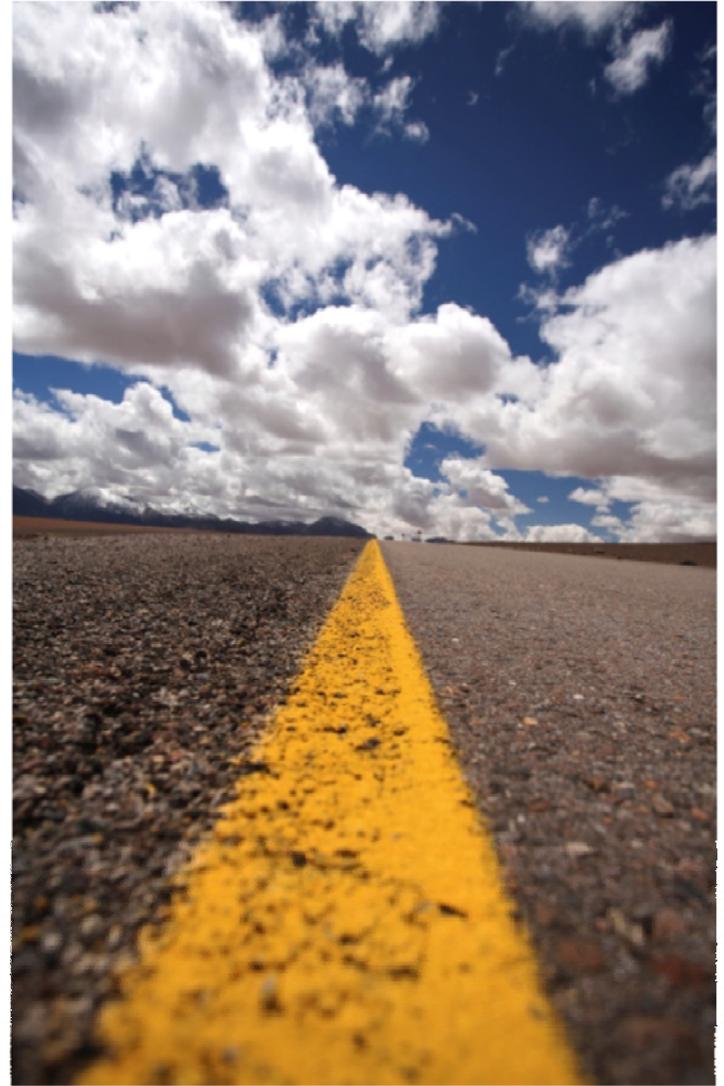


# Take Control! The Road to Debt Management



UNIVERSITY OF  
MARYLAND  
EXTENSION

*Solutions in your community*



# We all have dreams for our futures. . .

- What *are* your financial dreams?

*To realize your dreams,  
they have to become  
goals!*

- Are your goals S.M.A.R.T.?
  - SMART goals will pave the way to getting you where you want to go!

- Specific
- Measurable
- Agreeable
- Realistic
- Time-bound

# What are the roadblocks in the way of your goals?

- High debt
- Tight schedules
- Unexpected life events



- Low savings
- Changes in financial picture
- **What are YOUR roadblocks?**

Be honest with yourself.

Which of these do you have control over?

# Skidding 'out of control' affects you in many ways. . .

- You won't be able to do the things you want . . .  
and **NEED** to do!
  - **Renting or buying a home, qualifying for  
decent insurance rates, obtaining loans,  
accessing credit, etc.**
  - **Adding to supplemental retirement plans**
  - **Planning for future needs**





## Skidding 'out of control' affects you in many ways. . .

- You won't be able to do the things you want . . . and **NEED** to do!
  - **Staying out of financial ruin when the unexpected happens**
    - Injury, disability or other medical needs
    - Additions to the family (children, aging parents, grandparents, or other dependents)
    - Loss of a loved one
    - Loss of jobs or other sources of income
    - Natural disasters or emergencies
  - **You risk not reaching your goals. . . Ever!**

