stories about people who earn modest incomes, but who still manage to travel extensively or retire comfortably. You might dream of a life like that, but achieving it seems unrealistic when you find yourself sometimes struggling to pay your basic expenses, or when you're constantly paying for the unexpected things repairing a flat tire, having a cavity filled, or taking a sick child to the doctor.

Even little expenses, such as buying a few boxes of cookies from the little girl down the street, picking up a wedding gift for a friend or buying a few extra groceries for weekend guests can stress your finances.

You'll have many demands made on your money, but you also have a limited amount of income to spend. You may feel like you and your finances get stretched and pulled in many different directions. As a result, you might find it difficult to decide how and where you spend your money. Managing your money and reaching your goals may seem stressful, even overwhelming.

Making a plan for how you'll spend your money can take a lot of the stress out of financial decisions. That's why a budget or spending plan can be so useful. Although people often think spending plans will restrict them, a spending plan can actually help you figure out how much money you have to spend on the things you want – such as your goals – and the things you need.

### **Distinguishing between wants and needs**

An effective spending plan will first ensure you have a plan to pay for your basic expenses, or needs. You'll map out how much money you have to pay for your needs, and how much is left over. Then, your spending plan will help you to prioritize the way you'll spend your remaining money for other expenses that crop up in your life.

Before you get down to the business of creating a spending plan, it's useful to consider the difference between your wants and your needs. Your basic needs include food, shelter, clothing, utilities, insurance, medicine and transportation. These things are necessary to keep you alive and enable you to do the tasks you need to each day. On the other hand, your wants aren't necessarily essential, though they do often improve the quality of your life.

As you think about your wants and needs, be honest with yourself about the difference between the two. By definition, wants and needs are very different, but in practice it can be more difficult to separate them.

You may need transportation, for example, but you have many choices about how to meet that need. Depending on where you live, you could take public transportation, or you could participate in a carpool. If you need to buy a vehicle, you could choose a late-model used car, or you could spend your money on a newer car with some amenities that you enjoy. You have a choice about how to meet your needs.

In the process of deciding how to spend your money, you have to be careful that you don't turn a want into a need. Knowing that you need transportation and believing that you need a new car with a sunroof are two different things. You might even set a goal to buy a car, but you can reduce financial stress in your life by choosing one that fits your needs without straining your budget.

In many cases, you can find affordable ways to meet your needs—if you're willing to look for less expensive alternatives. For instance, you may need a cell phone for personal or business use. You don't necessarily have to have a smartphone with all the latest upgrades to handle your everyday communication needs. Instead, you could consider a less expensive phone and a plan that gives you the services you need, all without having to sign a two-year contract. Similarly, you could opt for a gym membership to help you stay in shape. Yet, you can still achieve a healthy lifestyle by committing to daily walks, or by using a workout video at home.



How you choose to spend money on the things you need will have a ripple effect on all of your finances. For example, if you spend a significant amount of your income on your rent or house payment, then you have less money to spend elsewhere. The choice to live in a certain place isn't right or wrong, but it will influence how much money you have available to get other things you want.

### **Your spending plan: Where do you begin?**

How do you start to make a spending plan? The first step is to determine your income, from any and all sources.

Your gross income is the amount of money you make per hour, multiplied by the number of hours you work before taxes are deducted. You pay taxes for services and programs such as education, transportation and roads, national defense, and much more. Typical tax deductions include income tax withholding, Social Security and Medicare, as well as state taxes.

## Track your spending

If you have made all the reductions you can or that you want to but your expenses still exceed your take-home pay, then you may need to earn more money. You might consider taking on a part-time job or working overtime, if possible. No matter how much juggling you do with your monthly bills, you simply cannot continue spending more than you make.

As you are looking for ways to bring your income and expenses into balance, you may want to track your expenses. **Tracking your expenses means accounting for every cent you spend whether you use cash, use your debit card or a pre-paid credit card, write checks or make credit card charges.** Although many people believe that spending a small amount here or there truly doesn't matter, those small amounts can make a big dent in your spending plan. For instance, eating lunch out twice a week may only cost you \$10 or \$20, but this adds up to \$40 or \$80 a month, or \$480 to \$960 a year. What else could you do with nearly a \$1,000? Perhaps you could take this money to set up an emergency fund or to save for one of the goals you've written on your goal card.

Take a look at the chart "Doubling Your Money Every Day" to see how just a few pennies can easily compound to create a healthy savings account. While you cannot realistically double your money every day, this chart shows that even saving small amounts over time definitely makes a difference. If you find yourself falling short each month, you may find it helpful to begin tracking your expenses. Before you say that tracking your expenses is too much work or that you don't have time, remember that you need to bring your income and expenses into balance if you want to reach your goals.

