

taking control *of your* **debt**

Using Smart Money Management to Reduce Your Debt



F I N A N C I A L T O O L S F O R T H E T R A D E S

PORT  JOBS

IN THIS MODULE YOU WILL LEARN HOW TO:

- ☐ Identify warning signs of debt problems.
- ☐ Determine how much debt is right for you.
- ☐ Develop positive debt management habits.
- ☐ Use a spending plan to develop a debt repayment strategy.
- ☐ Negotiate successfully with creditors.
- ☐ Compare the advantages and disadvantages of debt consolidation, and how to avoid credit repair scams.
- ☐ Understand how bankruptcy can affect your credit.

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taking control of your **debt**

Debt. Doesn't everyone have it? Isn't debt the path to the "American Dream?" Isn't it a way of life for many families?

Understanding **Debt**

It is true that many people have some form of debt. Debt is when you owe money to someone, such as a creditor, because you want to have something now and pay for it later. In return, you pay the creditor extra money called interest.

There are a few basic things to know about debt – one being that not all debt is bad. Debt for big-ticket items, such as a house or a college education, helps to build assets and can be thought of as an investment in your future.

It is consumer debt – credit cards, department store cards, car loans – that you want to be careful with. Debt from consumer credit isn't necessarily a problem if you can repay it. However, many families find themselves in over their heads, in a debt situation they cannot control.

How do people develop debt problems? Many people find themselves in financial crises because

of things beyond their control. They could be laid off from work, could become sick or have an accident, or their home or car could need major repairs. Often however, people fall into debt trouble because they develop dangerous debt habits, and do not manage their finances wisely.

Staying out of debt trouble will take a combination of using credit wisely, managing your finances well, and having money saved for emergencies.

This module will help you understand the importance of staying in control of your debt, and what to do if you find yourself in over your head.

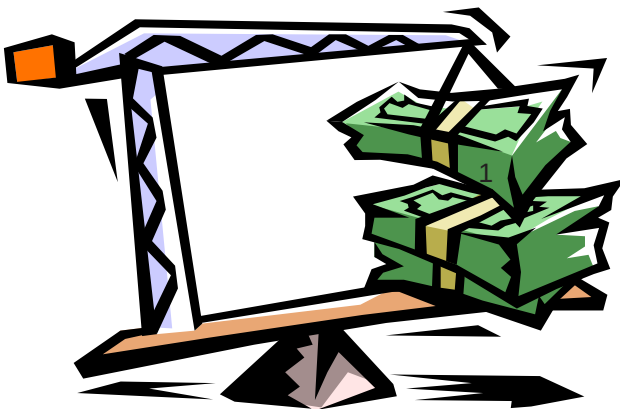


DEBT OFTEN BECOMES
SUCH A NORMAL PART
OF LIFE THAT WE DON'T
NOTICE THE WARNING
SIGNS THAT WE MIGHT
HAVE TOO MUCH.

Consequences of Debt

Serious debt can have serious consequences. At the very least, too much debt can keep you from reaching some of your financial goals. At its worst, excessive debt can strip you of your dreams and the life you would like to live. The consequences of debt problems are many:

- If you don't repay your debt on time, you may end up paying a lot more for it because of late fees and interest charges.
- Paying late can damage your credit rating.
- Credit may be harder to get in the future, or you could lose your ability to get credit altogether.
- You could lose your possessions, including your home or car.
- Out of control debt problems may push you to file bankruptcy, which seriously damages your credit rating for many years.
- The sense of hopelessness that often comes with debt can affect your behavior and health, and strain the relationships you value most.



How Much is Too Much?

How much debt you can handle depends on how much money you make, and how much it costs you to live. Experts say that you should spend no more than 15% to 20% of your take-home pay to repay debts to creditors each month (this does not include home mortgage payments.)

How much debt do you have? Use the worksheet on the following page to find out.

SIGNS OF DEBT PROBLEMS

Adapted from the National Endowment for Financial Education 2001

1. More than 20% of your paycheck goes to pay off debt, like car loans and credit cards.
2. You borrow money to pay off other debts.
3. You don't know how much money you owe.
4. You make only the minimum payments on each bill.
5. You miss payments and pay your bills late.
6. Creditors telephone, pressuring you to make payments.
7. People or stores refuse to give you credit.
8. You use credit cards to pay normal monthly bills.