# ***Taking Control:***

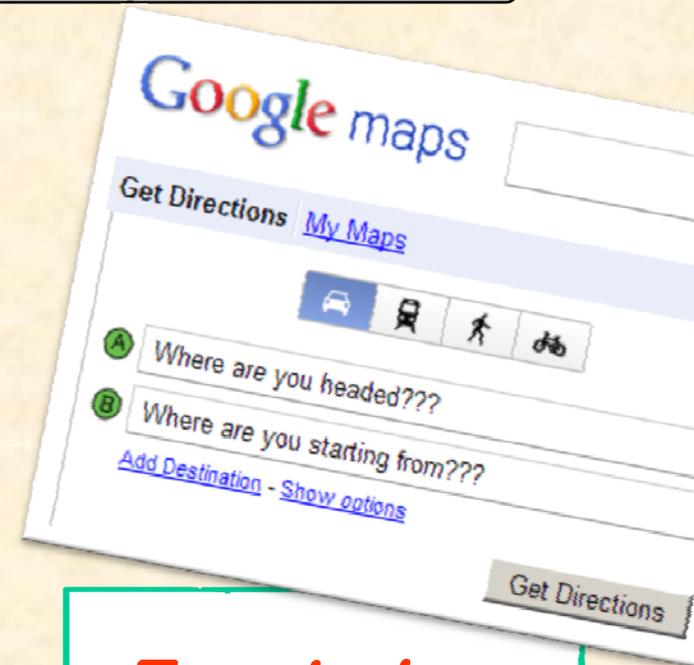
## ***Getting on the road to debt management***



1. Know where you stand.
2. Determine steps and options that make sense for your situation.
3. Take action and form new habits to get back on the road toward your goals.

# 1. Know where you stand

- How is money handled at home?
  - Who handles it?
  - Do you have a ‘system’ for filing, paying bills, budgeting, mail, etc.?
  - Is it working as-is?
- Do you have a spending plan? Do you USE it?
- Do you know where your money is going?
- Can you distinguish needs from wants?



*To get where you are trying to go, it helps to know where you are starting from.*

- **Do you know yourself and your money habits and attitudes?**

What do YOU know about YOUR spending habits?



- Are you a saver? Spender? Loaner? Borrower?
- Are you an impulse shopper? A planner?
- Do you use a shopping list?
- Do you keep track of what you spend?
- Is it hard for you to set goals and work toward them?
- Is it difficult for you to say “no” or to wait for something you want?

# Spending Plans (Budgets)

***A spending plan is a roadmap for your money. . .***



## **•Income**

- All sources

## **•Expenses**

- Fixed

- Flexible

- Periodic

## **•Plans for spending/saving**

1. Estimate available income

2. Define major expenses

3. Set spending levels

4. Develop spending plan

5. Watch over and control expenditures

6. Review & update

***Unique***

***Realistic***

***Flexible***

# A Guideline To Remember:

Use **70%** of take-home pay for living expenses.

Use **20%** to repay debt.

Save **10%** for you and your future (remember your goals!).



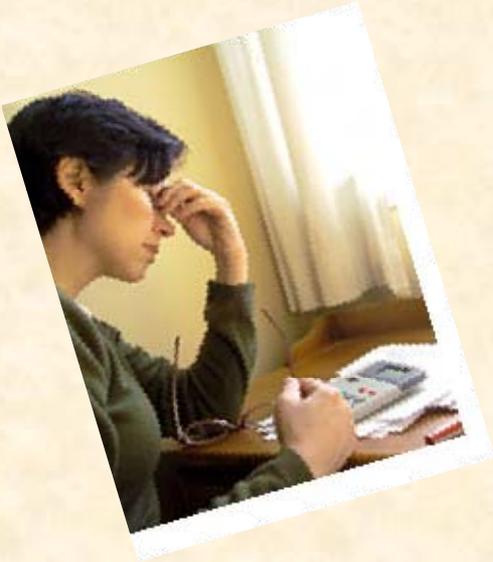


# The Minimum Payment Trap

**Credit card: Balance of \$3000. Card has 19.0% interest.  
Minimum per Month: 4% of balance (starts at \$120/mo.)**

	If you pay the Minimum each month: 4% of balance	If you pay the Minimum plus \$15 each month: 4% of balance plus \$15	If you "Power Pay" each month: fixed payment of \$120/mo
No. of months to pay off debt	134 (11.2 years!)	53 (4.4 years)	33 (2.75 years)
Amount of Interest paid	\$1,872.49	\$1,358.74	\$849.27
Total amount paid	\$4,872.49	\$4,358.74	\$3,849.27

# How do I know if my credit is “bad”?



Many people **first** realize they have credit problems when they're turned down for a loan, a job or a rental dwelling.

