



EMPOWERU

FINANCIAL FITNESS 2

WEEK 6



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

Lesson Objectives:

- Making solid decisions
- Check homework
- What is credit
- Defining a credit rating
- Understanding Interest and finance charges
- Different types of Loans
- Contacting and negotiating with creditors
- Criteria for taking on debt
- Homework assigned



Making solid decisions

Life is made up of two basic parts; circumstances that we have some control of and circumstances that we have no control over at all. A good portion of the outcome of our lives is due to decisions we make about the things we have control over as well as the things we don't.

The difference between making solid decisions and rash decisions can be summed up in two words: Mindset and Actions.

A Solid decision making mindset:

- Will count the cost of the decision before making it
- Plans ahead
- Is diligent and persistent
- Invests in the future
- Seeks to learn and is devoted to personal growth
- Learns from mistakes and changes future actions

A rash decision making mindset:

- Doesn't plan ahead
- Takes the easiest route
- Isn't interested in the long term outcome of decisions
- Is prone to repeated unpleasant consequences
- Blames circumstances and/or others and continues to make unwise decisions

Making solid decisions involves accurate thinking:

According to popular research the average human has 30,000 + thoughts per day. What you tell yourself and choose to believe often predicts your level of success, happiness, confidence, and ability to change or overcome difficult life situations.

Accurate thinking looks at the facts of the situation and lands on truth. It is the ability to look at yourself and others in a realistic way, acknowledging the positive and the negative.

Your subconscious mind believes anything that reaches it without question and then sets your course of action. The information can be from outside sources or from your own thinking. The thoughts you choose result in actions which will either benefit your life or result in unwanted consequences.

Example:

A child is told by an important authority figure that they are stupid and will never amount to anything. If the child hears it enough times they may believe it, and it becomes an “accepted truth”. The fact is that children do immature, childish things because they don’t know how to act like adults.

An adult who has accepted that lie may see themselves as stupid or not having much value and may make decisions based on that belief.

Accurate thinking says:

I’ve made some poor decisions and sometimes make mistakes, because I am human. I am not stupid or of little value. I have talents and can become all that I was created to be.

Or:

My finances have always been a mess, I’m just not good with money and don’t make enough. It’ll never change, that’s just the way things are.

Accurate thinking says:

My current financial habits are creating chaos and stress. I can learn what I need to know to adapt and overcome.

Get your mind on your team and working for your success!

Learn to be grateful:

- Practice an attitude of appreciation and gratitude for the positive things in your life. It is easy to get in a negative rut when things aren't going according to plan

Pay attention to what you're thinking. Throw out limiting beliefs and untrue thoughts.

- Challenge those negative or untrue thoughts and replace them with truth. Maybe you've made some mistakes and there are things you wish you could change or need to change
- Stop defining and limiting yourself by circumstances or poor decisions. Start focusing on ways to keep moving toward your best self
- See yourself as the character that you would like to see in the future chapters of your story

Take responsibility for your life:

- Resist the temptation to blame circumstances or people and take the easy way out
- Admit and take responsibility for any areas of your life that need improvement or change.

Change "I can't" to "I will do what it takes":

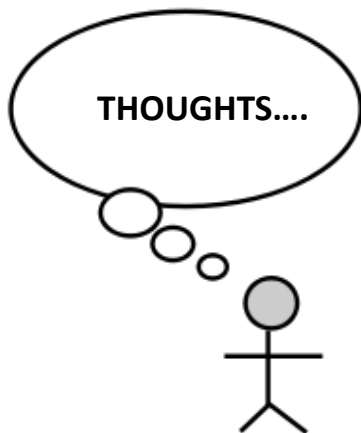
- Instead of dwelling on the reasons why it won't work out, why it failed in the past, or how hard it will be, which only reinforces the fortress of "CAN'T" in your mind, focus on the next step and keep moving toward your goal
- Change "I will try" to "I am doing this thing," like right now and there are no other options. "I will try" creates a soft cushy space between our efforts to change something or to do what we know we need to and the excuses that we tell ourselves about why we can't. It sounds great but never requires the muscle for action which leads to success

You can do the things you need to do in order to make your life different and improve your future.