HOW MUCH DO YOU OWE?

Credit Cards, Loans, Credit Accounts *	APR Annual Percentage Rate	Total Amount Owed	Past Due Amount	Minimum Monthly Payment	Amount You Can Pay Each Month
Example: Car Loan	6.7%	\$1,500	\$0	\$30	\$40
Example: Visa Card	14.9%	\$2,500	\$0	\$50	\$65
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$

Total Monthly Debt Payments

\$

\$

* Remember to list all debts, including credit cards, department store cards, Payday loans, Rent-to-Own accounts, car loans, student loans, over due utility, phone, or medical accounts, back taxes, overdue alimony or child support, and money owed to friends or family.

$$\begin{array}{ccc} \$ & \div & \$ \\ \text{Total Monthly} & & \text{Total Monthly} \\ \text{Debt Payments} & & \text{Income} \\ \text{(Minimum Payments Only)} & & \text{(After taxes)} \\ & = & \\ & & \text{Debt to Income} \\ & & \text{Ratio} \\ & & \text{(Multiply by 100 to get a \%)} \end{array}$$

If the resulting percentage is:

Under 15%: Relax, this is probably a safe amount of debt

15% - 20%: Be Careful, you might be at your maximum

Over 20%: Danger, you might be in debt over your head



SELF QUIZ: DO YOU HAVE A DEBT PROBLEM?

- YES NO Are you borrowing money or using credit cards to pay for items that you formerly purchased with cash?
- YES NO Is more than 20% of your take-home income going to pay debts (excluding home mortgage payments)?
- YES NO Do you take cash advances from your credit card to pay current bills?
- YES NO Do you have to choose which bills to pay now and which to put off until later?
- YES NO Can you usually only make the minimum payment on your credit cards?
- YES NO Are you extending repayment schedules? (paying bills in 60 or 90 days instead of 30 days?)
- YES NO Are you near, at, or over the limit on your credit cards?
- YES NO Do you take out a new loan before the old one is paid off or to pay off an existing loan?
- YES NO Are you unsure of how much you owe (within \$100)?
- YES NO Do you regularly pay your bills late?
- YES NO Do you charge more each month than you make in payments?
- YES NO Do you use a cash advance on one credit card to make payments on other credit cards?
- YES NO Has a collection agency called recently about an overdue bill?
- YES NO Are you threatened with repossession of your car, cancellation of credit cards or other legal actions?
- YES NO Have you just given up on some bills?
- YES NO Do you keep things that you buy on credit a secret from your family, or lie about how you paid for them?

SCORING: If you answered "yes" to any of these questions, you are not alone. You probably have friends or family who have been in this situation before. If you answered "yes" to more than 5 of these questions, you might be in danger of getting into serious debt trouble. Be careful - it doesn't take much to fall into the trap of financial instability.

Avoiding Debt Traps

Of course, the easiest way to avoid the debt trap is to not get into it in the first place. Sure, it sounds simple, but it is actually hard work. The best way to stay out of debt trouble is a combination of using credit wisely, managing your finances well, and having money saved for emergencies.

Debt Dos and Don'ts

Follow these tips to take control of your debt before it takes control of you:

DO

- Use only one credit card. You might keep a second one hidden away for emergencies, but close all other accounts and cut up the cards.
- Shop around for a credit card that has no annual fee, a low APR, and a 25-day grace period. Make sure to check for hidden fees and charges. Look on the internet to compare cards (try www.bankrate.com).
- Keep balances low on credit cards and revolving credit.
- Make your payments on time, every time — mail payments early to avoid late fees.
- Strive to pay more each month than the minimum balance. An ultimate goal would be to pay off the entire balance each month.
- Contact creditors immediately if you cannot make a payment.



