



EMPOWERU

FINANCIAL FITNESS 2

WEEK 5



Welcome to Financial Fitness!

We're so glad you're here!

A few things to remember:

- Make sure you sign in to get credit for attending
- It is vital that you come on time each week in order to avoid the disruption that is created for the rest of the class and we want to make sure that you don't miss any important Financial Fitness principles
- Full attendance means that you arrive on time, stay for the entire 1.5 hour class and complete each week's homework. Credit will not be given for partial attendance or incomplete homework
- Childcare is available for those attending Financial Fitness
- In case of absence please make sure to call the Love in Action office and leave a message at (616) 846-2701 extension 108. An absence without a call will be entered as a NO CALL/NO SHOW
- Please turn down your cell phone and avoid using it during class out of respect for other class attendees and the class instructor
- Please refrain from leaving class during the session unless there is an emergency
- During inclement weather class cancellations will be posted on WZZM 13

Getting out of debt

Lesson Objectives:

- **What is debt?**
- **Homework Review**
- **Information revealed in a credit report**
- **Filling out the debt sheet**
- **Different methods of paying down debt**
- **Differences between secured and unsecured debt**
- **Homework assignment**

Sometimes the problem is not lack of income but spending more than we have. Debt can reveal a lack of self control, an attitude of greed and thinking that we deserve more than we can afford. It may also be seen as a way to bring quick relief to difficult financial issues by using it to cover gaps or emergencies.

Credit that is not paid off every month leads to debt. Debt makes assumptions about a future we have no control over and can quickly feel like a monster that owns our lives. This monster shows up in the monthly statements that remind us that we don't have enough to make the payments and cover the rest of our expenses. The harassing collection phone calls, the sleepless nights, poor credit scores, fights with our significant other and high levels of stress and anxiety can become unmanageable and feel overwhelming.

Many things these days are based on credit scores: buying a home, car insurance premiums, renting, and some potential employers even look at credit scores. Getting rid of debt and paying bills on time is the way to ensure that your credit score stays in tip-top shape.

- Why do you think an employer, landlord or insurance agency might want to know what your credit score is?



Debt almost always costs us more than we borrow and can be a waste of our hard earned income. It's not as simple as paying back the amount that was borrowed--we not only pay the original debt, but also the interest charged each month, as well as interest on the interest called compound interest

Mary Hunt, author and founder of Debt Proof Living and *Everyday Cheapskate* tells her story of hitting rock bottom and learning to live within her means.

She says "I used to be anything but a cheapskate and would break into a cold sweat at the thought of being considered cheap." She vowed that she would never be poor and that her children would never wear second hand clothing. "I was attempting to go back and fix my own childhood by giving my children all the toys, clothes, and attention that I missed. I was trying to fill a void by giving gifts which were bigger and better than the recipient could believe. I was making up for what I lacked, making sure I would have the approval and acceptance of my friends, even if I had to buy it." She believed that external appearances were all that was important. "Anything going on inside that conflicts with a perfect facade must be ignored, denied and put aside." "Inwardly I felt weak, frail and insignificant. The act of spending gave me momentary sensations of power and strength. I would temporarily feel nurtured and cared for."

By the time Mary and her husband started to have children, her first credit card was canceled due to late and missed payments. She collected credit cards for the security she thought they would provide. Little did she know her "security plan" would become the basis of a huge ongoing crisis. (All the little "emergencies" that were created by her consistent browsing of ads and believing life was not complete without all those "necessities".) Her family "showed very well."

She not only created large amounts of debt but neglected her checkbook as well.

Her husband was the manager at their bank and frequently suffered the humiliation of her financial disasters when taken aside and advised that their account was over drafted and that funds needed to be deposited immediately. They made a career change and were duped by the fantasy of getting rich quick. They ventured into a business they knew nothing about. The funds they received through a loan to run the business were quickly depleted. Their debts became immense and their income was nearly non-existent.

The turning point:

Mary says; "I vividly recall that Saturday afternoon in 1982 when I was alone in my mother-in-law's kitchen. I fell to my knees and begged for God's forgiveness and made a new promise: I would stop my irrational spending and debting and would seek a means by which to climb out of this financial pit. I had to change. There was no other way. Ashamedly, I realized that I had more control over my spending than I had ever wanted to admit. I no longer had to convince anyone, including myself, that I wasn't poor."

Mary went to work and her husband became a stay at home dad for their two little boys slashing day care costs. Eventually they utilized his experience in banking and her experience in real estate, creating an industrial real estate company.

"We will never be free of the scars and effects of the past. We will always wonder what might have been had we not been so financially foolish." "It took 13 years of one step at a time to pay off over \$100,000.00 in unsecured debt and we are now working on paying off our mortgage". "God has taken the unlovely mistakes and blunders in our lives and begun to weave a tapestry of unbelievable beauty. I cannot express how thankful I am."

"Cheapskate? Who me???!! You bet!" Mary Hunt

Homework review

- Monthly Spending Actual with 4 weeks worth of numbers completed?
- Annualized planning you will need to do noted?
- How are you doing with the organizing system?
- Are you able to keep up with the day -to -day recording?
- Are your bills in the correct pockets?
- Are there any changes you want to make so keeping track of your finances is easier?
- Do you have your credit report?

Bible Truths:

- Each time we use credit we become responsible to the entity that we borrow from. They now own a piece of our income and loss will result if not paid off on time.

Proverbs 22:7

^{7.} The rich rule over the poor, and the borrower is slave to the lender.