What comes to mind as you read each set of these words?

I can't
I might
I'll never get it right
It's not my fault
I don't know enough
I'm a failure

I can
I will
I will work at it until I get it right
I'm taking responsibility
I can learn what I need to succeed
I'm an overcomer



Determine



Jen grew up in an unstable home. Her father was a verbally abusive alcoholic. He constantly told Jen and her siblings that they were worthless and would never amount to anything. Jen was bullied at school and dropped out of high school. She grew up believing the lies her father and other people had told her about who she was. Because she had such little value for herself she would end up in unhealthy abusive relationships. As a result she was a single mother of 3 children struggling to make ends meet.

Jen is determined that her children will have a different life than she did and has begun to take steps to make that a reality. She has connected with different community resources as well as a local church that hosts financial and parenting courses. One step at a time she will rebuild her life and create the future for her children that she longs for.

Bible Truths:

- *God loves us like crazy and cares deeply about us and our lives.*

Jeremiah 29:11

¹¹. For I know the plans I have for you,' says the Lord, 'plans for well-being and not for trouble, to give you hope and a future.

- He wants us to trust Him to care for us.

Proverbs 3:5-6

⁵Trust in the Lord with all your heart, and lean not on your own understanding; ⁶in all your ways acknowledge Him, and He shall direct your paths."

- He wants us to make solid decisions that are good for us instead of rash decisions that will cause us pain and harm.

Matthew 7: 24-25

²⁴. Whoever hears these sayings of Mine and does them, I will liken him to a wise man who built his house on a rock. ²⁵. And the rain descended, the floods came, and the winds blew and beat on that house. And it did not fall, for it was founded on a rock.

Matthew 7: 26-27

²⁶. And everyone who hears these sayings of Mine and does not do them will be likened to a foolish man who built his house on the sand. ²⁷. And the rain descended, the floods came, and the winds blew and beat on that house. And it fell. And its fall was great.

Financial Lesson

What is credit?

- An arrangement between two parties – a lender and a borrower
- The lender loans money to the borrower and the borrower has agreed to repay the amount loaned
- It is buying something NOW and paying for it LATER

Credit Rating

- Is based on how well you:
 - Pay bills
 - Repay bank loans and credit card purchases
 - Use checking accounts, debit cards etc.
 - It is your financial reputation and can be beneficial or detrimental to your financial future

Interest/Finance Charges

- The price the borrower pays to the lender for using their money
- Interest/Finance Charges are usually charged as a percentage of the balance owed
- Percentage of interest rate varies from lender to lender and an increase with each payment that is missed or made late
- Even a 0% loan will have a cost
 - Loan origination fee
 - Closing costs
 - Delayed interest charges

Watch Out!

- Many Retailers offer loans – 0% interest for 24 months with no money down
- If you miss one payment or have not paid in full by the end of the term, you owe the interest for the WHOLE 2 YEARS!
- They offer these loans to make money
- A reason to work on saving \$500-\$1000 is for “emergency” situations
- DO NOT finance furniture, televisions, game systems or large appliance purchases

Class discussion:

- What are three ways you can increase cash flow in the next three months?
- In what ways can you prepare yourself to be financially fit for your whole life?
- What does increasing cash flow now have to do with financial security later?



1. Take a look at Your Bank Statements, Monthly Spending Record, Annualized Payment Plan, and figure out how much money you will have available to pay on debts.

2. Write down the amount you have available and the debt payment plan (prioritized list of debts) and turn in as homework next week. Is debt prioritized in either a debt snowball or avalanche? Some things may be out of order due to personal obligations and that is fine in some circumstances.

