



The Road to Financial Health

Consumer Credit 
Counseling Service ™

you owe it to yourself



Pride

You owe it to yourself

Consumer Credit

Counseling Service

History

Consumer Credit Counseling Service is a nonprofit agency, founded in 1964 by the business community to:

- Educate consumers about money management
- Promote the wise use of credit as a tool for financial planning
- Assist individuals and families in overcoming financial difficulties

CCCS is a member of the National Foundation for Credit Counseling (NFCC), an umbrella organization for independent CCCS offices through out the United States, Mexico, Canada and Puerto Rico. CCCS is accredited by the Council on Accreditation of Services for Families and Children, Inc. and is a partner with United Way.

CCCS Services

Budget Counseling

Professional counselors offer individual, confidential advice for developing budgets, managing money, using credit wisely and building a savings plan. This service, in English or Spanish, gives individuals and families the knowledge they need to avoid financial pitfalls in the years to come.

Debt Management Plans

For those individuals and families who are overextended, CCCS offers assistance through its Debt Management Plan (DMP). CCCS works with clients and creditors to design a debt repayment program that may reduce monthly payments, interest and related fees. DMPs serve the dual purpose of helping you repay debts and your creditors receive the money owed them.

Housing Counseling

CCCS is certified by the United States Department of Housing and Urban Development as a comprehensive housing counseling agency. Counseling is provided in the areas of pre-purchase, mortgage default, rent delinquency, post occupancy and loan declination.

Education

CCCS offers community-wide education programs in money management, education and consumerism. Seminars are conducted by trained CCCS representatives for employee groups, schools, churches and civic organizations.

Telephone and online counseling available

24 hours a day, 7 days a week

Call, Click or Come in - you owe it to yourself

Customer Service: 404-527-7630 Toll-free: 800-251-2227 (CCCS)

www.cccsinc.org

You Have the Power to Change

It's easy to feel overwhelmed when considering personal finance options. Spending habits, income, education expenses and planning for retirement need to be managed with clear goals in mind to achieve control over your finances.

Your "Road to Financial Health" is filled with tips to reach your goals. It's easier to begin than you might imagine.

Consider sacrificing some personal indulgences. For example, if you would forego that afternoon \$2.50 latte (\$50), a twice-monthly manicure (\$16) and two pay-per-view cable TV events (\$49.90) you'd save \$115.90 each month. After five years in a passbook account paying just 2% interest, those small sacrifices could yield \$7,319 (before taxes). If you invested that amount at 4.5% in a money market fund, you'd have \$7,811 after five years. Pursue a mutual fund averaging 9% and it adds up to \$8,807. Continue saving this amount for 20 years and you would end up with a \$130,912 nest egg.

In other words: the small stuff counts! If you brown-bag your lunch and trim your restaurant tab by \$35 per week, you can boost your retirement funds by as much as \$121,512. By eliminating a \$30 cable bill each month, your nest egg could increase by over \$24,000.

The time to begin is now. Consumer Credit Counseling Service has been educating consumers about wise money management since 1964. Study our suggestions and make them work for you.



“ We are so happy to be part of the CCCS-DMP. We've learned to be total tightwads-and only pay in cash now. When we really 'need' something, we wait at least one month before buying it. If it is an 'impulse buy'- the 'need' goes away. ”
Martha and Tommy Yandell

Ten Basic Rules of Money Management

1. PLAN - Plan for the future, major purchases and periodic expenses.
2. SET FINANCIAL GOALS - Determine short, mid-range and long term financial goals.
3. ASSESS YOUR FINANCIAL SITUATION - Determine monthly living expenses, periodic expenses and monthly debt payments. Compare expenses to monthly net income. Be aware of your total indebtedness.
4. DEVELOP A REALISTIC BUDGET - There are three key elements to utilize in putting together your budget - income, routine monthly and periodic expenses, and debt totals and monthly payments. Once these are established, follow your budget as closely as possible, and evaluate your budget frequently.
5. DON'T ALLOW EXPENSES TO EXCEED INCOME - Avoid paying only the minimum on your charge cards. Don't charge more every month than you are repaying to your creditors.
6. SAVE - Save for periodic expenses, such as car and home maintenance. Save 5 to 10% of your net income. Accumulate 3 to 6 months salary in an emergency fund.
7. PAY YOUR BILLS ON TIME - Maintain a good credit rating. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact Consumer Credit Counseling Service for professional advice.
8. DETERMINE THE DIFFERENCE BETWEEN WANTS AND NEEDS - Take care of your needs first. Money should be spent for wants only after needs have been met.
9. USE CREDIT WISELY - Use credit for safety, convenience, and planned purchases. Determine the total you can comfortably afford to purchase on credit. Don't allow your credit payments to exceed 20% of your net income. Avoid borrowing from one creditor to pay another.
10. KEEP A RECORD OF DAILY EXPENDITURES - Be aware of where your money is going. Use a spending diary to assist you in identifying areas where adjustments need to be made.

