

# Owning is Just the Beginning

A Publication of  
the National Endowment  
for Financial Education®  
(NEFE®) and the National Fuel  
Funds Network® (NFFN®)

Note: Certain content areas in this material are current as of this printing, but legislative and regulatory changes, as well as new developments, may date this material over time. This booklet is meant to provide general financial information; it is not meant to substitute for, or supercede, specific professional or legal advice.

©2004, National Endowment for Financial Education.

All rights reserved.

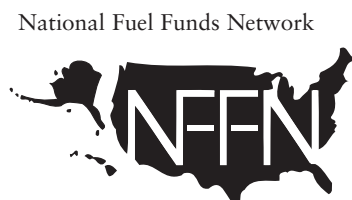
---

## Learning to Budget the Utility Costs of Your New Home



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

*Partnering for Financial Well-Being*



National Fuel Funds Network

*Networking for Action*

# Table of Contents

## Chapter One

### 1 Realizing Your Dream of Homeownership

Using This Booklet	1
Trouble Paying Utility Bills	2
Home Utilities	2

## Chapter Two

### 3 Where Are You Financially? Where Do You Want To Go?

Setting Goals	4
Homeownership Is a Key	5
Homeownership Is a Big Step	6
Money Attitudes	6
Resources	7

## Chapter Three

### 9 Taking Control of Your Finances With a Spending Plan

Making a Spending Plan	9
Understanding Your Credit Score	10
First Time Home Buying Costs	13
Making Changes	14
Plugging Spending Leaks	15
Sticking To the Plan	16
Using Credit	17
Good and Bad Credit	18
How Do I Know if I Have Good or Bad Credit?	19
Understanding Your Credit Report	20
No Credit History	20
Credit Trouble	21
Avoid Credit Pitfalls	21
Savings Tips	22
Keeping Records	22
Resources	23

# Table of Contents

## Chapter Four

### 24 Introduction to Utility Costs

Utilities in Your Home	24
Understanding Your Home Energy Costs	24
Understanding Your Home Water and Sewer Costs	29
If You're Unsure	30
Resources	30

## Chapter Five

### 31 Budgeting and Managing Utility Costs

Understanding Utility Costs	32
Reading the Utility Bill	33
Controlling Your Energy and Water Use	35
Maintenance – Keeping Your House in Shape	36
Improve Home-Energy Efficiency	38
Save Money Through Conservation	39
Managing the Bills	42
Energy Efficient Mortgage Program	45
Take Tax Credits	46
Resources	46

## Chapter Six

### 47 Help With The Unexpected

Seeking Help	47
LIHEAP	49
How LIHEAP Works	50
How to Apply for LIHEAP	50
Fuel Funds: Utility/Nonprofit Partnerships for Home Energy Assistance	51
If You Get a Shut-Off Notice	52
Payment Forgiveness and Shut-Off Moratoriums	52
Summary and Resources	53
Acknowledgments	53

# REALIZING *Your Dream of*

**Using this Booklet**

Becoming a new homeowner puts you on the path to financial stability. Using this booklet will help you think about your financial goals. It will show you how to create and manage a budget. You will learn simple ways to use home utilities wisely and reduce costs. You will discover special programs that help homeowners reduce their energy use. You'll find ways to plan for the unexpected. If the unexpected happens and bills can't be met, you will know what to do and where to go for help.



**O**wning a home is important for many reasons. The house you buy is a place you can call your own. It links you to your neighborhood and your community. Your house will probably increase in value over the years and will provide ongoing tax benefits.

Overall, owning a home can be a great way to help ensure your financial security. That's the dream.

With the rewards of owning a home come responsibilities. If you are renting a house or apartment, you have a landlord who provides maintenance. The landlord probably pays for some of the utilities and makes major repairs. When you own a home, you still have a landlord—but that person is you! The effort and expense of owning a house are now yours.

# HOMEOWNERSHIP

**Trouble Paying Utility Bills**

According to government statistics, millions of Americans have trouble affording their utilities. This is often caused by the rising costs of heating or cooling their homes. Extreme weather causes higher utility bills when people try to stay warm in winter or beat the heat in summer. Also, if the supply of affordable natural gas, oil, and electricity can't keep up with customer demands, the price you pay for your home energy may rise. By being able to manage your utility bills, you will prevent falling behind on payments, or worse, having your utility service cut off.

## *Home Utilities*

Home utilities (energy, water, and sewer) are basic household needs. Paying for utilities is just as important as paying for transportation, food, and clothes. As a first-time homeowner, you will need to pay attention to your utility needs and costs. American households pay an



average of \$1,400 each year for home-energy services and \$820 a year for water and sewer service. For most households, utility costs account for less than 10 percent of their monthly spending plan. However, many Americans experience utility bills that add up to 20 to 50 percent of their overall household expenses.

# WHERE ARE YOU *Financially?*



personal and financial goals, and examine your attitude about having and spending money.

### *Examples of short-term goals might be:*

- reducing debt
- saving for a vacation
- eating out once a month
- saving money for emergencies, such as home or car repairs

### *Long-term goals might include:*

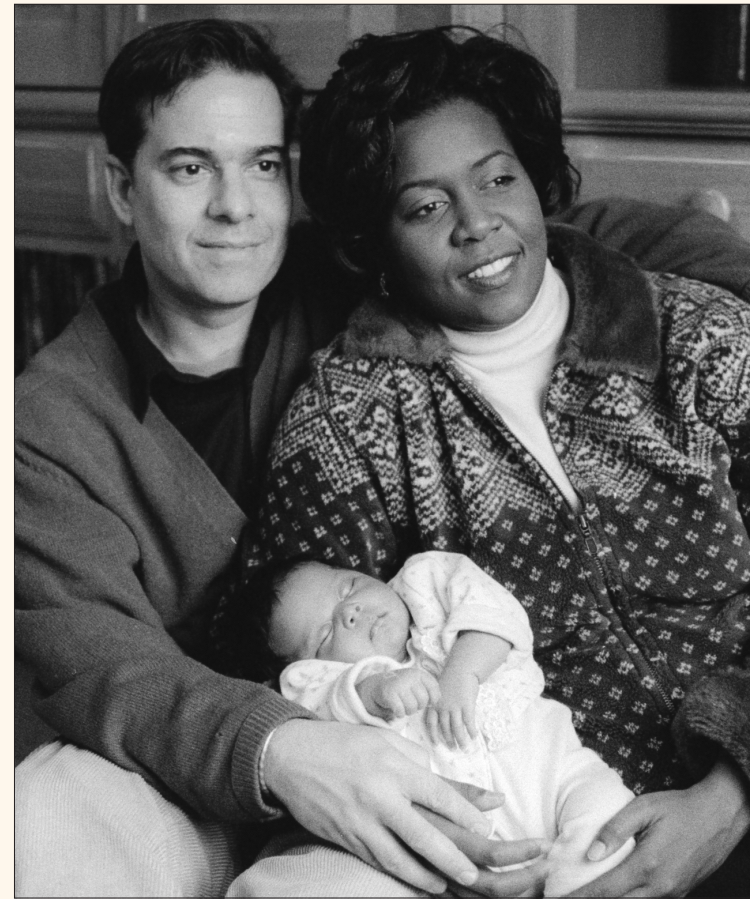
- paying for education
- saving for retirement
- starting a business

### *Write down all of your goals.*

Don't forget to ask others in your household what their goals are. Don't overlook other obvious or easy goals or ones that you think might be difficult to meet. Recognize that some goals may take a long time to achieve,

**B**efore moving forward into a new situation, it's always a good idea to step back and take a look at the "big picture." Homeownership should be just one of many financial goals you set for yourself. If you haven't done so, now is a good time to list your

# WHERE DO YOU WANT TO GO?



## *Setting Goals*

Setting your personal goals should be exciting. Goal-setting allows you to imagine a better life for yourself and your family. It gives you the chance to find ways to improve your current financial situation. Many of your personal goals may not cost any money. You may promise to be happier or give up an unhealthy habit. Some of your goals may depend on saving or spending money. These are your financial goals. Goals can be thought of as either short- or long-term. Short-term goals are usually those that can be met in a year or less. Long-term goals can take up to five years, or even longer, to accomplish.

but don't let that discourage you. You have the right to dream big if you want.

After you list all your goals, the hard part begins. Now is the time to pick the goals that are most important to you.

This can be difficult for many reasons.

You may have to decide between two favorite goals. Which goal is more important? That goal gets the higher priority. You may have to choose a family goal over a personal goal. This may not be easy to do, but it will help you focus on what's really important to you.

When you are finished writing down your goals and ranking them in order of priority, give your list a date. This list is now your financial roadmap. Review your goals as often as you like, but do so at least once each year to make adjustments. Be sure to reward yourself for meeting your goals.

Reaching your goals probably won't happen by accident. Reaching goals results from focusing on your goals and ignoring distractions and temptations. Believing in your abilities, looking to the future, and not dwelling on the past can help you meet your goals.

### *Homeownership Is a Key*

One of your top goals might be owning a home. This is an excellent choice for a number of financial and social reasons.

#### **Owning a home makes sense financially:**

- 1.** The interest paid on a mortgage is usually tax-deductible, and
- 2.** Homes usually increase in value as time goes by.

If you sell your home, chances are it will sell for more than you paid for it. This is called appreciation, meaning it will increase in value. That means you could get money back and more, just by making all those mortgage payments.



Compare this to the money you spend on rent. You don't get a tax break for money you pay your landlord. You don't own the property that you rent, so you can't sell it. The money you pay for rent won't be returned to you. Try the Buy vs. Rent Calculator at [www.ginniema.gov](http://www.ginniema.gov) to show how owning a home is a financial benefit.

This, along with the financial benefits of homeownership, is why owning a home is called the American Dream. This dream of owning a home is so widely shared, the government and support agencies continue to help millions of people buy their homes.

### *Money Attitudes*

Knowing your attitude toward money is important for your financial future.

How you feel about money is as personal as how you choose your friends and what makes you happy or sad.

#### **Here are some typical attitudes people have toward money:**

- Lack of confidence. They feel they don't

know enough, or they haven't been given chances to manage their finances.

- Overconfident. They feel that their way is the right way and are unwilling to change.
- Procrastination. They postpone having to deal with difficult issues. This often results in more trouble.
- No goals or conflicting goals. They either want it all now or have little desire to get ahead.



### *Homeownership Is a Big Step*

Buying a home is exciting and can bring great financial benefit. As with anything of value, though, owning a home comes with responsibilities. If you rent your home now, expect some changes when you buy and own your own home. As a homeowner, you are responsible for many more costs, such as home insurance, appliances, tools, maintenance, and utilities. You have more flexibility to make changes inside and outside your home. You are also responsible for maintaining and protecting your home.

Before buying a home and paying a mortgage, think about how long you'll stay there. To get the most out of your investment, plan on staying in your home for at least five years.

- Mistrust. They feel money is a burden and used only for evil purposes.
- Fear of the future. They imagine the worst will happen and the money will disappear.

Many of the ideas we have about money we learned when we were young. We form attitudes through our own experiences, through what we are told, and by watching the behavior of others.

This booklet will give you a solid start in knowing how to manage your personal finances. You may not be able to control everything that happens to you. What is important to remember is that you control your decisions. Making good financial decisions starts with following good advice, and ignoring the questionable behavior of others. Ignore those who criticize your dreams. Surround yourself with those who will encourage you and support your efforts for a better tomorrow.

Success is not a sin. Money can be used to improve your life, and to help others improve theirs. Remember, also, that money is no substitute for spending time with the ones you love and forming relationships.