DON'T

- Don't use the cash advance from a credit card unless you have a serious emergency. Most credit card companies charge interest on cash immediately, and often also charge a higher cash interest rate. The interest you are charged (known as your Annual Percentage Rate or APR) might be 9% for regular purchases, but 23% for cash advances!
- Avoid using credit to cover basic expenses such as housing or food.
- Never lend your card to anyone. Regardless of who uses the card, you are responsible for paying the bill.
- Don't let your credit card limit trick you into spending what you can't afford.
- Don't let numerous credit card offers in the mail fool you into thinking that you can handle more debt.

What to Watch Out For

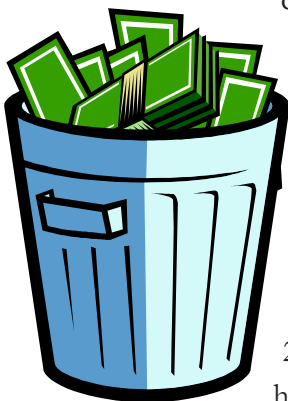
Many people get themselves into trouble by falling into debt “traps.” Be especially careful of the following “offers” — you might find yourself going deeper and deeper into debt.

- **Rent-to-Own:** Don’t be fooled by the “only \$10 a month!” offer for larger purchases such as furniture and appliances. Chances are it will take you years to pay off, and you will end up paying hundreds of extra dollars for the item. And to make matters worse, the store usually has the right to repossess, or take back, the item if you miss a few payments. Find out exactly how many payments you will have to make, and do the math! Compare the final price with other stores before you make the leap.

Alternatives to Rent-to-Own:

- ✓ Wait and save money to buy the item.
- ✓ Look for a less expensive or used version.
- ✓ Use lay-away option at a department store.

- **“Interest Free” credit:** Be skeptical of “interest free” offers for purchases or credit cards. **READ THE FINE PRINT!**



An ad for “no interest paid until January 2005” might state that interest will be charged to your account, from the date of purchase, if balance is not PAID IN FULL by January 2005! Even worse, the interest charged is 23.8%! You may end up paying hundreds of dollars in interest.

- **Payday Loans:** “Need a little extra cash to get by until payday?” Be careful of offers for short-term high-interest loans that allow you to borrow money against your next pay check. Agencies offering these services usually charge \$15 for every \$100 borrowed. This might not seem expensive, but when you calculate the APR for this loan, it is close to 400%! Often people get into trouble with payday loans by accepting offers to extend the loan another 2 weeks and pay additional fees. If you roll over the loan three times, you end up paying about \$160 for borrowing \$100.

Alternatives to Payday Loans:

- ✓ Ask your employer for a paycheck advance.
- ✓ Borrow the money from a friend or relative.
- ✓ If your bills are due, contact creditors directly to negotiate a later payment date.

DEBT TRIGGERS

- SALES
- DEPARTMENT STORE CREDIT CARDS
- CATALOGS AND ONLINE SHOPPING
- EASY CREDIT CARDS

Using credit wisely is only one part of staying out of financial trouble. Managing your finances and being prepared for emergencies are also important. Check out the **“Developing a Spending Plan”** and **“Saving for your Future”** modules to learn how to stay on top of your finances and save money for emergencies.

doing it yourself

Do you think you are in debt trouble? You are not alone. While debt problems might make you feel overwhelmed, don't give up. There are a number of ways to start working towards a future that is not driven by debt — from creating your own debt repayment plan, to seeking outside help through credit counseling and debt consolidation, and (only as a last resort) bankruptcy.

Making Your Own

Debt Repayment Plan

The most important step to getting yourself out of debt is to believe that you can do it, and to resolve to make it a priority. Getting out of debt is not easy, but time and consistent efforts will see you through. How can you do it? Follow these seven steps to create a debt repayment plan that will put you back in the driver seat of your financial future.

STEP 1: STOP SPENDING ON CREDIT

The first step in getting out of debt is simple (but far from easy): stop spending on credit! You and your entire family must make this a priority — and do whatever it takes to stop credit spending. This does not mean just hiding your credit cards — it means trimming all unnecessary spending out of your life (at least for a while). You might have to cancel a family vacation, eat at home, or suspend your cable TV.

In a nutshell, you need to adjust your lifestyle to live within your means until your debt is under control.

Living within your means requires that you reduce your expenses and develop a spending plan to help you manage your finances wisely. For help on how to do this, see the “**Developing A Spending Plan**” module.

