

Smart Money II

A TOOL FOR DEALING WITH
DEBT PROBLEMS



Table of Contents

| | |
|--|----|
| Do You Need Help with Debt Problems? | 2 |
| What Can You Do if You Cannot Meet a Payment? | 3 |
| How Are You Protected in Dealing with Credit Agencies? | 4 |
| Obtaining Your Credit Report and Score | 5 |
| How Do You Revise Your Spending Practices? | 6 |
| The Money Tracker | 7 |
| The Spending Plan | 8 |
| Ways to Increase Income and Reduce Expenses | 10 |
| Quiz Yourself on Solving Debt Problems | 11 |
| AARP Money Management Program | 12 |

If you are on a limited income or a caregiver for someone with a limited income and are having trouble repaying your bills, this booklet will help you examine your financial situation and design a plan to repay your debts.

Do You Need Help With Debt Problems?

- ✓ Do you worry about how much you owe?
- ✓ Are you spending more money each month to pay off debts?
- ✓ Are you near or at the limit of your lines of credit?
- ✓ Can you only make the minimum payments on your credit cards?
- ✓ Are you late in paying your bills?
- ✓ Have you had your phone, electric, or gas service shut off?
- ✓ Have you postponed medical or dental appointments because you can't afford them?
- ✓ Do you sometimes run out of money to pay for food, prescriptions or other medical needs?
- ✓ Are you receiving calls from creditors about overdue bills?
- ✓ Do you argue with your spouse about money?

If you said **YES** to any of the above questions, you could be in financial difficulty and should take steps to re-examine your spending habits so that your income will cover your debts.



What Can You Do if You Cannot Meet a Payment?

- ✓ It is to your advantage to **work with your creditors** to find a way to pay off your debts.
- ✓ **Call the credit manager, merchant or lender.** Explain the situation.
- ✓ **Discuss your ability to repay your debt.** Do your best to follow that plan.
- ✓ **Make your plan realistic.** If your plan is realistic and the person you are talking to won't accept it, call the person's supervisor.
- ✓ Get names and phone numbers of the individuals with whom you have talked. **Follow up your phone conversations** with letters noting what you have worked out.
- ✓ **Keep in continual contact with your creditors** until you have resolved the problem.

While there is professional credit help, you have to be very careful. One source for reputable credit counseling is the National Foundation for Credit Counseling, www.nfcc.org.



How are You Protected in Dealing with Collection Agencies?

When a creditor uses an outside collection agency to obtain money that you owe and is overdue, the **Fair Debt Collection Practices Act**, a federal law, outlines what the collector may not do.

The collector may not:

- ✓ Use abusive language to force you into making a payment.
- ✓ Call at unreasonable hours — considered to be before 8:00 a.m. or after 9:00 p.m. — or make too many calls.
- ✓ Threaten to notify your friends that you have not paid a bill.
- ✓ Use false pretenses to enter your home intending to identify or take something of value.
- ✓ Attempt to collect more than you owe.
- ✓ Send you misleading letters that appear to be from a government agency or court of law.

4

If you believe someone is violating the law, contact that individual's manager to let that person know about the problem. If the problem continues, contact the **Federal Trade Commission**, www.ftc.gov, your **State Attorney General**, www.naag.gov, or your **Consumer Protection Office**, www.nacaanet.org.



Obtaining Your Credit Report and Score

Check your credit report and obtain your credit score at least once a year. Your credit report will show your payment history and your score will enable you to learn if lenders consider you a good credit risk. Credit scores are usually between 300 and 850.

Five factors determine credit scores:

1. Payment history
2. Amount of debt
3. Credit account history
4. Recent credit history, *and*
5. Types of credit you have.

To obtain your credit history, you will need to contact:

- Equifax at www.equifax.com or 800-685-1111; *or*
- Experian at www.experian.com or 888-397-3742; *or*
- Trans Union at www.transunion.com or 800-916-8800.

There will be a charge. However, if there is an error in your report, you can correct it at no cost.

You may need to provide your full name, including any maiden name; current address; previous address; Social Security number; and date of birth.

With the increasing amount of identity theft, it is to your benefit to guard your personal information carefully and check your credit report regularly. For more information on your credit report, credit score, and identity theft, visit

www.aarp.org/consumerprotect.



How do You Revise Your Spending Practices?

Most people do not keep track of how they spend their money, particularly those small items, such as coffee or sodas. However, it all adds up. If you regularly spend \$2.00 for a cup of coffee and a doughnut, that's \$10.00 a week, which becomes \$40.00 in four weeks and more than \$500.00 in a year—that's a lot of money.

In order to repay your debt, you need to know how you spend money now so that you can decide how you can revise your spending to develop a plan to pay your bills. The Money Tracker on the next page will enable you to keep a record of your regular purchases. This information will assist you in creating your plan.

For a particular week, you may want to keep track of groceries, lunches, gasoline, laundry, snacks, newspapers, and other incidentals. If you save your receipt each time you make a purchase and note the item, it will help you when you wish to record your spending at the end of the day.

By entering both your weekly expenses and your monthly bills in the Spending Plan worksheet on page 8, you will learn your spending habits and can decide how you make changes.

For the Spending Plan to be successful, you will want to record all your expenses.

In addition, we suggest some Ways to Increase Your Income and Reduce Expenses on page 10 so that you may repay your debt.