## Resources

Contact these organizations for more information on homeownership and money matters:

### **Fannie Mae**

1-800-732-6643

Web site: [www.fanniemae.com](http://www.fanniemae.com) (some documents available in Spanish)

### **Freddie Mac**

1-703-903-2000

Web site: [www.freddiemac.com](http://www.freddiemac.com) (includes Spanish language resources)

### **Ginnie Mae**

1-888-GINNIE4 or 1-888-446-6434

Web site: [www.ginniemae.gov](http://www.ginniemae.gov) (includes Spanish language resources)

### **Mortgage Calculators**

Web site: [www.betterbudgeting.com](http://www.betterbudgeting.com) (see Money-Saving Resources, Calculator Tools, then How Much Can You Afford?)

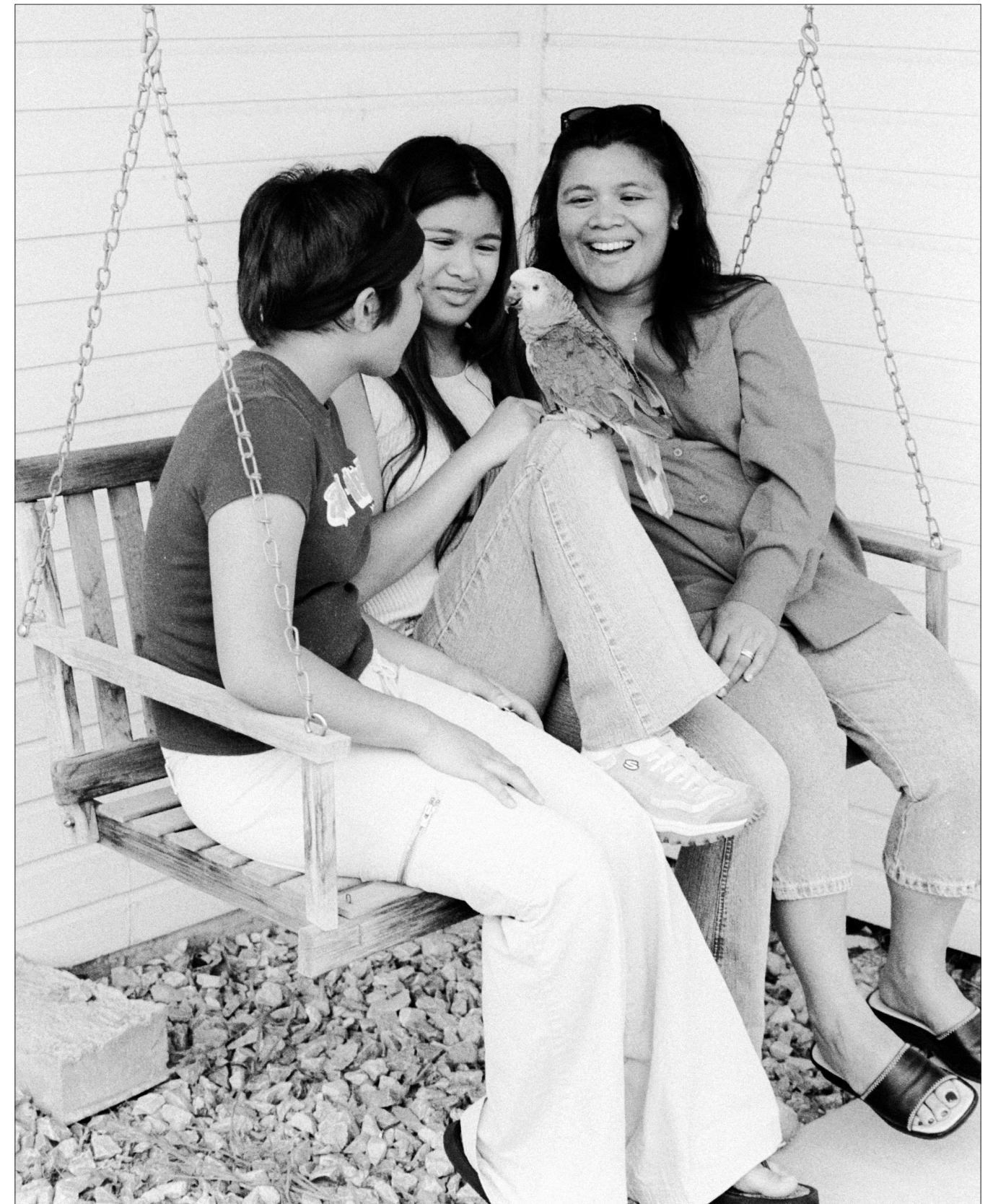
Web site: [www.stretcher.com](http://www.stretcher.com), find Calculators  
U.S. Department of Housing and Urban Development  
1-800-569-4287

Web site: [www.hud.gov](http://www.hud.gov)

### **Women's Institute for Financial Education**

1-760-736-1660

[www.wife.org](http://www.wife.org)



# TAKING CONTROL OF *Your Finances*

## Making a Spending Plan

There are four things you must do to start your spending plan: 1. Identify income 2. List expenses 3. Compare income with expenses 4. Make necessary changes.

The worksheets that follow will help you in this process. Copy these worksheets in a notebook of your own. Using a computer to build your spending plan is also an excellent idea. You can make your spending plan as simple or as complex as you think you need. The point is to have a spending plan that helps you to be in control.



**T**o meet your dreams, you need a plan on how to manage your money. You need a spending plan. A spending plan will help you see how you earn your money and where you spend your money. Knowing this information

is the first step in taking control of your financial road map. Bumps in the road might slow you down sometimes, but having a road map helps you navigate a smoother path to your goals.

# WITH A SPENDING PLAN

## Understanding Your Credit Score

Lenders will input the information within your credit report into a computer program to determine your credit score. Your score is compared to scores calculated for millions of other consumers who have credit. The better your score, the more confidence a lender has that you will repay your loan on time. Your age, health, race, religion, gender, national origin, marital status, income, and employment are not considered when determining your credit score. If you are turned down for a loan because of your credit score, you have the right to request a written explanation of the reasons for the denial.



A spending plan will help you meet your basic needs, such as house payments, clothing, and food. It also helps you meet your goals of saving, education, vacation, and down the road — retirement.

Knowing that you're in control of your money, instead of the other way around, is important. It may seem confusing now, and it may be hard at first. The key is not to give up and to keep trying to put these ideas to work.

### Identify Your Monthly Income

Use this worksheet to estimate your monthly sources of income. List everything you can think of, not just pay from a job. Include tips, cash you get from odd jobs, alimony or child support, even tax refunds. Be as realistic and as accurate as possible. If your income varies month by month, use an average. For instance, if you earn \$4,650 over three months, divide that amount by three. Your average monthly income is \$1,550.



#### WORKSHEET #1 IDENTIFY YOUR MONTHLY INCOME

Sources	Per Month
Wages (yourself, after taxes)	\$
Wages (others in your household, after taxes)	\$
Tips, bonuses, cash from hobbies	\$
Child support	\$
Unemployment compensation	\$
Social Security or Supplemental Security Income	\$
Public assistance	\$
Food stamps	\$
Interest	\$
Other – Gifts, refunds, reimbursements	\$
<b>Total Income</b>	<b>\$</b>

### List Your Monthly Expenses

Use this worksheet to list everything you pay for each month. Also list average monthly expenses for bills you might pay every two months or once or twice a year. Examples of these might be car insurance, school expenses, and taxes. Some utility bills,

such as water and sewer, come every other month.

For example, if your car insurance costs \$300 for six months, divide \$300 by six. You would spend an average of \$50 each month for car insurance. Use your best guess for other expenses such as car repairs or doctor visits.

#### WORKSHEET #2 LIST YOUR MONTHLY EXPENSES

Expenses	Per Month
Savings (automatic payroll deduction)	\$
Rent or mortgage	\$
Utilities (see the following worksheet)	\$
Maintenance (home repairs, lawn maintenance)	\$
Groceries	\$
Snacks and meals out	\$
Transportation	\$
Insurance premiums (home, car, life)	\$
Medical bills and insurance premiums	\$
Child care	\$
Taxes	\$
Loans	\$
Credit cards	\$
Personal items	\$
School	\$
Charitable giving (religious, service organizations)	\$
Entertainment	\$
Other – (pets, union dues, uniforms, cleaning, etc.)	\$
<b>Total Expenses</b>	<b>\$</b>



## Don't forget Utility Costs

When listing monthly expenses, don't forget to include bills that you may not be used to paying for as a new homeowner.

As an example, you are now responsible for all your utility bills. More details on the cost of your utility services follow in **Chapter 4**.

### DON'T FORGET UTILITY COSTS

Utilities	Per Month
Heating (Natural gas, oil, propane, wood)	\$
Electricity (cooling and heating, appliances and lighting)	\$
Water	\$
Sewer (sometimes combined with water)	\$
Telephone and computer link to the Internet	\$
Subscription cable or satellite service	\$
Garbage/trash collection	\$
<b>Total Utilities</b>	<b>\$</b>

## First Time Home Buying Costs

Those planning to purchase a home for the first time will need to save up for a few one-time expenses:

- Mortgage down payment
- Deposit (sometimes called "earnest money")
- Closing costs, which include various documentation and recording fees
- Home inspection

If you just bought a home, don't forget about these expenses you didn't have when you were renting:

- Property taxes, usually included in your mortgage payment
- Maintenance, such as yard work, snow removal, painting
- Repairs, when things break
- Property insurance, usually included in your mortgage payment
- Rent is now your mortgage payment

## Compare Income and Expenses

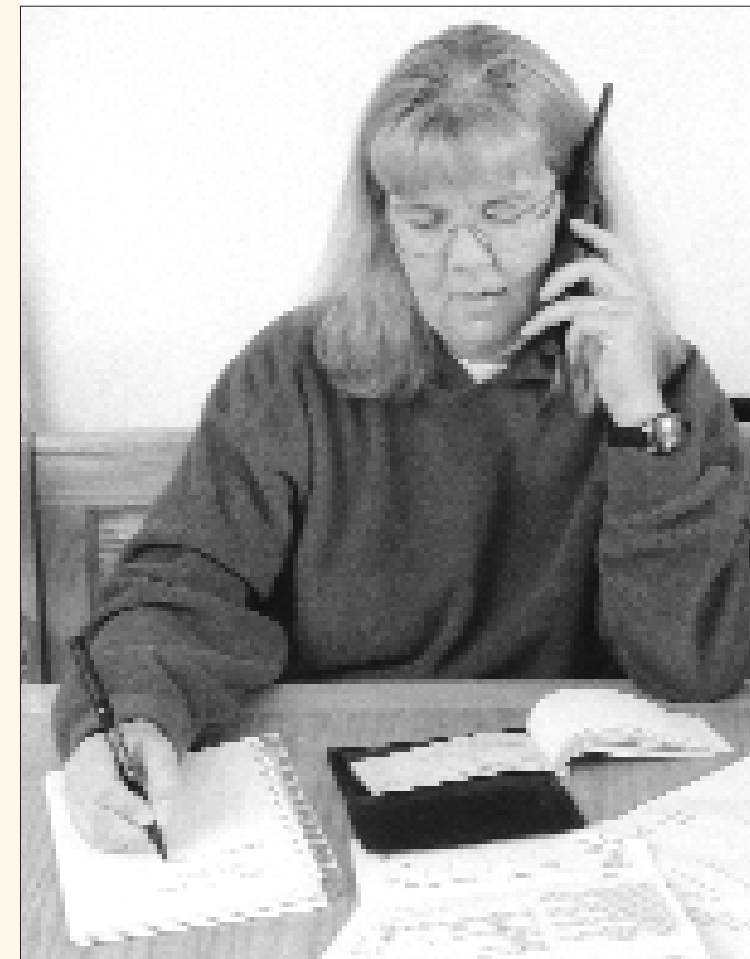
The moment of truth has arrived.