“I am extremely excited that every one of my creditors has been paid back. I know that I kept my end of the deal. Learn to use cash and save for the things in life you want.”
Cherry Collier



Setting Goals

Goal setting is essential to effecting change in your financial life. Create a specific plan of action to reach your target.

A secret to early success is identifying realistic goals. Another secret is to keep them simple. If they are too complicated, the details may become obstacles.

- Establish the goal.
- Set a date to begin and a future target date to measure success.
- Make a list of all the benefits.
- Identify all the methods you plan to use.
- Identify the obstacles that may get in your way.
- Review the plan on a regular basis.

Following is an example of a goal-reaching strategy:

1. Target: To save an additional \$ 1,200 in the next 12 months
2. Timeline: Begin with next paycheck; complete in 12 months
3. Benefits: Added peace of mind
Emergency cash cushion
Interest income earned on savings
Employer may match funds saved in retirement plan
Increased net worth
Sense of accomplishment
4. Methods: Increase retirement contribution at work to receive a maximum matching employer contribution
5. Obstacle: Present debt load and high payments
Unexpected family expense
6. Follow-up: Monitor monthly cash-flow, spending patterns
Determine net worth status every six months



“When my husband voices a desire for something new, like our big-screen television set, I ask him where we’ll find the cash for it. If we don’t have the cash, one of us takes a second part-time job to earn the cash that’s needed.”
Christina Fishback

Determining a Timeline to Reach Your Goals

Using the space provided below, identify your short, mid-range and long range goals.

SHORT RANGE GOALS

Include what you want to accomplish within a one year period.

Example: I want to pay off my credit cards and/or a small loan.

1.	_____	\$ _____
2.	_____	\$ _____
3.	_____	\$ _____
4.	_____	\$ _____
5.	_____	\$ _____
	Total	\$ _____

MID-RANGE GOALS

Include what you want to accomplish within 2 to 4 years.

Example: I want to save a down payment for a home.

1.	_____	\$ _____
2.	_____	\$ _____
3.	_____	\$ _____
4.	_____	\$ _____
5.	_____	\$ _____
	Total	\$ _____

LONG RANGE GOALS

Include what you want to accomplish in 5 years or more.

Example: I want to provide college tuition for my children.

1.	_____	\$ _____
2.	_____	\$ _____
3.	_____	\$ _____
4.	_____	\$ _____
5.	_____	\$ _____
	Total	\$ _____

Draw a circle around the goal you will start working toward today.

Building Healthy Financial Habits

There are three basic things in life we have the power to change. These are our education or knowledge, which is what you are doing today by reviewing this booklet; our attitudes, which are a bit more difficult to shift; and lastly, we can change our habits. But changing habits doesn't occur in an afternoon or a week.

We develop habits over a period of time. It requires more than a casual approach to modify, improve or change behavior. Research indicates that it takes 21 repetitions in order to change a habit. First you must change how you think, then you can change your behavior.

Changes in attitudes and habits begin this way:

- Think about what the habit is and why you want to change.
- Decide to bring about the desired changes.
- Once you have decided, don't change your mind again.
- Dedicate yourself to change. Concentrate on the new attitudes and habits you want to develop. Be patient, it will take about six weeks to create a new habit.

Time is Money

What will motivate you to change? Using the chart below, find your annual income level. Look at what each hour of your time is worth and consider the true value of your purchases.

Examples: A person earning \$10,000 per year has to work one hour to pay for one lunch eaten out. If you earn \$20,000 annually and purchase three CDs, you must work about 3 hours to pay for them. With an income of \$30,000, a cell phone bill of \$80 requires more than 5 hours of work to pay off.