Day	Doubling your Money Every Day
1	\$ 0.01
2	\$ 0.02
3	\$ 0.04
4	\$ 0.08
5	\$ 0.16
6	\$ 0.32
7	\$ 0.64
8	\$ 1.28
9	\$ 2.56
10	\$ 5.12
11	\$ 10.24
12	\$ 20.48
13	\$ 40.96
14	\$ 81.92
15	\$ 163.84
16	\$ 327.68
17	\$ 655.36
18	\$ 1,310.72
19	\$ 2,621.44
20	\$ 5,242.88
21	\$ 10,485.76
22	\$ 20,971.52
23	\$ 41,943.04
24	\$ 83,886.08
25	\$ 167,772.16
26	\$ 335,544.32
27	\$ 671,088.64
28	\$ 1,342,177.28
29	\$ 2,684,354.56
30	\$ 5,368,709.12

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<h1>Budget Form</h1>			<b>Gross Income</b>	<b>Person 1</b>	<b>Person 2</b>		
			Deductions from Gross, List:				
			Taxes				
			Insurance				
			Retirement				
			Other				
			<b>Net Income</b>				
<b>Expenses</b>	<b>Current Amount</b>	<b>Adjusted Amount</b>		<b>Current Amount</b>	<b>Adjusted Amount</b>		
<b>Savings</b>			<b>Giving</b>				
Savings (Goals)			Tithe				
Savings (Emergency)			Charitable Giving				
Total			Other				
<b>Housing and Utilities</b>			Total				
Rent/Mortgage							
Second Mortgage			<b>Miscellaneous &amp; Entertainment</b>				
Insurance (if not in payment)			Bank/Other Financial Fees				
Property Taxes (if not in payment)			Birthday Gifts				
Association Dues			Books/Magazines/Papers				
Home Maintenance			Camera/Photo Printing				
Electricity			Camp/Fish/Hunt				
Gas/Heating Oil			Children's Allowance				
Phone			Christmas Gifts				
Water/Sewer/Garbage			Concerts/Plays				
Cell Phones			Health Club/Training				
Cable TV			Hobbies				
Internet			Movie/TV Show Rentals				
Total			Music/Video Games				
<b>Transportation</b>			Pet Care				
Car Payment(s)			Postage				
Insurance			School Supplies/Activities				
Gasoline			Sporting Events				
Licensing			Tobacco/Alcohol				
Public Transportation			Vacations				
Maintenance			Other				
Total			Total				
<b>Food</b>			<b>Other Debt</b>				
Groceries			Taxes				
School Lunches			Student Loan				
Meals Out			Credit Cards				
Total			Medical Bills				
<b>Dependent Care</b>			Furniture Loans				
Child Care			Personal Loans				
Child Support/Alimony			Other				
Tuition			Total				
Total							
<b>Personal Care</b>							
Medical							
Medicine							
Clothing							
Hair Care							
Laundry/Dry Cleaning			<b>Total of all Expenses</b>				
Total							

## Chapter 3

## Financial Tools Can Help You Manage Your Money

Whenever you purchase the things you need and want, you have a variety of financial tools available to help you. When used wisely, these financial tools can make managing your money easier and more convenient.

**Each type of financial tool comes with advantages and disadvantages; knowing them will help you to determine which financial tools you'll use.** The tools you have available could include cash, checks, money orders, debit cards and credit cards.

**Cash** is quick, convenient, and works well for making small purchases. However, it isn't typically a good idea to use cash to pay larger bills unless you get a receipt and keep that receipt in a safe place. Carrying large amounts of cash can also be a liability — it's much safer to keep your money in a bank or credit union savings or checking account.

When you need cash, you might use an automated teller machine, or ATM. Your bank or credit union might provide you with an ATM card, which you can use to make cash withdrawals from your accounts at ATMs. Although ATMs can provide you access to cash any time you need it, you should use them with caution.

Having a source of quick cash is convenient, but if you use this service often, you could end up spending more money than you realize. You could also end up paying extra fees if you use an ATM that is not associated with your financial institution. So whenever possible, use the ATM at your bank or credit union, or use ATMs in the network that your bank or credit union uses. Using an ATM that is not affiliated with your financial institution and that is not in the same network will cost you. You'll be charged fees by the ATM company to use its machine, and you'll be charged fees by your financial institution.



Any time you use an ATM, take precautions to protect yourself and your personal data from skimming. Thieves attach skimmers, or data-reading devices, on top of real card slots on ATMs to capture and steal your personal data when you use your card. Although ATMs at banks and credit unions typically are more secure than ATMs elsewhere, always look for signs of skimming before you use an ATM. Look for anything