You will never get out of debt if you continue to dig yourself into a deeper hole.

STEP 2: DETERMINE HOW FAR IN DEBT YOU REALLY ARE

Many people do not know the real extent of their debt. If you continue to get credit card offers in the mail, you must be doing okay, right? Wrong. In order to make a plan to get out of debt, you first need to know exactly how much you owe, and how long it will take to pay back.



If you haven't already, use the “**How Much Do You Owe?**” worksheet on page 3 to list all of your debt, including credit cards, department store cards, car loans, student loans, and any other money you owe (do not include home mortgage). Record your interest rates (APR), amounts owed, past due amounts, minimum monthly payments, and amounts you can afford to pay each month.

Are you curious how long it will take to pay off your debt, and how much interest you will end up paying? There are a number of “calculators”

#1 DEBT TIP:
Pay more than
your minimum
payments
each month!

on the internet that will do the math for you. These calculators are helpful because they allow you to try out different monthly payments, to see the difference it makes to pay more than your minimum monthly payment.

The example on the following page shows that paying just a little more than the minimum payment per card each month dramatically reduces the total interest paid and time needed to pay off debt.

How much total interest will you pay? Check out these online debt calculators to find out:

- CNN Money: <http://cgi.money.cnn.com/tools/debtplanner/debtplanner.jsp>
- Dinkytown: <http://www.dinkytown.net/java/Debt2Amount.html>



STEP 3: CANCEL OR FREEZE YOUR CARDS

Now that you are working hard to live within your means, you probably don't need all those credit cards — so get rid of them! If you have more than one credit card, look into transferring the balances to one low-interest rate card and then immediately cancel and cut up the cards you pay off. (If you transfer balances, make sure that you choose a card with low interest, not one of those special short-term introductory rate cards.) If you think you might still be tempted with just one card, try freezing that card in a cup of water. It sounds silly, but you will really have to think about making a purchase...while your card defrosts!

DON'T TEMPT
YOURSELF BY
KEEPING EXTRA
CREDIT CARDS
YOU DON'T NEED.

DEBT CALCULATOR EXAMPLE*

This example shows the difference between making minimum payments and paying a little bit more each month. In this first example, we pay only the minimum payments per card, with debt payments totaling \$120 a month. Check out how long it will take to pay off: 28 years!

DEBT PLANNER

Enter Credit Card Information

Credit Card Name	Balance (\$)	Interest Rate (%)	Minimum Monthly Payment (\$)
1 Visa	3000	18.9	60
2 MC	2000	14	40
3 Bon	500	19	10
4 Home Dep	300	23	10
5			

Add More

Choose a Plan

☒ Minimum Payments
When will I be debt free and how much will I ultimately pay?

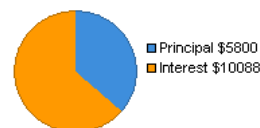
☐ Fixed Payments
When will I be debt free if I pay:
\$ monthly

☐ Debt-Free Deadline
I want to pay off my credit cards in:
 years and months

Your Plan Summary

- By making minimum payments only, it will take you 28 years to pay off your credit cards.
- Based on your current combined balance of \$5,800.00, you will pay a total of \$10,088.98 in interest.

Total you will pay



WOW! CHECK OUT THIS DIFFERENCE!

This time, we will pay just \$20 more on each card, for a total monthly payment of \$200 (remember, this is only \$80/month more than our minimum payment example above). Look at the difference: we pay off our debts in 3 years (25 years faster) and reduce the interest paid by \$8,500!

DEBT PLANNER

Enter Credit Card Information

Credit Card Name	Balance (\$)	Interest Rate (%)	Minimum Monthly Payment (\$)
1 Visa	3000	18.9	80
2 MC	2000	14	60
3 Bon	500	19	30
4 Home Dep	300	23	30
5			

Add More

Choose a Plan

☐ Minimum Payments
When will I be debt free and how much will I ultimately pay?