Use the worksheet below to compare your income with your expenses.



### WORKSHEET #3 COMPARE INCOME AND EXPENSES

Your total monthly income from worksheet #1	\$
Your total monthly expenses from worksheet #2	\$
<b>The difference between your expenses and income</b>	<b>\$</b>



If your expenses are more than your income, don't panic. The next worksheet will help you find ways to cut expenses and still meet your personal and financial goals.

If your monthly income is more than your expenses, that's great news. If savings is not listed as an expense on your spending plan, it should be. Paying yourself first is a powerful habit too many people don't take advantage of. Even if it's only a little bit each week or month, putting money into savings is a great way to fund long-term goals or provide a short-term cushion for unplanned events.

## Making Changes

Remember, you are in control. Let's take a closer look at how you are earning and spending your money.

Think about how you can increase your income. You could search for a better paying job or one that provides more benefits. Another option is to volunteer for overtime or work during designated holidays. Work a second job. Many people earn extra cash by turning their hobby into a second part-time job.

Ask yourself, how does what you spend contribute to reaching your goals? Do you spend money on what you need or on what you want? Compare what you buy to what your goals really are. Try to cut back or stop buying things you don't really need.

If you are unsure how much you spend on certain items each month, start a spending notebook. Write down what you spend money on during a typical day, then for an entire week. Try doing this for at least a whole month or two. This will give a better idea of where your money goes each month.

Are you handy with tools? Then do your own home repairs. Many hardware stores are helpful and will show how to make simple repairs. The same goes with simple car repairs. You can save a lot of money doing simple repairs or maintenance yourself.

### Plugging Spending Leaks

Sometimes, finding ways to cut spending can be difficult. One way to shrink your expenses is by



plugging spending leaks. Use the worksheet that follows to see how even small amounts of spending can add up over a month, or a year. Take a look at each item and see how you can plug the spending leak. For example, if you buy soft drinks from a vending machine, it might cost you 75 cents a can. Buying ten cans a week would cost you \$7.50. Over a year, that would cost \$360. Compare that to buying cans from the store at 35 cents each. You would pay \$182 over the year. That's a savings of \$178! That might not seem like a whole lot of money. Add it to your other savings, though, and it could be huge. Where can you save?

### PLUGGING SPENDING LEAKS

Items	Cost	Average Cost per Month	Average Cost per Year
Soft drinks from a vending machine	\$ 75 X 2 = \$ 1.50 each day	\$ 32.50	\$ 390.00
New clothes			
Long distance charges			
Snacks from convenience store			
Video/DVD rentals, late charges			
Dining out			
Cigarettes			
Lottery tickets			
Entertainment (sports, movies)			
Expensive coffee from a shop			



### Sticking To the Plan

Prices for things such as food, gas, and especially utility services, can go up and down. Having a plan will help you adjust your spending when the cost of things change.

Don't worry if you feel a little awkward at first. Trying new things is often uncomfortable. If you can make it a habit to review your spending plan each month, it will give you an idea of how things are going. This puts you in control of making necessary adjustments in spending, or finding new income.

Remember, though, being in control doesn't mean you can't have fun or enjoy life.

Build a spending plan that helps you live the life you want to live. Don't forget that good and bad surprises are bound to happen. Having a spending plan will help keep you on your roadmap to financial health and security.

### Using Credit

An important part of securing your financial future is understanding credit. Credit means you are using someone else's money to pay for things you buy. You promise to pay this money back a little each month. You pay your lender extra, though, as the price for lending you the money you needed in the first place. This extra amount is called interest.

When you buy a home, you usually shop for a bank or financial company to lend you money at the best possible rate. This loan

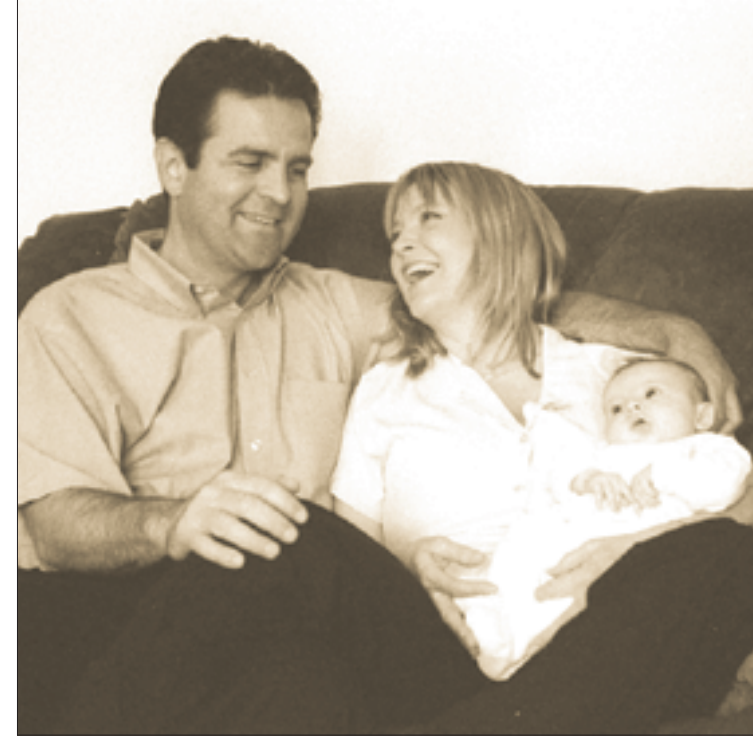
is called a mortgage, and is a form of credit. When you buy a house using a mortgage, you may have 30 years to pay the loan back. That's a long time, but it also helps make buying a house affordable.

Something similar happens when you buy things with credit cards. Not only do you have to pay back what you charge, you also pay extra for interest. You almost always have to pay back credit cards faster than you do a mortgage and at a much higher interest rate.

A home mortgage is different for other reasons. Interest paid on a mortgage is almost always tax deductible. Interest paid to credit cards is not. Your house will likely increase in value. Very little of anything else you buy with a loan or on credit increases in value. The chart below shows the basic types of credit, their uses, and terms.

#### TYPES OF CREDIT

Type	Payment	Uses	Terms
Installment Loan	Equal monthly	Car, furniture, student loans	Short term, medium interest
Revolving Credit	Minimum monthly	Emergencies, sales	Open-ended, high interest
Service Credit	Pay for use	Utilities, telephone	Due within 30 days, no interest
Mortgage	Equal monthly	Home purchase	Usually 30 years, low interest



One part of a good spending plan is managing your current credit, and keeping your future credit spending under control.

### Good and Bad Credit

Using credit has advantages. It is convenient. It can help in emergencies, and it's safer carrying a credit card than cash. Having good credit helps you get future loans or a mortgage for your house.

Using credit presents dangers, too. Credit purchases can often be spur of the moment decisions you later regret. Credit cards and some loans might have high interest rates, annual fees, or high late charges. If used too much, credit payments can add up quickly, leaving less money for current necessities.

#### Here are some tips for controlling credit.

**Be in control.** Plan on using credit carefully. If you want to make a large purchase, such as a car, make sure you can afford the monthly loan payments. If you use a credit card, buy only what you can afford to pay off the next month.

**Automatic deduction.** Have your credit payment deducted from your paycheck or checking account each month. This avoids the temptation to use this money for something else.

**Avoid "maxing out" your credit.** Try paying off credit card balances each month. If that's not possible, pay more than the minimum amount required. If balances continue to grow, stop using the card or cut the card up until monthly payments become controllable. Avoid charging the maximum amount allowed (also referred to as your "credit limit").

**Pay on time.** Always make credit payments on time. One trick is to mark the due date on the envelope that came with the bill. Mail your payment with plenty of time before the due date. If you are going to be out of town for work or vacation, pay these bills ahead of time. If you pay late, you will be charged a late fee.

**Pay off high interest credit.** Make it a priority to pay off credit card or loan balances. The interest you pay on these accounts could be used for more important expenses or goals. Once you pay

off one account, add that same payment amount to the other credit bills you pay.

#### **More credit tips:**

Don't bounce checks.

Don't respond to every credit offer.

Find a credit card with a low rate and little or no annual fee.

Buy only what you need.

Avoid cash advance offers or "convenience checks."

Get a long-term, low-interest loan for larger purchases.

### *How Do I Know if I Have Good or Bad Credit?*

Lenders rely on credit reports before giving people credit. Credit reports are compiled by national credit-reporting agencies. These reports include specific information about any loans or credit cards that you have. They will show your history of making payments, original loan amounts, balances, and monthly payment amounts.

These reports also show late payments, non-payments, and actions taken by collection agencies.

Creditors use these credit reports to score your credit risk. They can also search public

records for bankruptcies, foreclosures, and judgments. This helps them to predict your future ability to repay a loan. The better your score, the better the chances you'll pay back your loan. The lower the risk you are to a lender, the lower the interest rate you are charged.

A law passed in 2003 allows anyone to order one free copy of their credit report from any of the credit reporting companies listed below:

**Equifax (see contact information in the Resources section)**

**Experian**

**Trans Union Corporation**

When this law becomes final in 2004, everyone will be allowed to order one free report each year. Until then, free credit reports are available only to those who live in certain states.

You also can receive your credit report if you are unemployed, receive public welfare assistance, are turned down for credit, or suspect credit fraud.

When you call for your free report, you may have to provide your Social Security Number, date of birth, and address or ZIP code. Your credit report should arrive in the mail in a week or two.

While your credit report may be free, you will have to pay extra for your "credit score."

### *Understanding Your Credit Report*

If you have trouble understanding your credit report, many nonprofit credit-counseling organizations are available to help. If you find a mistake on your report, follow the credit rating service instructions on how to correct it. The credit rating service may ask you to send documentation proving a correction is needed. Short explanations on your own behalf may also be made part of your credit report.

### *No Credit History*

More lenders are using what's called a "nontraditional credit history" to determine



your credit risk. If you don't have a credit history, you will still need to show a lender that you have a history of paying for things on time. This may mean showing you made monthly rent payments, utility or telephone payments, or payments for child care. Gather together any records you have that show you are reliable. Ask a business or individual that you pay regularly to write a letter saying you pay the full amount on time. Try to show a good record of payments for at least the past two years.

## Credit Trouble

If your credit problems are more than you can handle, locate a nonprofit credit-counseling center. They will help guide you in controlling your debt and building good credit. Be wary of companies that ask for fees up front, and claim they can repair your credit immediately. Repairing your credit takes time and patience. Also, don't file for bankruptcy except as a last resort and after discussing your financial situation with a lawyer.

## Avoid Credit Pitfalls

As a first time homebuyer, you may be tempted with offers of pawnshop loans, money orders, and other offers of easy credit. If an offer of "easy money" sounds too good to be true, it probably is.

You can give a pawnshop something of value that you own. In exchange, they will loan you an amount of money far below the value of your property. Easy money. However, if you don't pay back the loan on time, you lose your valuable item, be it jewelry, electronic equipment, or even a car. A better alternative is to plan ahead and save for emergencies. Using a credit card for emergencies is a safer option than the risk of losing your property to a pawnshop.

Check-cashing services and payday lenders charge steep fees that can be avoided by opening a checking account at a bank. You can also avoid fees charged for buying money orders by writing checks from your bank checking account.

Another temptation for new homeowners is renting furniture or appliances on a "rent-to-own" plan. In most cases, you can expect to pay many times more than the purchase price of an item when you rent it than if you bought it outright. This is because rent-to-own stores will charge you high interest rates for as long as it takes for you to buy your furniture or appliance.