Annual income	Each minute worth	Each hour worth	One hour per day for 1 year is worth	One hour per day for 30 years is worth
\$10,000	0.0852	\$ 5.12	\$1,250	\$37,500
\$20,000	0.1708	10.25	2,500	75,000
\$30,000	0.2561	15.37	3,750	112,500
\$40,000	0.3415	20.49	5,000	150,000
\$50,000	0.4269	25.61	6,250	187,500
\$75,000	0.6403	38.42	9,375	281,250
\$100,000	0.8523	51.23	12,500	375,000

Where Can You Find an Extra \$50 Each Month?

1. Brown bag 10 lunches per month
2. Make pizza at home instead of ordering out
3. Use coupons for groceries and buy store brands
4. Avoid long-distance calls; stand while talking on the phone
5. Rent movies and make popcorn at home instead of going out
6. Cook and freeze dinner entrees for the week
7. Give handmade cards and gifts
8. Shop at consignment stores/thrift stores/discount outlets
9. Request basic phone service only
10. Eliminate cable television
11. Use free/cheap internet service provider
12. Check out books from the library instead of buying them
13. Read newspaper for free online rather than paying for home delivery

Create a Budget

Use the following chart to determine where your money goes:

Your monthly net income	\$
Spouse / other monthly net income	\$
Total income (excluding debt payments)	\$

Monthly Living Expenses

FIXED

RENT / LOT RENT / MONTHLY MORTGAGE PAYMENT	\$
PROPERTY TAXES & INSURANCE assoc. fees/dues (if not incl. in mort.), renters' insur.	\$
INSURANCE life \$ medical \$	\$
CAR payment	\$
ALIMONY and/or CHILD SUPPORT	\$
CHILD CARE/ELDER CARE	\$
CLUB & UNION DUES, HEALTH OR SPORTS MEMBERSHIPS AAA, licenses	\$
CONTRIBUTIONS charities, church donations	\$
SAVINGS	\$

FLEXIBLE (May change from month to month)

HOME MAINTENANCE repairs, lawn/garden, pool, security monitor, pest/termite control	\$
UTILITIES gas \$ electric \$ garbage \$ water/sewer \$ cable \$	\$
PHONE monthly \$ long distance \$ cellular phone/pager \$	\$
INTERNET/ONLINE FEES	\$
GROCERIES food, beverage, pet food	\$
HOUSEHOLD ITEMS cleaning supplies, paper prod., diapers, toiletries, cosmetics, detergent	\$
FOOD AWAY from home, lunches \$ dining out \$ school lunches \$	\$
CAR gas \$ parking/tolls \$	\$
PUBLIC TRANSPORTATION Marta \$ cab \$ other \$	\$
MO. MEDICAL & PRESCRIPTION BILLS co pay medical \$ dental \$ optical \$	\$
EDUCATION tuition, books, supplies, special lessons, pictures, yearbooks	\$
LAUNDRY & DRY CLEANING	\$
CLOTHING / NEW or REPLACEMENT shoes, hose, jewelry/accessories, undergarments	\$
BEAUTY & BARBERSHOP nails, haircuts, hair coloring, personal care	\$
RECREATION movies, video rental, entertainment, music/concerts/CDs, tickets, sports vacations/travel, family visits, hobbies, lottery	\$
GIFTS / CARDS birthdays, Mom/Dad's day, wedding/anniv., holidays (Christmas, other)	\$
MISC. bank chgs. \$ pet care \$ postage \$ P.O. Box \$ allowances \$ storage \$	\$
OTHER	\$

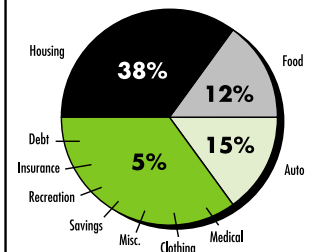
PERIODIC (Only paid periodically - such as every six months or once per year)

PROPERTY TAXES & INSURANCE assoc. fees/dues (if not incl. in mort.), renters' insur.	\$
INSURANCE life \$ medical \$	\$
CAR insurance \$ tag/ad valorem taxes \$	\$
CAR oil & lube \$ other maint. \$	\$
EDUCATION tuition, books, supplies, special lessons, pictures, yearbooks	\$
CLUB & UNION DUES, HEALTH OR SPORTS MEMBERSHIPS AAA, licenses	\$
MISC. mag./paper subscr. \$ pet care \$ safe deposit boxes \$	\$

Total Monthly Living Expenses \$

As you can see, some expenses may fall into more than one category. Your budget is your own unique plan for spending your money. You may want to rearrange these expenses to make your own plan work for you.