This *might* be due to poor money management. . .  
Or it might be the result of ***identity theft!***

# Check your credit report REGULARLY!

- *You have access to 3 free reports every year— one from each of the bureaus.*
- *[www.AnnualCreditReport.com](http://www.AnnualCreditReport.com) is the ONLY site monitored by the FTC for you to obtain a legitimately free copy of your report.*
- Your credit score is not included— but you don't want your score until you have made all corrections, anyway!



The screenshot shows the homepage of AnnualCreditReport.com. At the top, the site name is displayed in blue and red. Below it is a navigation bar with links for 'AnnualCreditReport.com', 'Frequently Asked Questions', 'Contact Us', 'About Us', and 'Fraud Alert'. The main content area features a large blue banner with the text 'Request your free annual credit report. It's QUICK, EASY and SECURE.' and a 'START HERE to View and Print your Free Credit Report Now' button. A dropdown menu for 'Select Your State' and a red 'Request Report' button are also visible. To the right, there is a section titled 'What is AnnualCreditReport.com?' with explanatory text and a photo of a woman using a laptop. At the bottom, the site is sponsored by Equifax, TransUnion, and Experian. A privacy notice is located in the bottom right corner.

AnnualCreditReport.com

▶ AnnualCreditReport.com ▶ Frequently Asked Questions ▶ Contact Us ▶ About Us ▶ Fraud Alert

Request your free annual credit report. It's QUICK, EASY and SECURE.

**START HERE** to View and Print your Free Credit Report Now

Select Your State

This site is sponsored by:

EQUIFAX™ TransUnion. experian

**What is AnnualCreditReport.com?**

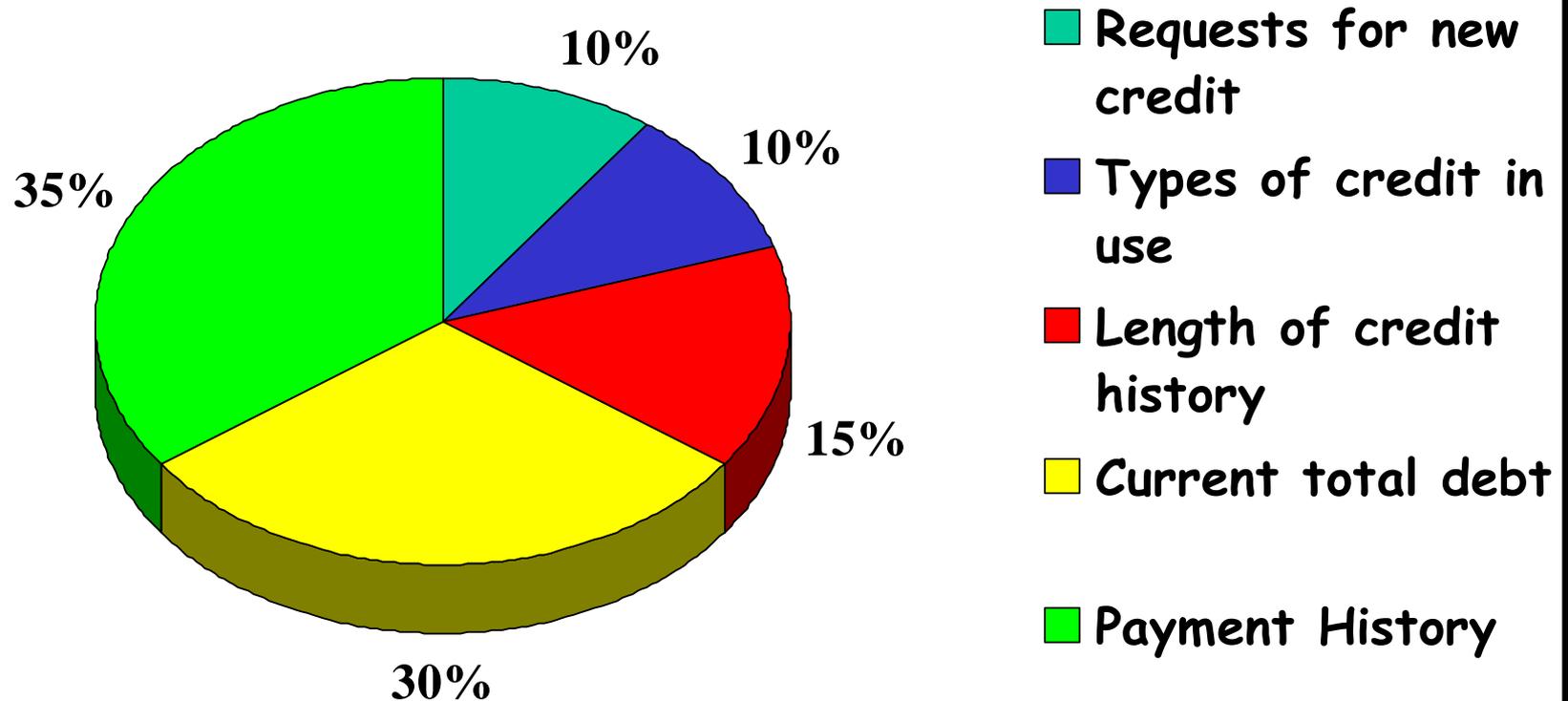
This central site allows you to request a free credit file disclosure, commonly called a credit report, once every 12 months from each of the nationwide consumer credit reporting companies: Equifax, Experian and TransUnion.