Renting furniture or appliances only makes sense if you plan on needing them for a short period of time. Instead of renting what you need, save up for larger purchases, or look for bargains in your newspaper.



## Keeping Records

There's more to you financially than you might realize. That's why you need to be organized. Discover a method that works for you to gather bills, pay bills, keep track of balances, and respond to unexpected situations. Having your records in one place is useful when applying for loans or a mortgage. You can use these records to track your spending plan and make any needed adjustments.

## Savings Tips

What would you do with a little extra money? Would you save it for emergencies or gaps in employment, or apply it to your retirement fund? Would you spend it on gifts, vacation, or as a down payment on a car? Remember to tie your decision in with your goals.

Now that you know the basics of using a spending plan, it should be obvious that having more income than expenses is a good thing. By keeping track of your expenses and buying only what you need, you can expect a little extra money left over at the end of each month. Use this extra cash to begin saving for your short- and long-term goals.

Here are some ideas on how to begin to build your savings:

- Pay yourself first.** Commit to putting a certain amount into a savings account each month before you pay the bills.
- Use payroll deduction.** Ask your employer to put a portion of your paycheck into a savings account.
- New job.** Landing a job that pays benefits can save you money on things such as health costs and insurance.
- Raises, bonuses, refunds.** Put these in a savings account. Also, remember to use any rebates or coupons whenever offered.
- Buy used instead of new.** When it makes sense, buy used items instead of new, and put what you saved into a savings account.

**Cut back or quit costly habits.** This could save you a lot of money over a year.

**Pay off loans, then pay into savings.** If you pay off a loan where you owed \$50 each month, put that \$50 into savings. You will save \$600 in one year!

**Put any tax refund into savings.** Don't forget to take the Earned Income Tax Credit, if you qualify.

## Resources

Visit these organizations for additional credit resources:



**Energy Hog** – Do you have energy hogs in your home? If you have high energy bills, chances are you do, and you need to get them out! A special website [www.energyhog.org](http://www.energyhog.org), developed for children 8-13 years old, teaches good energy habits as youth train to become Official Energy Hog Busters by completing five fun games. Also at this website you'll find an Energy Hog Scavenger Hunt, a useful tool for kids and their parents to find and bust the energy hogs in their homes and reduce their energy bills by making their home more energy efficient.

### Federal Trade Commission

1-877-FTC-HELP (1-877-382-4357)

Web site: [www.ftc.gov](http://www.ftc.gov) (Go to For Consumers, then Credit.) Information is also available in Spanish.

### FirstGov for Consumers

Web site: [www.consumer.gov](http://www.consumer.gov)

Visit these organizations for additional budgeting, savings, and credit resources:

### American Savings Education Council

Web site: [www.asec.org](http://www.asec.org)

### Corporation for Enterprise Development

1-202-408-9788,

Web site: [www.cfed.org](http://www.cfed.org)

### National Foundation for Credit Counseling

1-800-388-2227, Web site: [www.nfcc.org](http://www.nfcc.org)

### Credit Bureaus:

**Equifax**, visit [www.equifax.com](http://www.equifax.com)

To order your credit report, call 1-800-685-1111 or write to Equifax at:  
P.O. Box 740241

Atlanta, GA 30374-0241

To report fraud, call 1-800-525-6285

**Experian**, visit [www.experian.com](http://www.experian.com)

To order your credit report, call 1-888-Experian (1-888-397-3742) or write to Experian at:

P.O. Box 9532, Allen, TX 75013

To report fraud, call 1-888-397-3742

**Trans Union Corporation**, visit [www.transunion.com](http://www.transunion.com)

To order your credit report, call 1-800-916-8800 or write to Trans Union Corporation at:

P.O. Box 6790

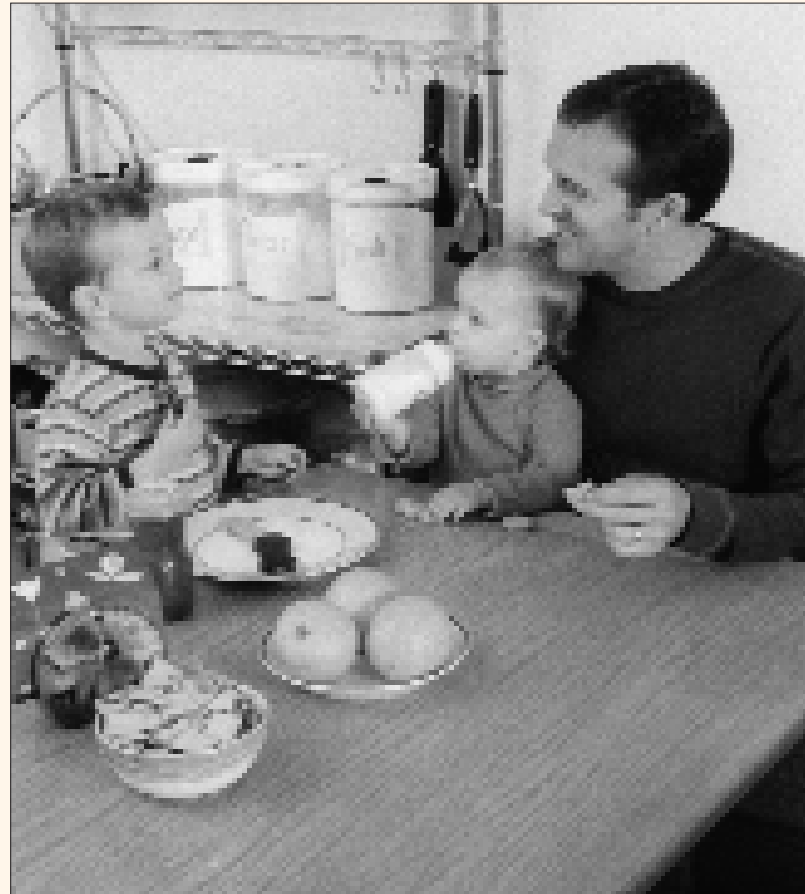
Fullerton, CA 92834-6790

To report fraud, call 1-800-680-7289

# INTRODUCTION TO *Utility Costs*

## *Utilities in Your Home*

Utility service is essential to modern living. People use public utilities in almost every aspect of daily life. Every time you walk into a room that is heated or cooled, eat food that has been either refrigerated or cooked, use a light, or use indoor water, you are likely using some type of public utility. Electricity, natural gas, and telephone companies, as well as water and sewer companies, are all among the utilities that serve the homeowner. In addition, some homeowners will use energy providers that are not known as public utilities, but which provide heating fuel such as fuel oil, propane, and kerosene, to name a few.



**H**omeowners need to be especially aware of how much their utilities cost and why costs might change from month to month. When utility costs increase, they may be hard to afford on a tight budget. If utility bills become unaffordable, it could lead to service being cancelled.

### *Understanding Your Home Energy Costs*

As a homeowner, some of the costs that you will now be experiencing may be new to you. How much you pay for energy each month will depend on the size of your home, the area of

the nation you live in, and the types of energy you use. By becoming familiar with where you use energy in your home, you can learn where your energy dollars are going.

**Energy use in the home is generally divided into five basic uses:**

- Home heating
- Home cooling
- Hot water
- Refrigerators
- Electric appliances

Typically, over a third of your energy bill will be used to heat your home. About 10 percent of your energy dollars will pay for air conditioning, while 14 percent will pay for heating water. Thirteen percent of what you pay will be used to run your refrigerator, while 30 percent will be used to operate your electric appliances and lights.

**Home heating.** Heating your home will be one of the highest energy costs you experience in your new home. The size of your home heating bill is largely the result of the size of your home.

Space heating is usually provided through a central heating system involving a furnace. This furnace might heat air, which is then distributed by fans using a system of ducts running throughout your home (known as a forced-air furnace). You might instead have a furnace that

heats water (or generates steam) which is distributed using a system of pipes and radiators. Even fewer homes use electric resistance heating which does not depend on a central heating system. If you heat with electricity, you will probably have a slightly higher heating bill.

**Most central heating systems are controlled by a device called a thermostat.** Your thermostat will be found on an inside wall of your home. You use the thermostat to set the temperature you want the air in your home to be. A thermostat setting that maintains a comfortable temperature while minimizing your heating costs is somewhere between 68 and 70 degrees Fahrenheit with people present and awake in the home. Settings should be lower when the home is empty or when household members are asleep.

A simple device that is commonly in use today as a way to reduce your home heating bill is the programmable setback thermostat. With this device, you can program your heating system automatically to allow the temperature in your home to cool down when no one is home or when residents are asleep. By using a programmable thermostat, you don't have to remember to turn the thermostat down every time you leave your home or every night when you go to bed. Programmable thermostats can usually be



bought at a local hardware store and installed by the homeowner. You may wish to contact your local utility to see if it will provide a financial payment or discount toward a programmable thermostat as an energy conservation measure.

**Leaky homes are one major cause of high home heating bills.** Even homes that are newly constructed or rehabilitated may have significant air leakage. Tiny cracks around chimneys, floors and windows may, taken together, result in the substantial loss of heating and cooling energy. Air can enter a structure through framing cavities, empty space in the building, and through smaller cracks around doors, windows, trim, moldings, penetrations, and the

like. Together, those leaks can be like leaving a window open every hour of every day.

**When you first buy your home, you may want to ask a professional to come into your home to find leaks.** This is done through a process called "air sealing." Air sealing involves the use of a blower door to detect small leaks that may exist throughout the home. By using the blower door, the inside of a house is depressurized. This process will create drafts at places where there is a leak to the outside, as the higher air pressure from outside forces air into the reduced pressure area of the home's interior. If a leak to the outside lets air in during a blower door audit, that leak will let heat out during the





heating season. Every bit of heated air that escapes to the outside during cold weather (or cooled air that escapes during warm weather) has to be replaced with new air that has to be heated or cooled again. That costs you money. During a blower door test, a trained auditor can walk around the house and find those leaks that need to be sealed in order to keep heat in the home (and heating costs down).

**Air sealing and insulation can not only reduce your heating bill, but it can also help prevent water damage to your home caused by “ice dams” during cold weather.** Ice dams result when ice builds up on the roof from repeated melting and refreezing of snow. Melting water collects behind the ice dams, damaging the roof. Ice dams form because of preventable heat leaks caused by air leakage, insufficient insulation levels, or leaky heating ducts. Those long icicles that hang from your roof during cold weather not only may be harmful to your home, they are a sign that you are losing money by having heated air escaping from your home.

**Home Appliances.** Nearly as much of your energy bill will go to run your electric appliances as will go to heat your home. In a typical moderate-income home, energy costs for all appliances are 40 percent or more of the total home energy bill. Of all your electric

appliances, the largest user of electricity will probably be your refrigerator. Over the lifetime of your refrigerator, you will pay several times more for the electricity to run it than you paid for the refrigerator itself.

When you want to reduce your electricity use, and while it is necessary to be sure to turn off unused lights and television sets, the biggest source of savings might be getting rid of the second refrigerator in your basement. At a cost of more than \$120 per year, keeping that old



## Modern Appliances

**Microwave ovens, video recorders, televisions, and computers, use electricity even when they are turned off. The only way to stop this leaking electricity is to unplug the appliance. Unplugging may save money when you are away from home for long periods of time, such as on a vacation.**

refrigerator in your basement is an expensive way to keep a few bottles of beer cold.