Cost

\$2.00

Total

The Spending Plan

Monthly Income

Net

| | |
|------------------|--|
| Income 1 | |
| Income 2 | |
| Pensions | |
| Other | |
| TOTAL NET INCOME | |

Monthly Expenses

| | Current | Changes | Planned |
|---------------------------|---------|---------|---------|
| Shelter | | | |
| Rent/Mortgage | | | |
| Electricity | | | |
| Gas | | | |
| Water | | | |
| Telephone/Internet | | | |
| Garbage | | | |
| Food | | | |
| Groceries | | | |
| Work Lunches | | | |
| School Lunches | | | |
| Transportation | | | |
| Car Payment | | | |
| Gasoline | | | |
| Car Insurance | | | |
| Car Repairs & Maintenance | | | |
| Personal | | | |
| Clothing | | | |

| | Current | Changes | Planned |
|----------------------------------|---------|---------|---------|
| Laundry, Dry Cleaning | | | |
| Haircuts, Personal Care | | | |
| Insurance | | | |
| Life | | | |
| Health | | | |
| Disability | | | |
| Other | | | |
| Medical and Dental | | | |
| Child Care/Support | | | |
| Entertainment | | | |
| Books, Subscriptions, CDs | | | |
| Dues | | | |
| Pets | | | |
| Allowances | | | |
| Other | | | |
| Savings | | | |
| Emergencies | | | |
| Short-Term Goals | | | |
| Long-Term Goals | | | |
| Retirement | | | |
| Credit Card Payments | | | |
| Installment Loan Payments | | | |
| TOTAL NET MONTHLY INCOME | | | |
| TOTAL MONTHLY EXPENSES | | | |
| Shortage/Surplus | | | |

Ways to Increase Income and Reduce Expenses

To Increase Income

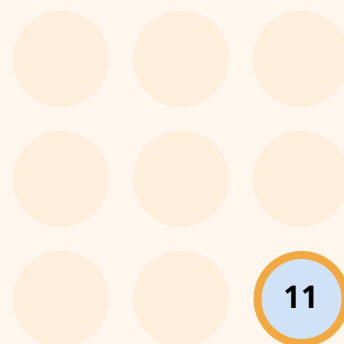
- ✓ Is a part-time job possible?
- ✓ Do you have anything you could sell, including an automobile?
- ✓ Could you borrow against an insurance policy?

To Reduce Expenses

- ✓ Does it make sense to move?
- ✓ Could you reduce your food costs?
- ✓ How can you cut energy costs?
- ✓ Could you make fewer long distance calls?
- ✓ Can you substitute a generic for a brand-name prescription drug?
- ✓ Can you shop thrift stores, discount stores and sales for clothes?
- ✓ Can you eliminate cable or subscription costs?
- ✓ Can you reduce your insurance needs?
- ✓ Can you cut or eliminate your charitable contributions?

Quiz Yourself on Solving Debt Problems

- ✓ Do you know how much money you owe?
☐ yes ☐ no
- ✓ Have you contacted your creditors?
☐ yes ☐ no
- ✓ Do you know your collection agency protections?
☐ yes ☐ no
- ✓ Do you know how to get your credit report?
☐ yes ☐ no
- ✓ Do you know your credit score?
☐ yes ☐ no
- ✓ Can you increase your income?
☐ yes ☐ no
- ✓ Have you tracked your expenses?
☐ yes ☐ no
- ✓ Have you reduced your expenses?
☐ yes ☐ no
- ✓ Will you reduce your debts?
☐ yes ☐ no
- ✓ Do you know when your debts will be paid?
☐ yes ☐ no



AARP Money Management Program

Program Description

This program offers daily money management service to help low income older or disabled people who have difficulty budgeting, paying routine bills and keeping track of financial matters. The program's goal is to prolong independent living for individuals who are at risk of losing their independence due to inability to manage their financial affairs. The program uses AARP volunteers to assist individuals who do not have friends or relatives able to help. In addition to this booklet, two types of service are offered: **Bill Payer** and **Representative Payee**.

Bill Payer volunteers provide checkbook balancing and bill paying services for persons who remain in control of their finances but need some help keeping things in order. Some clients are served on a short term basis, but the majority are served on a long term basis.

Representative Payee volunteers are appointed by a government agency to receive and manage a government benefit (such as a Social Security check) when the client has been determined to be incapable of handling his own funds. The benefit check is usually deposited directly to the bank account from which the payee pays the client's bills.

Begun in 1981, the AARP Money Management Program has been offered in collaboration with state and local government and non-profit agencies throughout the United States. A variety of agencies sponsor the program locally, including Area Agencies on Aging, Departments of Social Services, churches, private nonprofits, and case management agencies.

For more information, visit our web site at www.aarpmmp.org.

The AARP Foundation is AARP's affiliated charity. Foundation programs provide security, protection and empowerment for older persons in need. Low-income older workers receive the job training and placement they need to re-join the workforce. Free tax preparation is provided for low- and moderate-income individuals, with special attention to those 60 and older. The Foundation's litigation staff protects the legal rights of older Americans in critical health, long-term care, consumer and employment situations. Additional programs provide information, education and services to ensure that people over 50 lead lives of independence, dignity and purpose. Foundation programs are funded by grants, tax-deductible contributions and AARP.

AARP Foundation
601 E Street, NW
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www.aarp.org/foundation