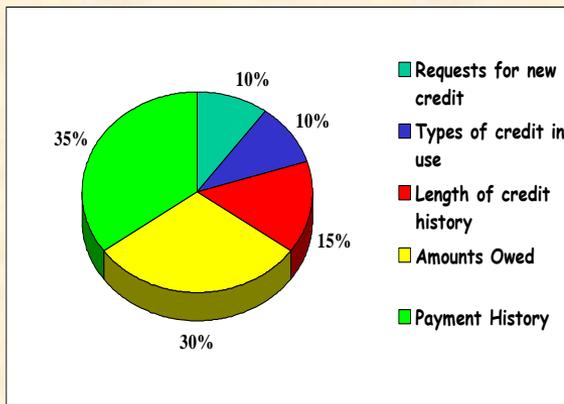
**AnnualCreditReport.com is the official site to help consumers to obtain their free credit report.**

**We guard your privacy.**

This site's security protocols are designed to protect your personally identifiable information from unauthorized access or alteration.

# What is a credit score?

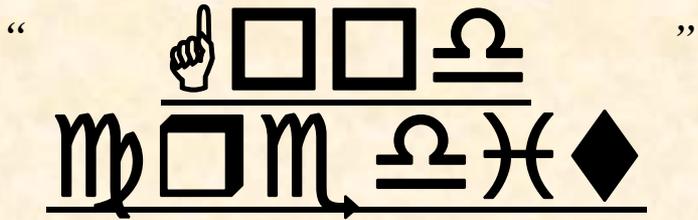




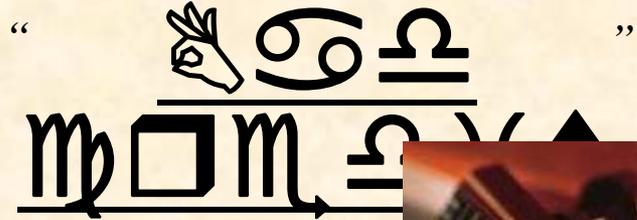
# Improving Your Credit

*(It's never too bad, or too late!)*

- ❖ Limit your applications for new credit. Apply for and open new credit only when needed!
- ❖ Aim to have a balance in credit types (loans, mortgages, revolving accounts, etc.)
- ❖ Keep some accounts over time to build a longer history.
- ❖ Keep balances low— don't max out!
- ❖ Make payments on time to build a positive payment history! If you have missed payments, get current and stay current! This has the biggest impact on your credit!
- ❖ Monitor your report regularly to check for accuracy— and correct any errors!



vs.