Budget Guidelines



These percentages are only guides. Determine from your own budget figures how your pie looks. It is OK if your personal/family choices and needs make the pie look different. Just remember that the total is always and only 100%. Spending above your 100% amount will get you into trouble.

Planning to Meet Your Goals

1. Record the amounts you are currently paying towards reducing your total debt.

Current debt load

Creditor	Balance	Monthly payment
Mortgage		
Car #1		
Car #2		
Creditor		
Creditor		
Creditor		
Creditor		
Creditor		
Creditor		
Creditor		
Creditor		
Creditor		
		Total Monthly Payment

2. Determining a Margin

You will get out of debt faster by increasing your monthly payments to creditors. Subtract your expenses from your income to help create a spending margin in order to increase payments.

INCOME minus (Expenses + Debt Payments) = What's left over \$ _____

TOTAL available for your goals \$ _____

3. Money Available to Invest in Financial Goals

Savings

\$ _____ per month

\$ _____ per year

Retirement

\$ _____ per month

\$ _____ per year

Emergency fund

\$ _____ per month

\$ _____ per year

IF YOU WANT TO REACH
YOUR GOALS FASTER YOU CAN EITHER:
INCREASE INCOME
or
DECREASE EXPENSES

Making It All Add Up

How we spend our money is far more important than how we invest it. It's much simpler to reach retirement goals by deciding how to live rather than how to invest.

Feel the need for a new car every couple of years? You might think the difference between a full-sized automobile and a compact one is about \$10,000. Actually, the difference could be more like a million dollars. Consider the following scenario:

Borrowing \$25,000 for a new car over four years will cost about \$634 per month. Borrowing just \$15,000 will reduce the payment to only \$381 each month. At age 30, begin saving the difference: \$253 per month. In 35 years, earning an eight percent average return, it would grow to \$580,352. If

you were to receive monthly payments of \$4,000 from that savings, beginning at age 65 and continuing to age 90, you would receive more than a million dollars.

If the choice between cars, plus how much and for how long to borrow money for that car can negatively impact retirement income, imagine the possibilities when those same choices are applied to life-style choices such as a house, a vacation, meals out and entertainment, etc.

Learn to accumulate money. Begin by saving a dollar every day, along with each day's worth of pocket change which may total about \$50 each month. Take advantage of compounded interest and watch your money grow.

Are You Eating Up Your Money?

The average American family spends more than \$3,600 a year on food. About \$1,600 of that is spent eating out. More than 40% of a consumer's annual food budget is spent in restaurants.

Saving on Food

- Cut down on meals away from home
- Avoid buying "snack" foods
- Make a grocery list and use it
- Grow a garden if space allows
- Read the newspaper to compare prices and clip coupons
- Eat before you go grocery shopping
- Limit food shopping to once a week
- Shop with cash or a predetermined budget and stick to it

Spending Less Than You Earn

You must learn to change your spending behavior in order to reach your goals.

If you adjust monthly spending so you can save \$83.33 a month, you will save \$1,000 per year. If that \$1,000 could be invested to earn 12.5 percent interest, and if you begin at age 25 to save that \$83.33 a month, at age 65 you will have

put \$40,000 into the account. However, the actual value of what you've saved will be \$1,000,000 (before taxes).

Spending less than you earn is the only way to meet your long-term financial goals. The larger the goal, the earlier the saving needs to be started.

“ I woke up to the fact that I was in a lot more debt than I could manage. I realized that, on more than one occasion, I was ending up with 'too much month at the end of my money.' My two years with CCCS taught me to plan ahead for any major purchases. ”

Nat Martin



The Four Pillars of Financial Stability

If you placed a sheet of plywood on these four pillars-and stood on top in the middle of it -and one pillar was removed, could you remain standing on it?