- It is our responsibility to honor our financial commitments

Romans 13:7

^{7.} Pay your obligations to everyone: Taxes to those you owe taxes, tolls to those you owe tolls, respect to those you owe respect, and honor to those you owe honor.

- Life is about much more than possessions and getting “stuff”. Contentment and gratitude for what we do have brings peace.

Luke 12:15

^{15.} Then he said to them, “Watch out! Be on your guard against all kinds of greed; life does not consist in an abundance of possessions.”

1Timothy 6: 7-8

^{7.} For we brought nothing into this world, and it is certain that we can carry nothing out. ^{8.} If we have food and clothing, we shall be content with these things.

Two Goals of Financial Fitness:

- To provide you with the opportunity to save money by using the resources that Love in Action provides which will allow you to spend more on debts or savings.
- To help you find ways to decrease your expenses and/or increase your income so you have more money to apply towards debt and savings.

Credit Report

3 major credit reporting agencies:

- Equifax
- Transunion
- Experian

1 free credit report from each of these agencies per year

What you will find on a credit report:

Account information

- Detailed account information
- Open Credit Accounts with a balanced owed
- Closed/Paid off Credit Accounts without a balance
- Revolving Credit Accounts that have a credit limit and require a payment each month
- Inquiries- List of companies that have requested to see your credit history

Negative information

- Bankruptcies, liens, garnishments, other judgements
- Remain on credit file for 7 years
- Records of collections

Personal information:

- Personal data
- Address
- Employment history

Dispute file information:

- How to dispute information found on your credit report
- Summary of your rights
- Remedying effects of identity theft information

Your credit report:

Consistently paying your bills on time is the only way to have a good credit score.

Go through your credit report with a highlighter and highlight each open or revolving credit and circle the balance due.

Debt Sheet

Should be filled out using all records and contents of your credit report

- Any knowledge of debts not listed in your credit report
- Money that you owe to creditors, family or friends that is past due
- List debts by lowest balance to highest balance
- Listing the “due date” and “amount due” will help you accurately fill out your Payment Calendar
- Writing the “total amount owed” will help you prioritize you debt payments
- Writing the “rate of interest” will also help you better prioritize your debt payments

Make sure to include debts such as:

- Home mortgage
- Past due utilities
- Auto loans
- Student loans
- Credit Cards
- Collection agencies
- Loans from Family, friends, coworkers, employers and banks
- Past due cable bills
- Medical Debts- dental, hospitals, doctors, eye dr., ENT, etc.
- Past due property taxes or income taxes
- Past due phone bills
- Retail store credit cards
- Lawyers
- Child support arrears
- Private school bills
- Past due rent
- Furniture, appliance, equipment, game rentals
- Payday/cash advance loans
- Orthodontic bills (even if you are currently making payments, it is still a debt)
- Home repair bills

Sample debt sheet



DEBT SHEET

A summary of money owed to creditors / family / friends and bills that have a balance due.
(include credit cards, medical bills, etc.)

Place in order from smallest amount owed to largest

Name: Bob and Susan

Date debt sheet was filled out: June 4, 2017

To Whom Owed (Creditor)	Creditor's Address & Phone Number	Total Amount Owed	Monthly Payment Plan		# of Pay'ts Left	Rate of Interest
			Due Date	Amount of Payment		
Home: American Mortgage Co.	Ph#	\$129,000.00	1st	\$950.45		4.80%
Car: Lakeshore Credit Union	Ph#	\$22,500.00	20th	\$250.43		3.75%
Visa	Ph#	\$7,000	2nd	\$300.00	24	18 3/4 - 25
American Express	Ph#	\$11,000	25th	\$350.00	32	18 3/4 - 25
Co-signed student loans	Ph#	\$12,000	Deferred x	3 months		6.50%
Big Box Appliance loan	Ph#	\$1,092	15th	\$182.25	6	
Payday Loan 1	Ph#	\$500.00	Not Making	Payments		
Payday Loan 2	Ph#	\$1,000.00	Not Making	Payments		
Payday Loan 3	Ph#	\$500.00	Not Making	Payments		
	Ph#					
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Methods for Paying down debt:

1. Pay down debt with the highest interest rate first: **Avalanche Method**
 - a. Helps decrease the total paid towards interest over the length of your loan
 - b. Overall you will spend less money to pay off that particular debt

2. Pay off your lowest balance first: **Snowball Method**
 - a. When you pay off the lowest balance first , take the payment you were making and apply it to your next debt
 - b. This method allows you to see progress much more quickly

Secured debt:

- Debt backed by collateral
- Lender can repossess item of collateral
- Example: mortgage or car loan
- Interest rates are typically lower



Unsecured debt:

- NOT backed by collateral
- If you stop making payments the creditor cannot take back anything to recover their costs
- Example: credit card
- Interest rates tend to be much higher
- Creditors attempt to recoup money owed through collection agencies

Let's talk about it:

- What are some of the reasons you went into debt instead of paying cash for the items?
- Are there any debts that you feel you shouldn't have to pay? Why? Should you pay them? (Be specific)
- Why is it hard to give when you have a lot of debt?
- As you go through **Financial Fitness** think about which debts you can pay off and make a plan to do so

Homework:

1. Complete your Debt Sheet by using your Credit Report add in any personal loans/debts that aren't listed on the report.
 - a. Make sure to include personal loans from family and friends
 - b. If you have any questions about your Credit Report note them and speak to the class facilitator next week

Note: Keep recording your daily Spending the entire time you are in Financial Fitness