3. Also include any questions you have about speaking with creditors.

Avoid these types of Credit/Loans/Payment Plans

Debt consolidation loans – Expensive

- Combine all monthly debt payments into one
- They are expensive- due to fees and interest rates
- Many credit card issuers offer new cards with low initial teaser rates with the suggestion of using the card to consolidate debt
 - Usually charge additional rates and fees and the low interest rate is temporary
 - It ends up costing you more in the end

Payday/Cash Advance & Rent-to-Own loans – Do Not Use...EVER!

- Usual fee is \$15 per \$100 borrowed for a two week period
 - The fee (15%) times 26 = 390% APR (Annual Percentage Rate)
- If the loan is not payed off in two weeks, you must renew the loan at this rate PLUS ADDED FEES for non-payment
- Be careful! Some banks offer Early Access loans which is the exact same thing as a Payday Loan
 - The average annual percentage rate paid by customers on this type of loan is currently about 419%
- The storefronts are convenient, local, and usually open extended hours (unlike banks), and they strive to be non-threatening
- The probability of having to roll over the loan multiple times is very high
- DO NOT DO THIS!! No matter how tempting it may be!

Title Loans – Very Expensive and Risky

- Usually terms similar to payday loans- short term, renewable, EXPENSIVE
- Secured by title to car or home means they can take the item if there is non-payment of the loan

Home Equity Loans or Line of Credit – Risky

- Higher interest rate than a mortgage
- Can foreclose on your home if not paid, even if the amount not paid is seemingly small
- Though interest rates are good now, up-front costs of these loans are still substantial, and if you cannot

Refinancing a mortgage

- Interest rates may change after initial refinancing rate
- Have to pay loan origination fee, appraisal, etc.
- You have to consider how long you plan to live in the home
- Instead, consider decreasing the length of your mortgage to pay your house off sooner. You'll pay only a little more per month but pay less interest over the term of your loan

Example of 30 yr vs. 15 yr Loan:

\$70,000 loan, \$1400 down, 4% interest

30 year: \$327.51/month x 360 months = \$117,904 total payout

15 year: \$507.43 per month x 180 months=\$91,337 total payout

An extra \$180/month cuts 15 years off your loan and saves **\$26,567**

Why contact creditors?

- Avoiding creditors can cause them to be uncooperative
- Be honest
- Communicating with a creditor can work for both Secured Debt and Unsecured debt
- Sometimes you can negotiate with a creditor to decrease the amount they are owed
- Wait until you are in the Transitions Phase to make these payment decisions

Contacting Creditors

1. Call the creditor and ask for the collections department

Introduce yourself

- Let them know:
 - That you are enrolled in a Money Management Program
 - That you intend to pay them, but are requesting their help in any way possible
 - This credit account and others will be closed and no others will be opened

Very important information

- Names (First & Last) to whom you are speaking
- Direct phone numbers
- Address
- Fax number
 - A. Let them make an offer
 - B. Write down all details of what was said
 - C. Request the agreement in writing prior to sending in payment
 - D. DO NOT give out bank account information
 - E. Make an agreement to pay by money order (protects your account information)

2. Send a letter

- Keep a copy of the letter and follow-up with a phone call after they have had time to receive the letter

3. The creditor may ask for affiliation with a CCCS (Consumer Credit Counseling Services) or more about Love in Action

- May deny request without the affiliation with CCCS
- May not be an alternative

Making Lump – Sum Payments

- Save to make one final payment
- Some creditors will take it, even if it is half the debt cost
- Only works if you have the money available at the time of the negotiation
- For debts that carry a large amount of interest
- Creditors would love to get as much interest as possible, but may be willing to settle

Debt Consolidation Loans

- Combines all monthly debt into one payment
- Very Expensive
- Not looked at favorably by banks that review your credit report
- Lose all ability to negotiate a lower lump sum payment
- Instead, use the Debt Snowball method

5 Criteria for taking on debt

1. Economic
2. Spiritual
3. Psychological
4. Marital
5. Time

Sometimes there may be times when it is impossible to avoid debt

- Times of need (not for luxuries) where it may be unavoidable
- If necessary be wise about the purchase/use of debt to make sure that you are taking on the least amount of debt possible
- Make a plan and stick to it