Other big electricity-using appliances include your color television (a television with a tube uses more electricity than a solid state one), water bed heaters, bottled water dispensers, and dehumidifiers. Microwave ovens use less energy to cook small meals or warm leftovers than your electric oven, only one-half to one-fifth as much. **If you buy new appliances when you buy your new home, remember that there are two costs to an appliance, the purchase price and the operating costs.** Sometimes, what might at first appear to be a more expensive appliance will actually save you money if you spend less on the electricity than it takes to operate it. A refrigerator that costs you \$100 more to buy,

but saves you \$20 each year in electricity costs, will pay for the increased cost in only five years. You should calculate what the payback period of an energy efficient appliance is. The payback period is the time it takes for the savings to pay off the increased purchase costs. If it is less than the useful life of the product, you ought to consider buying the more efficient appliance.

**Water heating.** Water heating takes up less of your bill than does electricity and home heating. If you have persons home during the day, however, you will probably have a somewhat higher hot water bill. People who stay home will invariably use more water and hot water throughout the day, thus increasing your total home energy bill. Common uses of hot water include hand and face washing (4 gallons per day), hand dishwashing (4 gallons per wash), and food preparation (5 gallons per day). Your biggest hot water cost, and thus your biggest potential for cost savings, is when you shower or bathe.

**Home cooling.** There are many ways to cool a home. One of the most common methods is to use a central air conditioner. The central air conditioner is powered by electricity and works much the same as a refrigerator. Air is cooled and dried before a fan sends it through ducts to the rest of the house. Room air conditioners work in



a similar way, but are smaller and cool one room or section of a house. Some room air conditioners are small enough to be installed in windows. Evaporative coolers, also called “swamp coolers,” work well in dry, warm climates.

Ceiling fans can also help to cool your home and may be a less expensive alternative to air conditioning. Ceiling fans make you feel cooler by increasing the evaporation of moisture from your skin. Ceiling fans result in an effective temperature drop in your home of about 8 to 12 degrees: a 2 to 4 degree drop in temperature from the circulating air and another 6 to 8 degree drop due to the evaporation of skin moisture.

Electric fans may provide comfort, as well. However, fans will not prevent heat-related illness. During extremely hot weather, taking a cool shower or bath or moving to an air-conditioned place is a much better way to cool off. Air conditioning is the strongest protective factor against heat-related illness during extreme heat.

### *Understanding Your Home Water and Sewer Costs*

As a homeowner, you may be paying water and sewer costs for the first time. In many states and localities, water/sewer costs are included in a tenant’s rent. While water and sewer costs are separate costs, they often come on the same bill. In fact, your sewer costs will probably be based upon how much water you use. The reason is that any water that comes into a home must leave the home through the sewer system.

Most homeowners use water both inside and outside the home. Common daily inside water uses include bathing (20 gallons per person per day), toilet flushing (24 gallons), drinking and cooking (2 gallons), garbage disposal (1 gallon), dishwashing (4 gallons), and laundry (8.5 gallons). Common outside uses include watering your lawn and car washing. An easy way to help control your water costs includes making sure that you only wash full loads of laundry and

dishes. Again, showers use less water than baths.

Some water companies allow their customers to place outside water faucets on separate meters. This allows you to use that outside water without also paying a sewer charge on it. Unlike water used inside the home, water used for things such as washing cars, watering lawns, and watering gardens will not go through the home’s drains into the sewer system.

### *If You’re Unsure*

If you are ever unsure about what is used to heat or cool your home, have a professional technician help. Or, ask your utility provider



## *Saving Water*

**A leaking toilet tank can waste up to 200 gallons of water per day and cost you 67 cents per day, or \$20 a month. Water faucets, inside and outside the house, can also be leaking. Even the smallest drip can waste up to 20 gallons per day. That’s more than \$24 per year wasted, down the drain.**

to explain how your equipment operates. Knowing how all your utilities work helps you know when they aren’t working right which helps you keep your utility costs down.

### *Resources*

Go online to find these valuable energy resources:

**U.S. Department of Energy Office of Energy Efficiency and Renewable Energy**

[www.eere.energy.gov](http://www.eere.energy.gov), see Consumers

**American Petroleum Institute**

[www.naturalgasfacts.org](http://www.naturalgasfacts.org), see Factsheets

**Edison Electric Institute**

[www.eei.org](http://www.eei.org), go to Resource for Energy Consumers

**American Water Works Association**

[www.awwa.org](http://www.awwa.org), then click Consumer Water Center

# BUDGETING AND *Managing*

## Energy Calculators

Many utility companies provide calculators that help you estimate your utility bills. Some calculators can be used from your computer using the Internet.

The calculator will ask you to list all your appliances, their ages, and sometimes their size. When you are done, the calculator will estimate how much energy you will use and what it should cost. You can calculate your use and cost for an entire house or for a specific appliance.



**T**he average American household spends \$1,400 each year on energy bills. Add to that an average of \$820 each year for water and sewer. For some families, utility bills can add up to 25 percent of their entire household budget, sometimes more.

Utility costs for everyone tend to rise each year. In addition, very hot or very cold weather causes customers to use more energy to heat or cool their homes. The price for electricity, natural gas, and other fuels can increase for many complicated reasons. During the winter of 2000/2001, for

# UTILITY COSTS

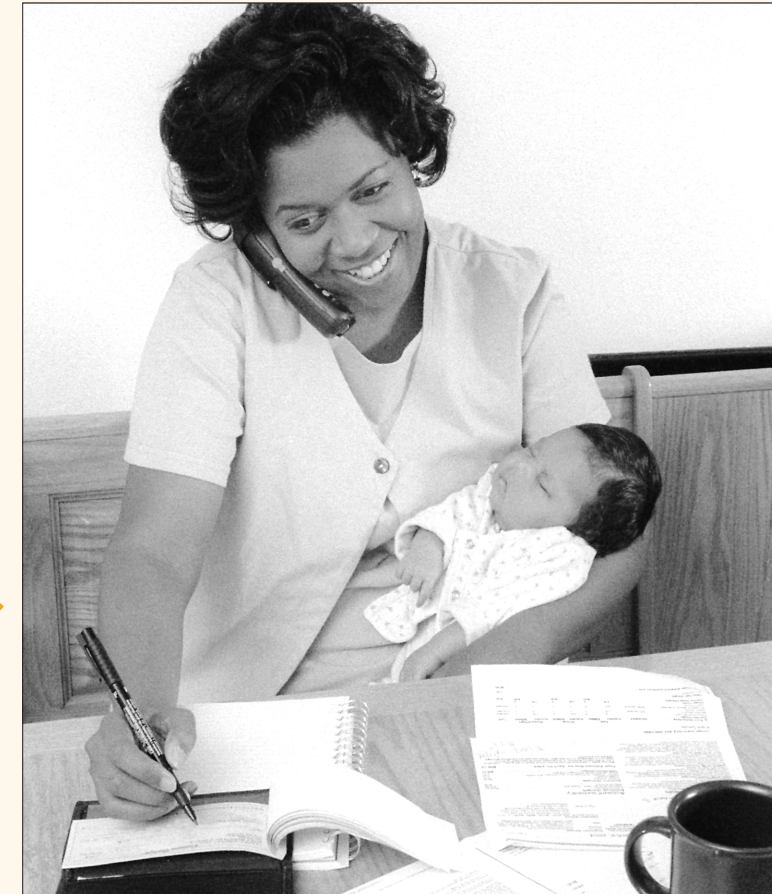
## Separate Utility Costs

Use the information you gathered on your own home or the home you are interested in buying to fill in the utilities worksheet on page 13 in Chapter 3. List these utility costs on your spending plan, using a separate line for each utility bill that you are likely to receive.

Some utility companies bill only once every two months. Others bill when they fill a tank, such as oil or propane. Try to figure a monthly expense for these costs. As an example, Town Gas Company fills your oil tank once every six weeks and charges you \$180. Your monthly expense would be  $\$180 \div 6 = \$30$  per week,  $\times 4$  weeks = \$120 per month.

example, the average price for natural gas increased 42 percent over the previous winter.

That's why it is important, as part of your entire spending plan, to pay careful attention to utility costs. Anything you can do to reduce your utility bills and keep your house safe and comfortable



is a good idea. Here are a number of important ideas to help keep your utility bills under control.

## *Understanding Utility Costs*

The most important thing you can do is find out what your utilities really cost in your

current home. Look around your home and take note of how it is cooled and heated. Find out how your water is heated, and note the age of this equipment, along with your other appliances. Contact your utility for a home inspection or energy audit. Most provide these services free of charge and they will give you recommendations on how you can save on your energy bills. Keep this in mind when you fill out the list of utility costs.

If you're touring a house for sale, make notes about how the house is heated and cooled. Ask to examine the basement and utility rooms where most of this equipment is located. Look at the hot water heater and other appliances. Try to find out how old these units are. The year they were made should be visible.

After you visit a house you're interested in purchasing, call the utility companies that provide services to the home. If you don't know the names of the companies, ask your real estate agent.

If you pay for an inspection before you buy a home, you should receive a copy of the inspection report before the sale is final. Use the information in the report to help you understand the cost of the utilities in your new home.

### *What if You Are Buying a Newly Built Home?*

The good news is you can assume that the heating and cooling systems in your newly built home are energy-efficient. It's always a good idea to check, though, that the new heating and cooling systems and appliances meet the current standard levels of efficiency. Also, ask how well the house is insulated. Even though the house is new, call the utility companies. They can estimate how much energy (electricity and heating fuel) or water you will use based on the size of your house and family.

### *Reading the Utility Bill*

A utility bill is much like any other bill you receive. Here's the common information found on a utility bill:

- **Your billing name and address and other account information**
- **Your account activity**
- **Meter readings, start and end of reading period**
- **Amount of fuel, electricity, and water used, or amount filled**
- **Cost per amount used or filled**
- **Fixed monthly customer charge or minimum bill**
- **Fees, rebates, late charges, and adjustments**



happens, your next bill should show an actual meter reading and a billing adjustment to reflect your actual use. It is important for you to follow the instructions from your utility company to allow technicians to access your meter.

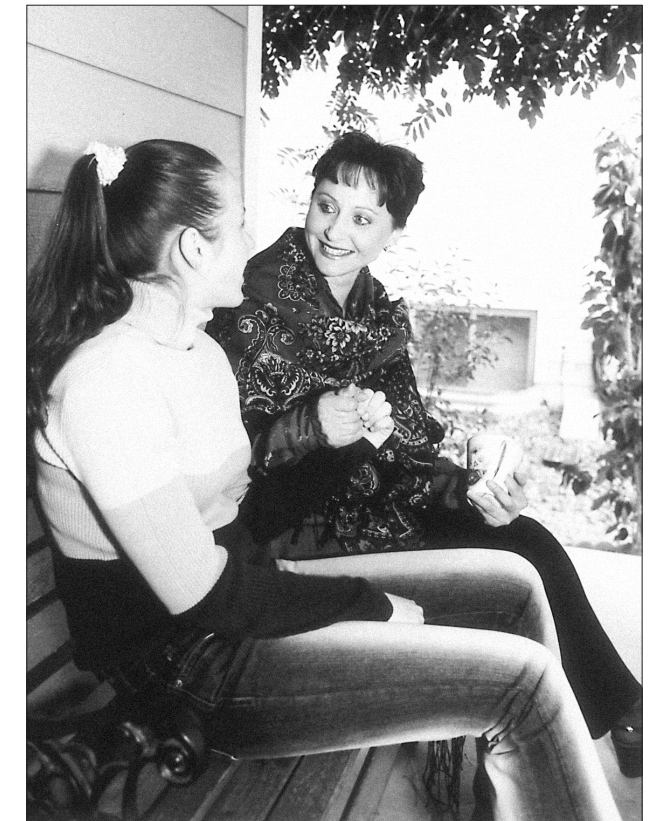
Also, because of holidays or weekends, your utility company won't read your meter on the same day each month. That's why you might get a bill for 29 days of use one month, then for 32 days the next month.