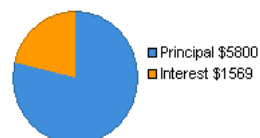
☒ Fixed Payments
When will I be debt free if I pay:
\$200 monthly

☐ Debt-Free Deadline
I want to pay off my credit cards in:
 years and months

Your Plan Summary

- If you pay \$200.00 a month, it will take you 3 years and 1 month to pay off your credit cards.
- Based on your current combined balance of \$5,800.00, you will pay a total of \$1,569.49 in interest.

Total you will pay



* Taken from CNN MONEY: <http://cgi.money.cnn.com/tools/debtplanner/debtplanner.jsp>

STEP 4: DEVELOP A SPENDING PLAN

As you saw in the debt repayment example on the previous page, paying more than your

Developing a spending plan can help you find room in your budget to pay back your debt on a regular basis.

minimum payments can save you thousands of dollars and years in debt. How much could you afford to pay? If you are like most people, you could probably put a little extra money toward your debts each month, just by watching what you spend and living within your means. You might tell yourself *“I don’t have any extra money each month!”*

But look carefully – how much do you spend on cable TV, your phone service, or eating out? Are those everyday luxuries really worth spending years in debt? The choice is yours.

A spending plan is a tool to help you manage your finances so that you can make choices like getting out of debt and saving money. It helps you understand how much money you have coming in and going out, and helps

you reduce your expenses to live within your means. To learn how to use this tool, check out the **“Developing A Spending Plan”** module.



STEP 5: PRIORITIZE YOUR DEBTS

After you develop a spending plan, you will have a realistic idea of how much money you can afford to put towards repaying your debt each month. The number one debt tip is to pay more than the minimum payment on each card. This way you avoid late fees and collection agencies, and can pay off your debts faster.

How do you choose which debts to pay off first? There are a couple of ways — you need to choose which is right for you:

- Paying off cards with the highest interest rates (APR) is the way to pay the least amount in interest.
- Paying off cards with the smallest balance is often motivating, as you can cancel out cards as you go.

What if you can’t afford to make even the minimum payments on your cards? Be careful – this is a serious situation that can escalate into a financial crisis in very little time. Consider the consequences of not paying each debt, and always put the health and stability of your family first.

PUT YOUR FAMILY
FIRST: PAY OFF
DEBT THAT MIGHT
PUT YOUR
FAMILY’S
WELLBEING IN
DANGER.

While you should always try to pay *at least* the minimum payments on your debts, in a financial crisis you might have to pay the most important debts first, and postpone others. In general, think of your debts with the following priorities:

- **High:** Housing and utilities, car loan and insurance (if you need your car for work), child support, and taxes.
- **Medium:** Loans with collateral and student loans.
- **Low:** Loans for household goods, credit cards, rent-to-own contracts, and loans without collateral.



STEP 6: CONTACT YOUR CREDITORS IF YOU CANNOT MAKE PAYMENTS

If you have to make the decision to temporarily suspend or reduce your monthly payments, it is very important to contact your creditors immediately — before they contact you. Most creditors are willing to negotiate a lower payment or a payment plan that works for you. Don't wait, and don't be embarrassed — creditors work with people everyday with issues just like yours.

By acting now and contacting your creditors, you can eliminate late payment fees, avoid pressure from collection agencies, protect your credit history, and ultimately feel better about repaying your debt. For helpful tips, see *Getting Through Tough Times: Talking with Creditors* online at <http://extension.umn.edu/family/00042.html>.

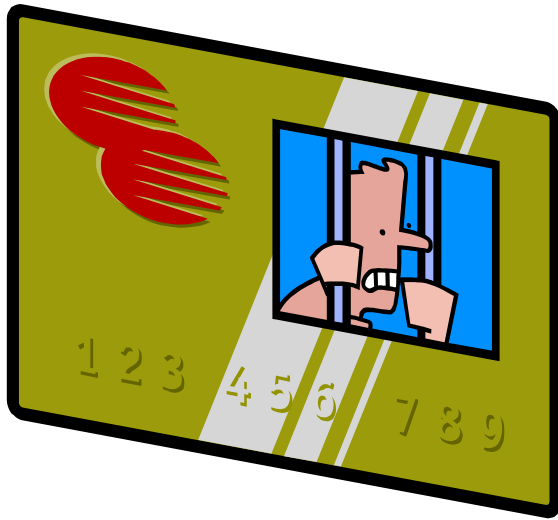
STEP 7: CREATE A PAYMENT SCHEDULE

The final step in getting yourself out of debt is to commit to a payment schedule. The trick is to decide on realistic monthly payments that you can stick to. Look again at the debt repayment example on page 9. In this example, we reduced the amount of interest paid by more than \$8500 and reduced our repayment time by 25 years! How did we do it? Simple: by paying just a little bit more than the minimum payments on each card until our debt was completely gone.