Reliable in paying bills –  
and paid on time

Obligations met as agreed

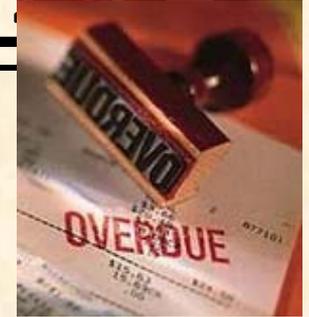
Less than 20% of income  
used to pay for debt  
maintenance

Less than 40% of available  
credit actually in use



Companies  
willing to  
extend credit

Unreliable  
in paying  
bills- or paid late



Debts abandoned or filed for  
bankruptcy

More than 20% of income  
used to pay for debt  
maintenance

More than 40% of available  
credit in use

Companies reluctant to  
extend credit, or charge very  
high interest



# Getting out of debt

## Do You Know:

Your debt level?

Your Annual Percentage Rate (APR)?

Details about fees?  
(late fee, over credit limit fee, balance transfer fees, annual fees, etc.)

What your credit score is?  
(and does it make sense to get it right now, or wait until you make corrections and/or until you are about to seek credit?)

- Communicate with your creditors and make realistic arrangements, as needed.
- Stop credit use, or put guidelines in place.
- Develop a debt repayment plan— use Power Payments!
- Know when (and where) to ask for help!

# What about ID theft?



- Notify all three credit bureaus right away & request a “victim’s statement” be placed on file
- Immediately notify account holders to close or monitor accounts
- File a police report
- Contact Federal Trade Commission’s **ID Theft Hotline: 877-438-4338**
- Contact your local office of Consumer Affairs

## 2. Determine steps and options that make sense for your situation

*What resources are available?*

### **FREE Tax Preparation:**

- *Sites through VITA or AARP—contact your local library, or*
- *Call one of the **Free Family Service Referral numbers:***
- *First Call for Help:  
800-492-0618*
- *Chesapeake Helps:  
866-722-HLPS*

### **The Maryland Money Hotline:**

**877-254-1097**

- Free & not-for-profit
  - Available to anyone regardless of financial status
  - Help with Q's about:
    - Budgeting
    - Goal setting
    - Credit reports/scores
    - Dealing with missed payments/creditors/collection agencies
- . . . and more!

- What's available locally?



Support and information  
from trusted sources

- Human Resources Dept.
- MSRP workshops
- Non-biased/non-profit consumer education

- **Non-profit credit counseling agencies**

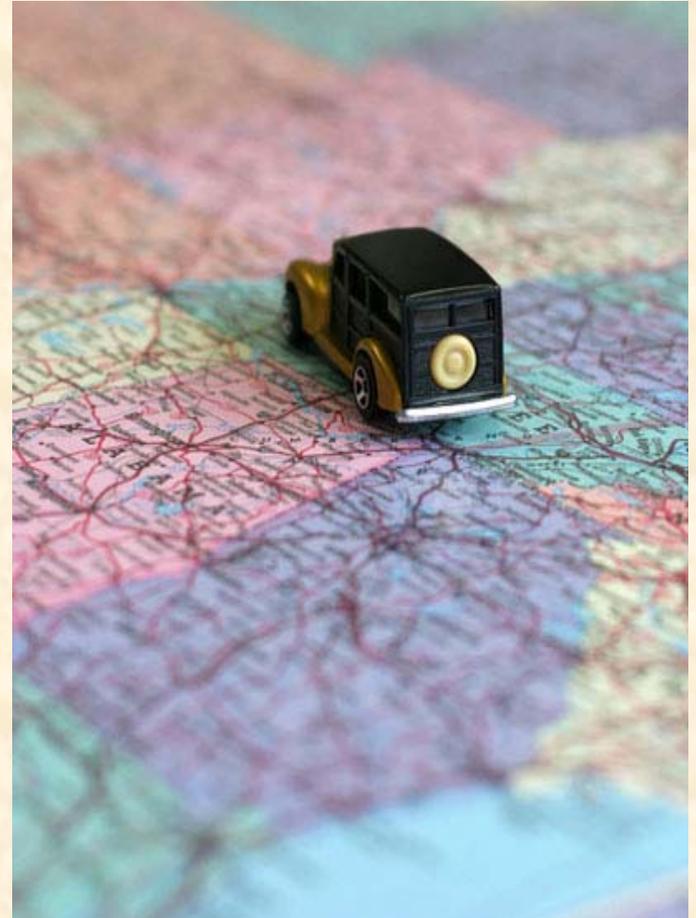
- DO NOT assume that you need to file for bankruptcy! There are often many options to consider beforehand!
- You may be able to make payment arrangements or work out settlements, for example

- **Benefits, services, food cooperatives and educational programs from local agencies**

# 3. Take action and form new habits to get back on the road toward your goals!



- Examine and tackle the roadblocks you identified earlier.
- “Trick yourself” into overcoming bad habits. For example, if you tend to dip into savings, consider keeping savings at a bank you can’t get to easily.