**Fixed customer charge or minimum bill.** Virtually every utility will include a fixed monthly customer charge on your bill. This charge does not go up

- **Total amount**
- **Comparison to last year's use**
- **Payment due date**

Utility providers usually measure the energy or water you use with a meter. Most meters are read once each month before your bill is calculated and sent to your home. Meters are usually read by a utility company employee. Meter readings on your bill will show exactly how much electricity, water, or fuel you used.

Because of bad weather or an inability to read your meter, a utility company might make an estimate of what your bill should be. If this



or down based on how much energy you use. Most charges range from \$5 to \$20. Some utilities will charge a minimum amount. An electric company, for example, may charge a minimum usage of 150 KWH per month whether or not you actually use that much.

**Other costs.** You may notice other charges on your utility bills. These may be utility deposits (more about how to avoid these later), initial start up fees, and taxes. If you are unsure about any information that appears on your utility bills, contact your utility company and ask for a complete explanation.

**Payments.** Always pay your utility bills on time. Send in your payment with enough time to reach your utility company before the due date. If you don't, you may see a late fee on your next bill.

## Controlling Your Energy and Water Use

The more energy we use, the more we pollute the environment. The natural resources we use to generate energy are being depleted. We now depend on other countries more than our own for the energy we need. Because of these and other factors, energy prices keep rising.

Many areas of the country are running low on affordable water supplies. Almost all regions of the country can experience drought, that is, rainfall

**Problems With Your Bill**

If you think your bill is incorrect, contact your utility company first for an explanation. If your utility provider can't address the problem to your satisfaction, you will still need to pay the portion of the bill that is correct. At the same time, contact your state Public Utility Commission (PUC), local Legal Services office, or state Office of Consumer Advocacy. They will instruct you on how to file a complaint and resolve the conflict.

over a period of time that is lower than average.

Heating and cooling your home accounts for almost half of your utility bill. The cost it takes to run your other appliances makes up another 40 percent. On average, American homeowners also spend about \$100 on water each month.

**Controlling your energy and water use can go a long way in controlling your utility bills.**

**There are three main ways to do this:**

- Maintain your home in top shape.
- Improve energy efficiency.
- Conserve energy and water.



## Maintenance – Keeping Your House in Shape

You can make your home comfortable easily and affordably by keeping up on repairs.

Many of these repairs can be done by yourself. If you're unsure how these repairs are done, contact your local hardware store or your utility company. Or ask a handy neighbor to help. These ideas can help you save on your home energy and water bill.

**Insulation.** To keep a house warm in the winter or cool in the summer, it must be insulated. Think of insulation as a blanket.

A house won't stay warm in the winter or cool in the summer if that blanket is too thin or if it leaves spaces unprotected. That's why all outside walls and ceilings should have plenty of insulation.

There are many types of insulation. The quality of insulation is called its "R" value. The higher the R-value of insulation, the better it separates cold air from warm air.

Your utility or a building inspector can tell you if you have enough insulation. If you don't, your utility company will suggest affordable ways you can insulate your house.

### Weatherizing, Weather Stripping, and Caulking.

Weatherizing your house means making sure your home is adequately sealed from the outdoors. A house that is poorly weatherized can be like having an open window. Imagine how much heat you can lose through an open window during the winter.

Start by repairing cracked windows. Install storm windows, especially if your windows are single pane, meaning they have only one layer of glass.

Next, inspect your home to locate where heat can escape or where cold air blows in. Fill any cracks or gaps with weather stripping or caulk. Cracks or gaps commonly occur around doors and windows. Cracks or gaps

also appear around where pipes, tubes, wires, or vents enter the house.

Consider installing storm doors that insulate your home in the winter, but have screens that let cool air in during the summer. Inspect and repair sliding doors. Repair or replace older doors that are warped and don't close properly.

**Heating and Cooling Systems.** Schedule an annual inspection and tuneup for your heating or air conditioning systems. Many utility companies will check your units for free or for a small fee.

Regularly change or clean the filters on your heater or air conditioner. These filters get clogged with dirt and dust, making the heater or air conditioning fans work harder.

Changing filters is easy to do. It's also easy to check your ducts for leaks.

Keep heating and cooling registers in each room clear of furniture or debris. The idea is to heat or cool the house, not the bottom of a cabinet or rug.

**Refrigerator.** Clean the coils on your refrigerator once a year. A special brush to clean your coils costs only a few dollars at your local hardware store. Since dirty coils makes your refrigerator work harder and use more energy, cleaning them just once a year will pay back more than the cost of the brush.



**Water Heater.** Insulate your water heater. You can buy a special blanket designed to fit around your hot water heater. Also insulate all hot water pipes. Insulation designed for pipes is inexpensive and can be installed in seconds.

Drain sediment that settles to the bottom of your tank. Once every month or so, open the valve and drain about a gallon of water into a bucket. Watch out. The water will be hot!

**Fix Water Leaks.** It only takes a few dollars to repair a leaky faucet or toilet. Ask

your hardware store for instructions on how to do this yourself.

**Ask Your Utility Company for Help.** Many utility companies offer weatherization and heating/cooling inspections and repair for little or no fee.

### *Improve Home-Energy Efficiency*

Improving home-energy efficiency means replacing old, inefficient appliances with newer, more efficient models.

Replacing a major appliance or a heating and cooling system can be expensive.

It's usually not a good idea to replace expensive items until they either break or are too expensive to operate.

Major appliances should last 10 to 20 years. Inspect your appliances yourself, or have a utility technician inspect the equipment. They will recommend whether an appliance or heating and cooling systems should be replaced.

If you do replace major appliances, make sure they have an EnergyGuide or EnergyStar label. These labels recognize efficient appliances and estimate the annual energy consumption and operating cost of the unit.

**Windows.** Replacing windows can be highly expensive. If replacing a window is the only option, make sure the replacement is at least

double-pane. Single pane windows lose heat 14 times faster than the walls in your house. If you can't replace a single pane window, add a storm window, and seal cracks around the window with caulking or weather stripping.

**Refrigerator.** New refrigerators use one half as much energy as those built in the 1970s.

**Whole House Fan.** Usually installed in the attic, a whole house fan replaces warm air in the house with cooler outside air.

**Efficiency Ratings.** When buying major

**Install a Programmable Thermostat**  
One of the easiest ways to afford and conserve energy is to use a programmable thermostat. A normal thermostat sets the same high and low temperature for an entire day (see pg. 25, Chapter 4). A programmable thermostat lets you adjust the heating or cooling in your house for all times of the day. This device automatically adjusts the heat when you're not home, then turns up the heat so you arrive to a comfortable house. You also can program it to turn down the heat when you go to bed at night. Place all thermostats on an inside wall. Follow the directions to install and program, or get help from your utility company.

appliances for your home, search for the highest efficiency rating. This means your appliance will perform using the least amount of energy possible.

**Some common efficiency ratings are:**

- Air conditioners – Seasonal Energy Efficiency Ratio (SEER) or Energy Efficiency Ratio (EER). Look for a SEER or EER of 13 or higher.
- Gas and Electric Heaters – Annual Fuel Utilization Efficiency (AFUE), or Heating Seasonal Performance Factor (HSPF). The higher the rating the better, the best being 90 percent efficient or higher.
- Water heaters - Energy Factor (EF). The higher the number, the better the efficiency. Energy factors range from 0.5 to 0.7 for gas units, and from 0.75 to 0.95 for electric units.

**Energy Eater**

**One of the biggest things you can do to reduce your**

**electric bill is to turn off and get rid of that old refrigerator in the basement, in the garage, or on the back porch.**

**At a cost of \$150 or more to run each year, it is an expensive way to keep a few bottles of beer cold.**

### *Save Money Through Conservation*

Perhaps the easiest way to save energy and cut your utility bills is by using good habits.

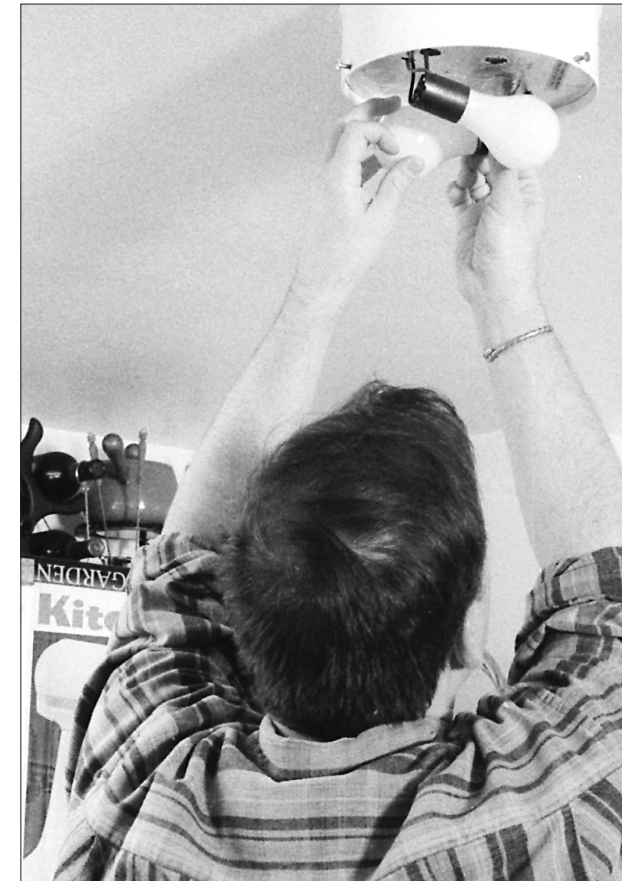
Here are some quick ways to reduce your overall use of water and energy in your home:

**Be water wise.**

- Lower the temperature of your water heater to between 120 and 140 degrees, or use the “medium” setting.
- Take quick showers instead of baths. A bath uses 25 gallons of water; a 5-minute shower uses 10 gallons.
- Use full laundry loads, but don’t overload the washing machine. Use cold water for the wash and rinse cycles. Some washing machines let you set the water level if you have a partial load. Set wash times to no more than 10 minutes.
- Install low-flow showerheads, toilets, and faucets. These are sometimes required by building codes for new homes, and when you make replacements.

### *Plug electricity drains.*

- Unplug any appliances you aren’t using.
- Turn off lights when leaving a room.
- Install automatic timers to turn lights off when you are not home.



**A Bright Idea**

**Compact fluorescent lights, or CFLs, use 25 percent less electricity than regular incandescent light bulbs. They screw into the same light sockets. They cost more than regular bulbs, but CFLs burn cooler and last longer than regular bulbs, so you’ll save money in the long run using CFL bulbs. Some utility companies give away CFL bulbs or sell them at reduced prices.**

**It’s the truth. Turning up your thermostat to a high temperature doesn’t heat your house any faster than setting it to a comfortable temperature. Likewise, turning down your air conditioner’s thermostat doesn’t cool your house any faster than setting it to a comfortable degree.**

- Insulate your water bed. Make your bed each day to keep the heat from escaping.
- Use the microwave or smaller appliances instead of the oven for cooking small meals.
- Turn off appliances such as televisions, computers, and clock radios when on vacation. Also, turn down heating and air conditioning when you are gone for extended periods.
- Don’t leave the refrigerator door open.
- Use energy-saving settings found on newer appliances.

- Clean the lint trap in the clothes dryer. Keep the vent clear. For small loads, dry clothes and linens outside on a line.
  - Use outside motion-detector lights that turn on when they sense motion, and turn off after a set time.
- Control your dishwasher.**
- Let dishes air dry.
  - Open the dishwasher door after the rinse cycle.
  - Run the dishwasher only when it’s full.

## Energy Guzzlers and

Be aware of appliances in your home that use more electricity than necessary.