The secret is to continue to pay your set amount, even after you pay off some of your cards, and redirect that payment amount to the next card payment. Follow these three rules:

Rule #1: Commit to a total monthly debt payment that works for you (ideally more than the minimum balance on each card). In our example on page 9, this total monthly payment was \$200 distributed among four credit cards.

Rule #2: Continue to pay this set monthly amount until you are debt free. This means that even when your statements show a lower minimum payment, you still continue to pay the same amount as you started with. (Don't be fooled by statements showing lower minimum payments — most credit card companies would



Be positive. Stay cool. Tell yourself you can do it. And if you begin to falter, remember the example from page 9 — would you rather tighten your belt a little and make slightly higher payments for 3 years, or continue to make the minimum payments for the next 28 years? (The answer seems pretty clear.)

The most important debt advice is to create a repayment plan that you can stick to.

like you to pay the least amount possible, to keep you paying interest for life!)

Rule #3: As one debt is paid off, redirect that payment amount to the next debt. Following this rule, you pay the same total monthly debt payment that you started with — even when you only have one debt remaining. In our previous example, we continued to pay \$200 each month, even when we only had one debt left to pay off.

Following these three rules successfully will take good money management, a commitment to get out of debt, willpower to restrict all further credit spending, and dedication to stick with it.



CHECK LIST

Action Steps to Reduce Debt

- 1 Stop spending on credit.
- 2 Determine how far in debt you are.
- 3 Cancel or freeze your cards.
- 4 Develop a spending plan.
- 5 Prioritize your debts.
- 6 Contact your creditors.
- 7 Create a payment schedule.

getting help

We all like to think that we can fix our own problems, but sometimes we just need help. If you feel like your debt problems are out of your control, and you are so overwhelmed that you don't even know where to begin, it might be time to ask for help. That is where credit counseling comes in. But be careful — there are reputable and not so reputable credit counseling agencies out there, and it is important to take the time to make the choice that is right for you.

What to know about Credit Counseling and Debt Consolidation

A credit counseling agency can work with you and your creditors to create a debt repayment plan (essentially the same process we described above, only the agency manages the process and holds you to it). The agency usually charges an enrollment fee, as well as a monthly service fee.



In this plan, you deposit money each month with the credit counseling agency. The agency uses your monthly deposit to pay your creditors according to a payment schedule the counselor develops with you and your creditors.

The terms and agreements of these consolidation plans vary depending on the agency and your own situation, but usually they require the following:

- You agree not to use or apply for any additional credit.
- You agree to make monthly payments on time to the agency.
- You agree to continue payments until debts are paid in full.

Avoiding Credit Repair Scams

Asking for help with your debt is not easy. And to make it even harder, there seems to be a growing number of questionable credit counseling and debt consolidation agencies out there looking to make a quick buck on unsuspecting and financially vulnerable customers. The best advice in selecting a good credit counseling agency is to shop around, and to know what questions to ask. Be careful! Watch out for companies or services that promise to fix your credit or debt situation quickly. Some companies provide substandard services or charge extremely high fees. Others are outright scams.

Credit Counseling Agencies

There are a number of non-profit organizations that offer reputable services. You can get a list of trusted credit counseling services in your area by contacting the following organizations:

- National Foundation for Credit Counseling (NFCC) 1-800-388-2227 or www.nfcc.org
- Association of Independent Consumer Credit Counseling Agencies (AICCCA) 1-800-450-1794 or www.aiccca.org
- The Better Business Bureau can also provide information on various organizations: visit www.bbb.org or call 1-703-276-0100 to get contact information for your local Bureau.