# • Create a financial to-do list

– Break large goals/tasks into smaller ones so that you can achieve them in steps.

• “Pay Off My Debt” is a task that is large and vague. It could be broken down into many smaller tasks such as:

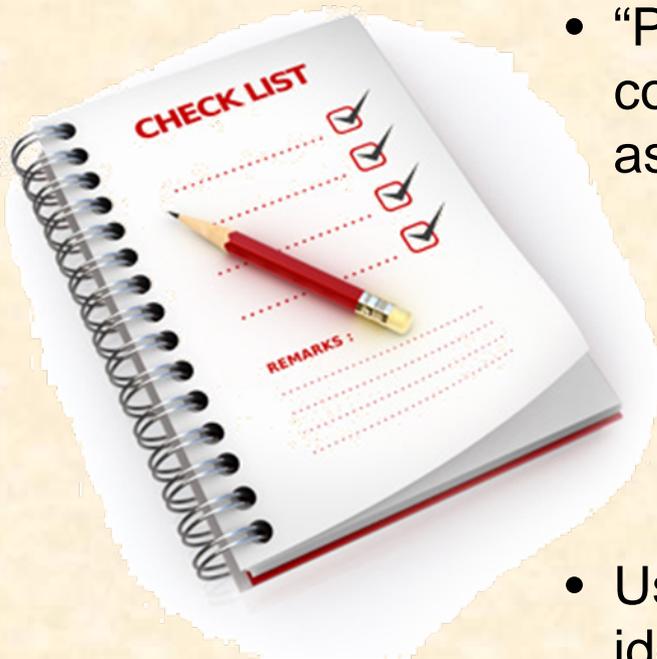
- check credit report on [annualcreditreport.com](http://annualcreditreport.com),
- review report and correct mistakes,
- contact creditors to make payment arrangements,
- create a payment system/calendar/file to keep track of bills/debts,
- etc.

• Use SMART goals to focus these tasks and to identify the steps involved.

– Feel good about even the smallest of steps!

– Keep it flexible. Modify as needed!

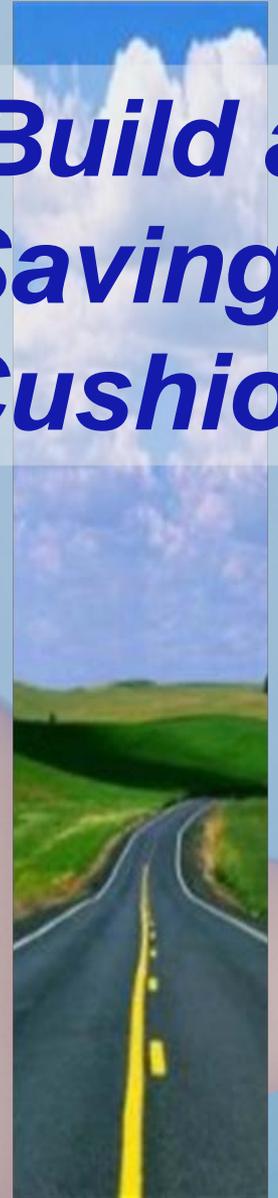
– Make things easy on yourself when you can!  
Automate savings, investments, payments, etc.



***Don't be intimidated by  
recommended guidelines,  
just start now!***

- *Having **one week's worth** of pay set aside in savings (maybe at a separate bank!) can help you handle most setbacks or minor emergencies that arise. . .*
  - *Parking/speeding tickets, a tire that needs to be plugged, a minor household repair, medical co-pays not covered by insurance, other unexpected expenses. . .*
- *Perhaps building upon this emergency fund could be **a goal on your To Do list!***

***Build a  
Savings  
Cushion***



# What questions do you have for the road ahead?



*The Road of Death in Bolivia*



*The Judge Harry Pregerson Interchange, LA*



*Stelvio Pass, Italy*



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## ***Take Control! The Road to Debt Management***

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***Help us to help others!  
Please complete your  
EVALUATION!***