**Halogen Torchiere Lamps.** These are a popular style of lamps where a metal shade directs the light toward the ceiling. Many of these lamps come with 300 watt halogen bulbs that produce heat up to 900 degrees. Because the halogen bulb is so hot, the torchiere lamp can set drapery or other objects on fire if they get too close to the lamp. A better idea would be to replace the halogen bulb with a cooler compact fluorescent light or incandescent light.

**Portable Space Heaters.** Since portable space heaters use up to 1,500 watts, try to use them for short periods of time. Make sure they are turned off when no one is around. Keep the floor clear in front of any space heater. Use extra caution when children and pets are around. Never use a portable space heater in a child's bedroom overnight.

## Other Dangers

According to the National Fire Protection Association (NFPA), portable and fixed space heaters present a risk of fire.

Portable heaters are associated with significantly more deaths, more injuries, and more direct property damage through fire, than are central heating units. Portable kerosene heaters have the highest death rate relative to the number of households that use them. They are illegal in some states.

**Water Beds.** A water bed uses only 100 watts to keep its water warm. However, that is like keeping a 100 watt bulb on all the time.

**Fireplace.** Burning wood in a fireplace is one of the most inefficient ways to heat a house. It can actually make your house colder by drawing warm air up your chimney. Unless it is your only source of heat, do not to use your fireplace at all and close the damper.

**Never Do This.** Never use your oven, barbeque grills, propane heaters, or kerosene heaters to heat your home. Doing so creates a serious fire danger.



kitchen areas only for a short time. They can blow warm air out of your home in the winter, or cool air in the summer.

- Set the thermostat of your air conditioner to the highest setting that is comfortable.
- Set the thermostat of your furnace to the lowest setting that is comfortable.

## Managing the Bills

Here are a few more helpful ideas that can make managing your utility bills even easier.

**Level Billing Plans.** Sign up for a level billing

### These ideas keep you warm and cool.

- In the winter, close drapes and window coverings at night to keep in heat. Open them during the day to let in warm sunlight.
- In the summer, open drapes and window coverings at night to let heat escape. Close them during the day to keep the house cool.
- Close the damper on your fireplace. An open damper is like an open window letting heat escape.
- Plant trees to shade your home during the hot summer months.
- Use a ceiling fan to circulate indoor air.
- Use ventilating fans in the bath and





plan with your utility company. This means you pay the same amount each month for your electricity, water, or natural gas,

as an example. In this way, you will not face very high, and possibly unaffordable, winter heating or summer cooling bills.

**EXAMPLE OF A LEVEL BILLING PLAN**

Month	Typical heating bill	Level billing
January	\$160	\$100
February	\$195	\$100
March	\$160	\$100
April	\$130	\$100
May	\$100	\$100
June	\$ 35	\$100
July	\$ 20	\$100
August	\$ 20	\$100
September	\$ 50	\$100
October	\$ 80	\$100
November	\$110	\$100
December	\$140	\$100
<b>Total</b>	<b>\$1,200</b>	<b>\$1,200</b>

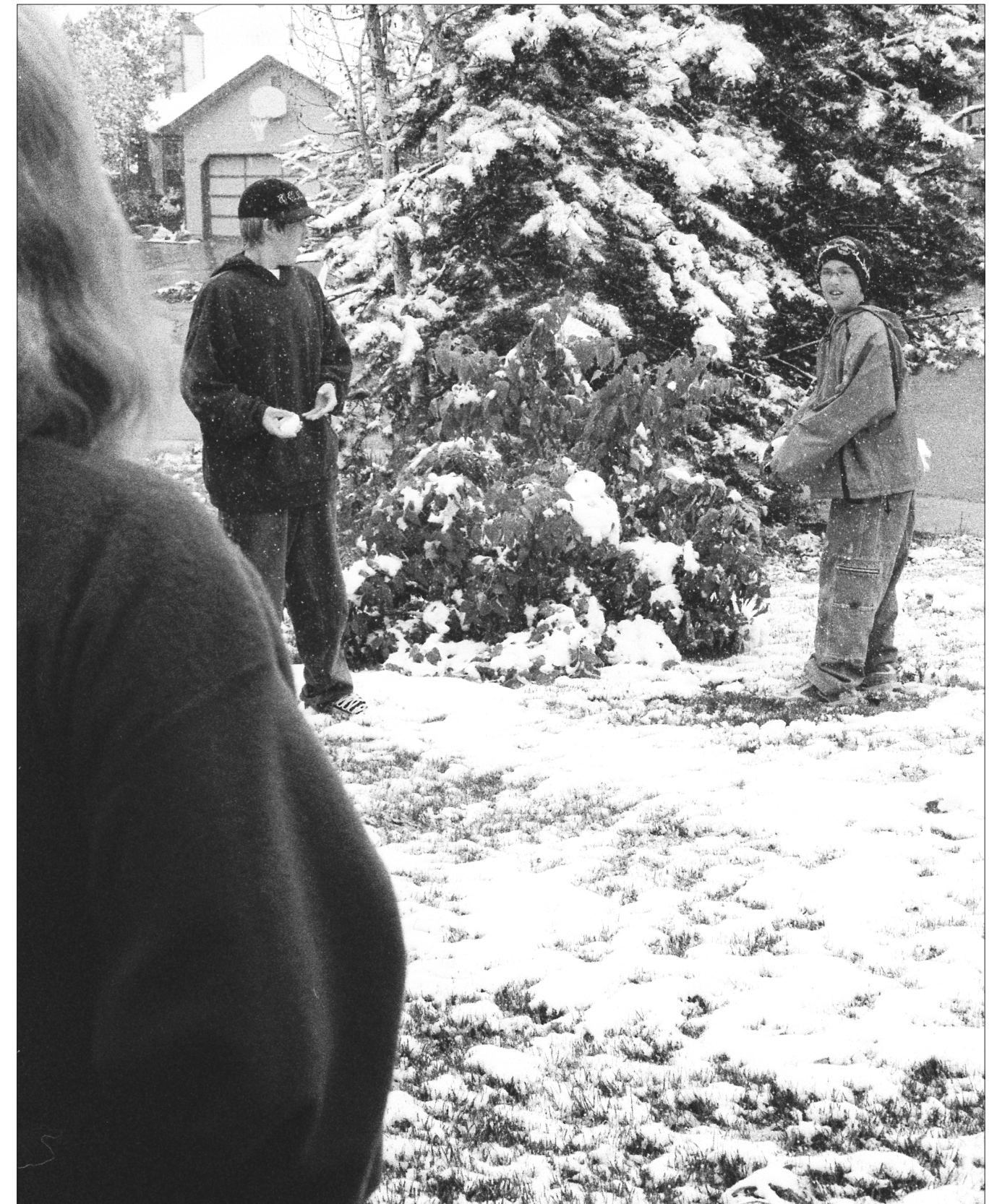
**The utility company will still keep track of how much energy or water you actually use.**

At the end of the year, they will give you a credit (money back on your bill) if you paid too much, or you may owe a little more. The utility company will try to keep this difference to no more than one month’s payment.

The benefit to you is you know what you will be paying each month.

**Billing Date Plans.** Some utility companies let you pick the same date each month that you want to pay your bill. This is helpful, if you get paid on the same day each month, or if you receive your Social Security check the same day each month.

**Avoid Additional Fees.** Eliminate late payment fees and collection fees by paying on time and not bouncing checks. Many utilities charge extra



if they have to visit your home, even if you pay them when they get there. If your service is disconnected for nonpayment, you will likely be charged a disconnect/reconnect fee along with a several hundred dollar deposit.

**Ask For Discounts.** Ask for discounts, special payment plans, or direct assistance from your utility company, if you qualify. Many utility companies also offer free repair services, free or reduced prices for equipment, and tax rebates.

**Deposits.** Ask your utility how you can avoid having to pay a deposit. Deposits are required if your service has been shut off before.

Deposits may also be requested if you don't have a credit history or if you have a poor credit score (see Chapter 3). Most utilities will accept a letter of guarantee in place of a deposit. This is a letter from a friend or family member who agrees to pay one or two months of bills if you cannot. A church or community group may also provide a letter of guarantee.

If you've paid for utilities elsewhere without being shut off and always paid on time, this should be enough to avoid paying a deposit. If you do have to pay a deposit, it should be no more than two months of your estimated use. This deposit may be returned if you continue to have a good payment history.

**Knowing When There's a Problem.** Using your spending plan as a guide, you should know roughly how much you should be paying each month for your utilities. If you notice a huge rise in a utility cost, read the bill carefully for any errors or extra charges. Call the utility company if you have any questions about your bill.

If there is no error, the cause may be a billing rate change. You could also be using more energy or water than you think.

### *Energy Efficient Mortgage Program*

The Federal Housing Administration offers special home loans through the Energy Efficient Mortgage (EEM) Program. This method of financing a home mortgage helps you pay for improvements to an existing home that will reduce your utility bills. Under this program, you can borrow up to \$8,000 more than your home loan to install efficient heating or cooling systems and appliances. It can also pay for winterizing your home – adding insulation, replacing windows and doors, and sealing cracks.

**How EEM works.** An energy expert performs an inspection on the home and recommends needed repairs or replacements along with their costs. After you receive your home loan,

professionals install the energy improvements. You pay the installer only after the improvements are inspected and approved.

**The advantage of an EEM.** Using an EEM will actually reduce your total monthly expenses, since the amount you pay for your loan is less than the amount you save off your utility bill. Without an EEM, you may pay \$500 for your mortgage and \$130 for energy, for a total of \$630 each month.

With your EEM, you pay \$530 for your mortgage but only \$90 for your home energy, or \$610 each month. While your energy costs will likely go up each year, your mortgage will remain the same. This way, the amount of money you save gets larger each year.

Contact a HUD Homeownership Center for more information on Energy Efficient Mortgage. To locate a center near you, call 1-202-708-1112.

### *Take Tax Credits*

If you worked and paid payroll taxes during the year, you may be entitled to the federal Earned Income Tax Credit (EITC). The average EITC is roughly \$2,000. You receive an EITC whether or not you owe taxes. If you owe \$500 in taxes, for example, and are entitled to a \$2,000 EITC, the federal government will send you a check for the difference (\$1,500). If you are entitled to a

\$2,000 EITC and owe no taxes, you will get a check for \$2,000. You must file a tax return to get the EITC.

The extra cash can come in handy at a time of the year when heating bills are high. Visit a free community tax service to see if you qualify. Call your local community action agency for information about how to find a free community tax service.

### *Resources*

Contact these organizations for additional information on energy use:

**U.S. Department of Energy Office of Energy Efficiency and Renewable Energy**

1-877-337-3463

Web site: [www.eere.energy.gov](http://www.eere.energy.gov) (See Consumers.)

**American Water Works Association**

1-800-926-7337

Web site: [www.awwa.org](http://www.awwa.org) (Click Consumer Water Center.)

**Energy Star**

1-888-STAR-YES (1-888-782-7937)

Web site: [www.energystar.gov](http://www.energystar.gov)

**Check out these online Energy Calculators:**

**Energy Guide** – Logon [www.energyguide.com](http://www.energyguide.com), enter your ZIP code and choose an audit method.