To give you a baseline idea of what a reputable organization might charge for counseling fees, members of the NFCC (whose agencies are mostly known as Consumer Credit Counseling Services) charge an average enrollment fee of \$19 and an average monthly service fee of \$12 to clients that enroll in debt management plans. Not all customers who use their services enroll in debt management plans, and in fact, not all people qualify. Check out the above websites for more information.

Also be aware that not all credit counseling organizations claiming to be “non-profit” should be automatically trusted. Recent investigations have uncovered sky-high fees and big salaries for some non-profit executives as well as questionable relationships between non-profit credit counseling agencies and for profit firms.

Remember that a debt management plan with a credit counseling agency is not the right solution for everyone. Be skeptical if a credit counselor tries to push debt consolidation on you right away, before having a full understanding of your financial situation.

For a list of questions to ask when shopping around for a good credit counseling agency, see *Fiscal Fitness: Choosing a Credit Counselor* from the Federal Trade Commission online at <http://www.ftc.gov/bcp/online/pubs/credit/fiscal.pdf>.

The Truth About Bankruptcy

No matter what anyone tells you, bankruptcy is never a risk-free solution or a quick fix to overcome debt problems. Declaring bankruptcy does not erase your bad credit history, and in most cases will have a longer lasting and more serious impact than any other negative information. It should only be considered as a last resort.

Chapter 7, known as “straight” bankruptcy is the more serious form and remains on your credit history for 10 years. It allows you to wipe out most of your debts and start fresh. Under Chapter 7, most of your personal property is sold in order to pay off your creditors. You are allowed to keep some property (this varies by state), which usually includes clothing, basic household furnishings, life insurance, retirement funds, the tools of your trade, and sometimes your car and home (but not always).

Chapter 13, known as the “workout plan” or the “wage-earner plan” stays on your credit history for 7 years, and allows you to repay your debts over time (usually 3 to 5 years) while preventing creditors from seizing your property. Chapter 13 is usually considered the better option for people who have regular income and substantial assets.

ADVANTAGES

- Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities.

BE AWARE:

RECENT CHANGES IN THE LAW MAKE IT HARDER TO APPLY FOR CHAPTER 7, AND PEOPLE WITH INCOMES ABOVE THE MEDIAN MAY NOT BE ELIGIBLE FOR THIS SORT OF PROTECTION.

- Bankruptcy may allow you to keep certain assets (most assets with Chapter 13).

DISADVANTAGES

- Bankruptcy leaves a negative mark on your credit history for 7 to 10 years.
- Bankruptcy filing will most likely result in automatic denial by most lenders for a number of years. Some lenders might grant credit at much higher interest rates or less favorable terms.
- Bankruptcy does not erase child support, alimony, taxes, student loans, or fines from violations of the law.
- Bankruptcy remains tied to your record even after the 10-year period in certain situations such as applying for a high salary job, or insurance and loans above a certain amount.

Bankruptcy should only be considered as a solution after all other options have been explored, and you have talked with a financial counselor.

About This Module

The Financial Tools for the Trades program offers resources for community organizations interested in providing financial education to clients. This training module is part of the Financial Tools for the Trades curriculum. Other modules in this series include:

Developing a Spending Plan: How to create and use a spending plan to manage your finances and make your money work for you. Learn how to track income and expenses, reduce spending, and more.

Saving for Your Future: The basics of how to save money to reach your financial goals, such as paying yourself first, creating savings goals, making a savings plan, and tips for successful saving.

Visit the Port Jobs website at www.portjobs.org/our-programs for more information about this program.

* * * *



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The National Endowment for Financial Education® (NEFE®) is a nonprofit organization committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. For more information, visit www.nefe.org.

Acknowledgments

Reference materials from the following sources were particularly helpful in developing this module:

- Community Action Partnership™ and NEFE®, www.managingmymoney.org
- Fannie Mae, *Growing Your Money: Personal Financial Tools and Home-Buying Guides*
- FDIC, *Money Smart Curriculum*
- Federal Trade Commission, *FTC Consumer Alerts*
- Freddie Mac, *CreditSmart® Curriculum*
- National Endowment for Financial Education®, *Financial Education Clearinghouse*
- University of Minnesota Extension Service, *Getting Through Tough Times Series*

