

DCC Dollars & Sense

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Promoting Prosperity - Away from Debt

Special points of interest:

- Establishing Emergency Reserves
- Pay Yourself?
- Into Action!

Millions of Americans are overwhelmed with debt and the stress that comes with being over-extended financially. The following are 5 surefire steps to relieving financial strain and ensuring a healthy debt elimination plan.

Build an emergency reserve – prepare for rainy days.

Building an emergency reserve is the first and most important step because it involves taking care of our own well-being and that of our loved ones. Planning for the unforeseen enables us to get down to the business of enjoying life, removing stress, and making our money work for us. Getting laid-off, vehicle trouble, and unexpected illness are a few good examples of emergencies most of us are never prepared for.

How do we begin? Save at least 10% of your net income. Incorporate it into your budget. Just as we pay our utilities and credit card bills, we

must pay ourselves.

Budget.

No matter how much or how little you make, we all need a budget. There are 3 critical parts to creating a budget. Budgeting for regular monthly expenses, budgeting for known upcoming expenses, and budgeting for the unexpected.

Make a list of the first two categories.

The third is unknown and we'll subtract at least 10% of your net income for that. For example, monthly, you may have mortgage or rent, utilities, groceries, medical care, a car payment, loans, and credit cards. Some known upcoming expenses may include quarterly, biannual, or annual insurance payments or standard vehicle maintenance.

Now that we have what you need on paper, start a log on where you're actually spending your money. Do this for a month. This exercise will allow you to see where some concessions can be made and free up funds you didn't realize were available; you may find money in cutting back on eating out or getting rid of the fully

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loaded cable package with all the channels you don't watch anyway.

For known upcoming expenses (may include things such as quarterly or bi-annual insurance payments, weddings, birthdays, vacation, etc.), determine how many months you have until the payment is due. Divide the payment amount by the amount of months. That figure becomes a fixed monthly expense until the payment is made.

Pay yourself first.

Subtract 10% of your take-home pay and save it. Get used to putting it aside and forgetting about it. Begin developing the mind set that you can afford the extras, but choose to forgo them. When the inevitable emergency arises, you will be prepared.

Then pay the mortgage/rent, utilities, groceries, medical care, car payment, loans and credit cards – in that order.

Start spending only what you have, and pay what you owe on time.

This is a simple concept. If the cash is not in your wallet or your checking account, you simply do not spend it. Keep one or two credit cards (not store cards), maybe from your bank or credit union. Use it and pay it in full every month.

When you have a budget in place and you stop charging/borrowing, your debt has only one direction it can go, and that's down!

Pay more than the minimums if you can and make the payments on time. This will reduce your debt quicker and prevent the balance from growing with late fees and possible increased interest. And what if your interest has already increased? Consider calling the creditor and requesting a lower rate, *instead of* transferring balances which usually leads to more charging, and yes, more debt.

If the creditors are willing to reduce the rates, but only temporarily, you could implement a credit counseling consolidation plan. This ensures a reduced interest rate until the balance is paid in full!

Review your credit report regularly.

Pulling your credit report allows you to address any inaccuracies. You can dispute them with whichever of the 3 bureaus are reflecting the wrong information and have it removed, which will improve your score. This is easily done online with all 3 credit bureaus, and it's free only once per year.

Act now; put your priorities in order.

Detail every expense, follow your budget and repayment plan, and focus on prosperity. Save now. No matter how little you may think the amount, some adds up much faster than none, and you will be happy you have it when you need it.