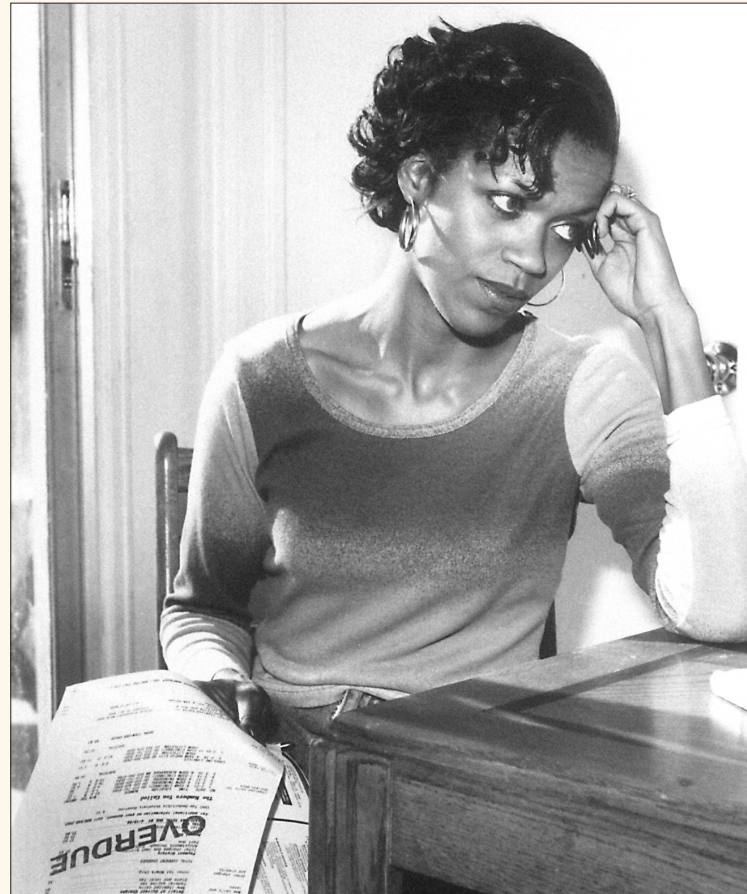
**H2OUse** – Logon [www.h2ouse.org](http://www.h2ouse.org), select Home Tour. *Also, consult your local utility company.*

# HELP WITH THE *Unexpected*

## Seeking Help

What happens if you get a utility bill so high you know you can't pay it? First of all, don't panic.

Make sure that the bill is correct. To do this, compare it to a similar month from the previous year. If the difference is large, make sure the bill is accurate for the amount of energy you use. Check the rate, or cost of the fuel or electricity to make sure there is no error. Call your utility provider if there is any question. If the bill is correct, there are still things you can do to pay it.



## Your Responsibilities

If you and your utility company agree to a payment plan, you need to keep to your agreement. Not paying as agreed can result in the utility company disconnecting your service. If you agree to a payment and your circumstances change, such as losing income through a lost job or reduced hours, contact the utility immediately. You may have the right to renegotiate your payment based on your new circumstances.



**F**or many working families, senior citizens, or disabled Americans, it's getting harder to pay utility bills. Extreme weather, along with rising fuel prices, continue to increase energy costs that consumers pay. A temporary job loss, or poor health, also put a strain on a household's budget.

There are, however, a number of ways to get help if you find your income simply is not sufficient to pay your bills.

**Tap Short-Term Savings.** Consider tapping into your short-term savings to cover the higher bill. This should be a temporary answer, though,

until you can predict your utility bills with more confidence.

**Work With The Utility.** If you still can't pay the bill, notify your utility as soon as you can. Try to pay as much as you had budgeted for the month. If that is too difficult, pay what

you can while still meeting your other basic needs. The key is to avoid a shut-off of services and the resulting consequences.

Find out from your utility company what payment plans they offer. Some utility companies offer customers who qualify a matching

**LIHEAP is not welfare. It is for working Americans and their families, senior citizens, and the disabled who have trouble paying high utility bills. LIHEAP funds may be distributed along with other funds from charities or private organizations.**

**In many ways, it's like Social Security or unemployment benefits. Sometimes you pay in and sometimes you get benefits paid out when you need them. That's what LIHEAP does. It gives folks a hand when times get tough and utility bills strain a budget. Some of the taxes you paid in the past were used to help others. There is nothing wrong with asking for help if you need it.**



payment program. This payment plan matches the amount you pay with an amount from an energy assistance program.

It may not be too late to ask for a level payment plan. This will spread your total annual bill in equal monthly payments over 12 months.

Don't agree to a payment plan you cannot afford. If the utility doesn't offer you a plan you can afford, contact your state's public utility commission or consumer affairs office rather than agreeing to it. Make sure your utility company gives you its reasons in writing

for not agreeing to a payment plan. If for some reason you can't communicate directly with a utility company, sign up for third-party notification. This will alert someone not living with you in case you have a past-due or shut-off notice.

If you believe you cannot pay your bill, it is important to contact your utility before the due date on the bill. Some opportunities for help, such as entering a level budget billing plan, may no longer be available once your bill becomes past due. In addition, contacting your

utility early may help you avoid late fees that make your bill even higher.

**Emergency Repairs and Improvements.**

When you call, your utility company may ask you questions about how your home is insulated and how it is heated or cooled. If you qualify, you may receive assistance for home improvements to make your house more energy efficient. This includes repairing or replacing an old heating or cooling system, making emergency repairs, and weatherproofing your home.

**LIHEAP**

LIHEAP stands for the Low-Income Home Energy Assistance Program. Each year, the federal government provides LIHEAP funds to states to help Americans with their home energy bills. Each state distributes these funds to citizens who are in need of this assistance. They may distribute LIHEAP funds through state human services agencies, or as in most cases, contract with community action agencies or partnerships, or other agencies. LIHEAP may be provided along with a range of other social services. LIHEAP assistance is not designed to pay the entire utility bill.

The federal government also provides LIHEAP to Tribes for Tribal members. Refer

to the National Energy Assistance Referral (NEAR) project (*see chapter Summary and Resources*) for a listing of the LIHEAP assistance agency near you.

**How LIHEAP Works**

Every state is different in determining who qualifies for LIHEAP assistance and for how much. In most cases, no shut-off notice is needed before assistance is granted. If you qualify for LIHEAP, you may receive a notice along with your utility bill urging you to apply. In most states, you automatically qualify for LIHEAP if you qualify for other assistance, such as Temporary Assistance for Needy Families, or Aid to Families with Dependent Children. Your local utility company may well be able to help you apply for LIHEAP benefits. If approved, your LIHEAP funds will typically be paid directly to your utility company. Homes that use wood, propane, or heating oil for their heating source instead of natural gas or electricity also qualify for LIHEAP assistance.

**How to Apply for LIHEAP**

You will need to fill out a form before you qualify for LIHEAP assistance. Along with the form, you will also need to provide the latest copy of your utility bill. Your county assistance

agency or local community action agency can help you determine your eligibility to receive LIHEAP funds using your state's guidelines. Many states will mail you an application form and let you mail it back. If you are older or disabled, someone from the state energy office may come to your home to help you fill out the application form.

**LIHEAP Crisis Assistance.** Crisis Assistance is a special kind of LIHEAP. Usually, you can get Crisis Assistance even if you have already received "regular" LIHEAP, if you are facing the disconnection of electric or gas service, or the discontinuance of fuel oil, propane, or other fuel deliveries during the winter. Some states provide summer crisis assistance to prevent the shut-off of essential cooling service.

### *Fuel Funds: Utility/Nonprofit Partnerships for Home Energy Assistance*

Your county or city human services agency or local community action agency can give you advice on how to receive LIHEAP assistance. Even if you don't qualify for LIHEAP, or if your LIHEAP assistance has run out, the agency can tell you about other programs, called fuel funds, for which you might be eligible. Customer service representatives of your utility

should also be able to refer you to your local fuel fund because most utilities partner with local charitable or faith-based organizations to run the funds. Most fuel funds help with home energy bills, although some will help with water and sewer bills, as well. Fuel funds, also called energy banks, charitable energy (or bill) assistance programs, or utility assistance programs, have different structures in different communities. Sometimes, a fuel fund is a single purpose agency that only provides energy assistance. In other cases, a fuel fund is part of a community action agency, a neighborhood center, or a faith-based program such as Catholic Charities, United Jewish Federation, Salvation Army, or Lutheran Social Services.

Every fuel fund has its own eligibility guidelines, usually different from LIHEAP's because



the fuel funds try to supplement LIHEAP. For instance, some fuel funds can only help those with shut-off notices. Others can serve families who have more income than LIHEAP eligibility allows. Like LIHEAP, some fuel funds can help with crisis situations presented by illness or unemployment. Some fuel funds provide assistance with only heating bills, while others also assist with home cooling costs.

The National Fuel Funds Network (NFFN) is the national association of charitable bill assistance programs. If you cannot get a referral to a fuel fund from your local government, LIHEAP provider or utility, visit [www.nationalfuel Funds.org/directory.pdf](http://www.nationalfuel Funds.org/directory.pdf).

### *If You Get a Shut-Off Notice*

Contact your utility company. If this is your first shut-off notice, you usually have 10 days to negotiate a payment plan. You may also delay termination of your service for medical reasons. Ask your utility for a referral to your local and state-run emergency assistance organizations.

### *Payment Forgiveness and Shut-Off Moratoriums*

Some utility companies will cancel or "forgive" large unpaid balances for services. This is also called "payment amnesty." Forgiveness of unpaid balances is rare, and shouldn't be used as a reason for not paying your utility bills.

Some states have adopted laws preventing utilities from shutting off utilities to customers who can't pay their bills during periods of extreme weather. This is commonly called a "shut-off moratorium." Cold weather shut-off protections are common. Hot weather-protections are becoming more common.

A shut-off moratorium is not the same as an amnesty program. If you don't pay your utility bill during a moratorium, you will still be required to pay the entire unpaid balance once the moratorium is lifted. Even if there is a moratorium, you should pay as much as possible on your bill, even if you cannot pay at all. This will minimize the unpaid

bill you must pay when the moratorium ends. In addition, even if there is a shut-off moratorium, late fees will be charged on your total unpaid bill.

### *Summary and Resources*

When the unexpected occurs, there are organizations that can help. They are there not as a handout, but to give you a hand overcoming your temporary crisis. As the problem of higher utility costs continues to grow, so does the number of groups who dedicate themselves to helping homeowners cope.

**Contact these organizations for utility bill assistance:**

#### **National Energy Assistance Referral (NEAR)**

To locate the nearest energy assistance center near you, call NEAR at 1-866-674-6327, or email [energyassistance@ncat.org](mailto:energyassistance@ncat.org). Or go online at <http://neaap.ncat.org>. Select Low-Income, then select the state where you live.

#### **National Fuel Funds Network**

1010 Vermont Avenue, NW, Suite 718  
Washington, DC 20005  
1-202-824-0660

[www.nationalfuelfunds.org](http://www.nationalfuelfunds.org)

#### **Federal LIHEAP website**

Go to [www.acf.dhhs.gov](http://www.acf.dhhs.gov), click Energy Assistance under Services for Families. Then click the Low Income Home Energy Assistance Program link.

## Acknowledgments

**Owning is Just the Beginning: Learning to Budget the Utility Costs of Your New Home** was written and prepared as a public service by the Denver-based National Endowment for Financial Education, or NEFE; William L. Anthes, Ph.D., President; Brent A. Neiser, CFP, Director of Collaborative Programs; and Mary J. Schultz, Project Manager of Collaborative Programs.

NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit [www.nefe.org](http://www.nefe.org).

**Owning is Just the Beginning: Learning to Budget the Utility Costs of Your New Home** was developed in collaboration with the National Fuel Funds Network. The National Fuel Funds Network is the association of programs that raise and distribute charitable funds for home energy assistance. NFFN's 270 members include utilities, nonprofit and faith-based organizations and units of local, state, and Tribal government. NFFN promotes charitable energy assistance programs and advocates for robust federal energy assistance. For more information, visit [www.nationalfuelfunds.org](http://www.nationalfuelfunds.org).