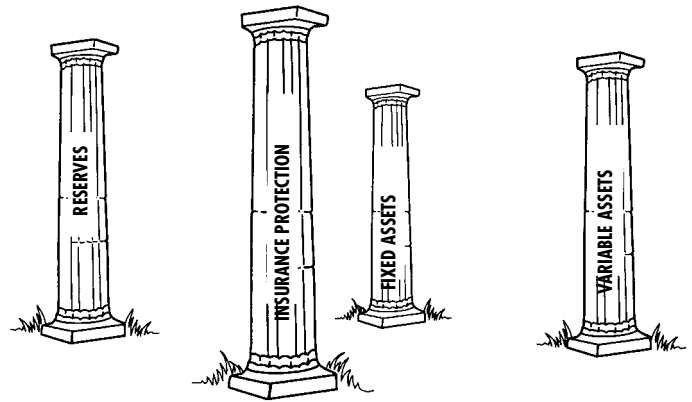
Think of your finances as being comprised of these four pillars.

Reserves (liquid assets) - Checking, savings, money market accounts, CDs

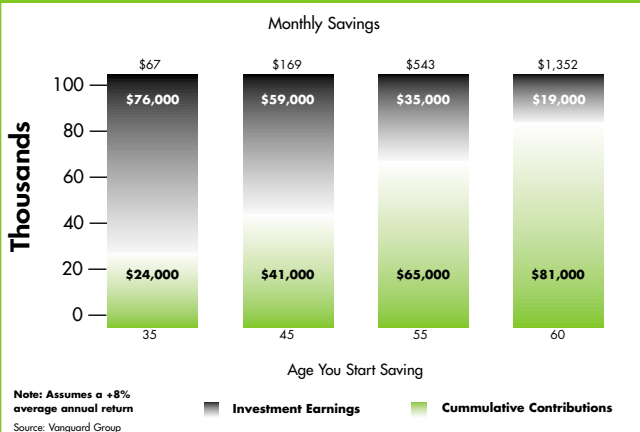
Insurance Protection - Auto, home (incl. liability), life, disability, health
(no credit life insurance/no mortgage insurance)

Fixed Assets - Savings, CDs, fixed annuities, bonds (IOUs)

Variable Assets - Stocks, partial ownership in a company, mutual funds, variable annuities, real estate, precious metals



Monthly Savings Needed To Accumulate \$100,000 By Age 65



Investment Basics

“The Magic of Compounding Interest”

The chart illustrates the value of long-term, interest-earning saving for retirement.

Monthly Savings Needed To Accumulate \$100,000 By Age 65

“It’s amazing how our spending habits have changed since we began your program. For example, more and more we shop stores that offer lay-away plans. Instead of shopping at malls, we shop at consignment stores, church sales and yard sales. Our new motto is, ‘if you can’t pay cash for it, then it can wait.’”
Gil Landa



Resources

Become a responsible consumer: read the newspaper, search the Internet, check out books from the library, watch the news and attend free workshops and seminars in your local community.

Recommended Reading

Surviving Debt, A Guide for Consumers from the National Consumer Law Center

Your Money or Your Life by Joe Dominguez and Vicki Robin

The Ultimate Credit Handbook: How to Double Your Credit, Cut Your Debt and Have a Lifetime of Great Credit by Gerri Detweiler

Get Clark Smart: The Ultimate Guide For The Savvy Consumer by Clark Howard and Mark Meltzer

Life and Debt by Stacy Johnson

50 Simple Things You Can Do To Improve Your Personal Finances by Ilyce Glink

Recommended Websites

www.cccsinc.org

www.bankrate.com

www.cardweb.com

www.ftc.gov

www.consumer.gov

www.pueblo.gsa.gov

www.money.com

www.consumer-action.org

www.consumerworld.org

www.consumernet.org

www.bbb.org

www.consumerreports.org

www.clarkhoward.com

www.crown.org

www.moneytalks.org

www.thinklink.com

www.equifax.com

www.experian.com

www.transunion.com

www.fairisaac.com

Free brochures

Federal Trade Commission, Public Reference, Room 130, Washington D.C., 20580-0001 www.ftc.gov

Consumer Information Center, Pueblo, CO, 81009
Experian Consumer Education Department, Attn:

Credit Crossroads/Divorce and Credit Orders,
P.O. Box 1239, Allen, TX, 75013

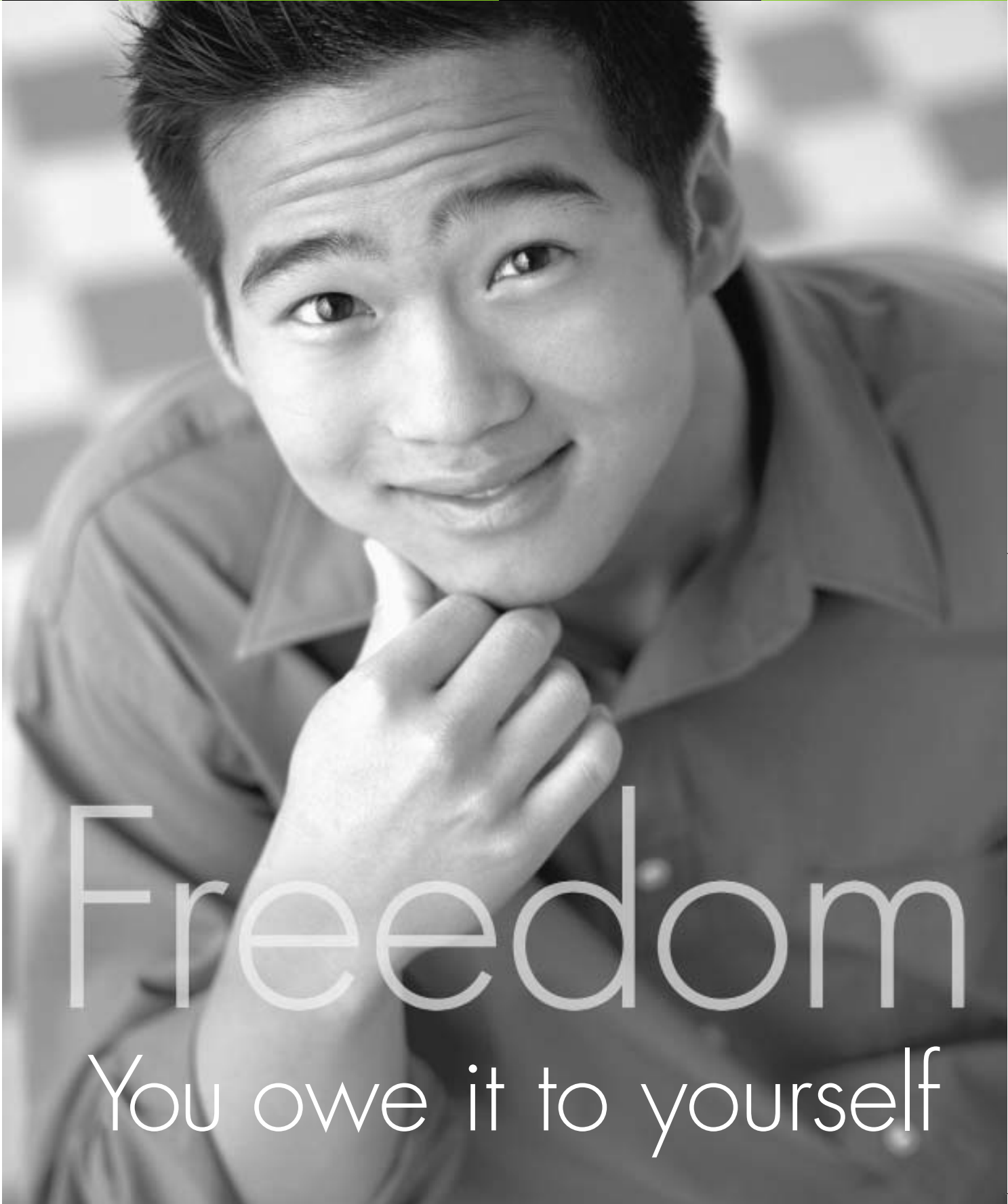
Consumer Action, 116 New Montgomery Street, Suite 233,
San Francisco, CA, 94105

NOTES



“ I was able to repay my creditors in about three years. I have actually changed my spending behavior. I think about each purchase now before spending to satisfy my emotional needs. Spending is not required in order for me to enjoy myself. ”

Linda Patton



Freedom

You owe it to yourself



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