Managing Financial Stress

August 7, 2012
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Objectives

• Understand your FICO score

• How to avoid and overcome a Financial Crisis

• Identify needed steps for a personal budget

• Remember your EAP
Sayings about Money...

- Waste not - want not
- A penny saved is a penny earned
- A fool and his/her money are soon parted
  - W.C Fields: There is a sucker born every minute
- Money can’t buy happiness but, not having it sure can cause misery...it gives choices.

Financial Stress?

- Are you behind in your payments?
- Are you only able to make minimum payments on your credit cards?
- Is your take home income less than your monthly expenses?
- Does worry about financial problems affect your sleep?
Financial Stress?

• Are you taking cash advances to meet monthly expenses?
• Do you use one credit card to pay another?
• Are you arguing more with your partner?
• Does your partner know all of your debt?

Current Situation

• As a world, nation, state, city...
• As a family, individual
Current Situation

• USA  Red - current
  – Debt $14.8 Trillion – $15.9
    • Per Citizen $47,506 – $50,717
    • Per Taxpayer $132,162 – $139,647
  – Deficit $1.3 Trillion – $1.27
• Iowa Debt $15.5 Billion / 10.2% of GDP
  $15.36/10.02%
  http://www.usdebtclock.org/

Current Situation

Individual Credit/Debt - Red = 2011

• Average debt per household with credit card debt: $15,799 / $15,956
• 609.8 million credit cards / 3.5 per holder
• Average APR 13.10% / 12.78% with a balance
• US Consumer debt $2.43 Trillion/$2.5
• 98% of $793.1/ $801 billion Rev Debt is Credit Card
• 3.3% / 2.93% 30 day delinquent
Bankruptcy in the USA

Consumer bankruptcy filings:
• 1.35 million – 2011 – down 12%
• 1.59 million – 2010
• 1.47 million – 2009
• 1.1 million – 2008
• Record 2 million filings in 2005

http://newsbankruptcy.blogspot.com/2012/01/statistics-for-2011-personal.html

US cards in circulation

• American Express credit: 48.9 / 50.6 mil
• MasterCard credit: 143 / 176 million
• MasterCard debit: 119 / 129 million
• Visa credit: 269 / 261 million
• Visa debit: 399 / 392 million
• Discover cards: Unavailable

http://www.creditcards.com
Perspective

One Dollar = One Second

• $1,000,000 – 12 days ago
• $1,000,000,000 = 31 years ago
• $1,000,000,000,000 = 31,688 years ago
• US Debt = 468,983 years ago
• Personal Debt = 77,000 years ago

Current Situation

• Families - Individuals
  — Un-employment – lay off
  — Shrinking dollar
  — Decline in value of Investments
    • Retirement & Savings
  — Fear, worry, anxiety
FICO Score

• Fair Isaac Company
  – Earl Isaac, mathematician
  – Bill Fair, engineer

• Based in Minneapolis MN but offices in NA, South America, Europe Australia and Asia
  – 2200 employees
  – Developed software in 1980’s

FICO Score

• Fair Isaac is an independent company that developed the scoring method and software used by banks, credit unions, insurers and other businesses

• 2001 information became available to us as result of FCRA (Fair Credit Reporting Act)

• Range is from 300 to 850
FICO Score

- 700 and higher = Excellent or Very Good
  Certain lenders offer better rates and/or discounts if you are over 720
- 680 to 699 = Good
  You can get a normal loan.
- 620 to 679 = OK
  You won't be denied but the terms are not going to be too generous

FICO Score

- 580 to 619 Low
  That is where bad credit starts, it’s not that bad yet. You still get a loan but it’s much more expensive
- 500 to 580 Your credit is bad
  You'll get your loan but at a higher rate
- 499 and below – Serious
  will need to repair the bad credit score
FICO Score

- 35% = payment history
  - Late payments, collection, bankruptcy
- 30% = outstanding debt
  - Home, Auto, Credit Cards (<25% of limit)
- 15% = length of time you’ve had credit
  - More time the better
- 10% = new credit (inquiries)
  - The number and more recent
- 10% = types of credit
  - # of loans & available credit from cc
Average FICO Scores

• USA: 690
• Iowa: 711
• Yours: _ _ _

• http://www.myfico.com

FICO Scores

<table>
<thead>
<tr>
<th>FICO 8 score</th>
<th>2005</th>
<th>2008</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>300-499</td>
<td>6.6%</td>
<td>7.2%</td>
<td>7.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>500-549</td>
<td>8.0%</td>
<td>8.2%</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td>550-599</td>
<td>9.0%</td>
<td>8.7%</td>
<td>9.1%</td>
<td>9.9%</td>
</tr>
<tr>
<td>600-649</td>
<td>10.2%</td>
<td>9.6%</td>
<td>9.5%</td>
<td>9.8%</td>
</tr>
<tr>
<td>650-699</td>
<td>12.8%</td>
<td>12.0%</td>
<td>11.9%</td>
<td>12.1%</td>
</tr>
<tr>
<td>700-749</td>
<td>16.4%</td>
<td>16.0%</td>
<td>15.9%</td>
<td>15.5%</td>
</tr>
<tr>
<td>750-799</td>
<td>20.1%</td>
<td>19.6%</td>
<td>19.4%</td>
<td>19.6%</td>
</tr>
<tr>
<td>800-850</td>
<td>16.9%</td>
<td>18.7%</td>
<td>18.2%</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

*Fair Isaac estimates about 200 million Americans have enough information in their credit reports to generate credit scores.

Source: FICO
Credit Reporting Bureaus

• Experian
  • http://www.experian.com

• Equifax
  • http://www.equifax.com

• TransUnion
  • http://www.transunion.com
Financial Crisis Warning Signs

• Making only minimum payment
• Using one card to pay another
• Taking cash advances to pay other bills
• Hiding purchases from your family
• Receiving collection calls or letters

Lifecycle of Financial Crisis

• The Early Stages
• The Middle Stages
• The Late Stages

Auriton Solutions
http://www.auritonnew.org
Early Stage

• Signs
  – Count days to payday
  – Buy groceries etc. with credit card
  – Take out new credit card to get the extra $
  – Uncomfortable talking about money with spouse or family
  – Carry balance from month to month on credit cards

Early Stage

Action Steps
• Pay off the credit card and cut it up
• Eliminate one or two nice not necessary expenses
• Use cash, check or debit card for routine expenditures
• Set up automatic deduct into a savings account
Middle Stage

Signs

• Hide purchases from spouse/family
• Decide to pay some bills & not others each month
• Regular arguments with family about money
• Received one collection call or letter
• Use one credit card to pay off another card

Middle Stage

Action Steps

• Form a plan with family to pay off & reduce spending
• Talk to creditors of delinquent accounts
• Post credit card statement where you see it
• Pay off CC with highest interest rate
• Talk to credit counseling agency
Late Stage

Signs
• You don’t answer the phone – dread the mail
• You take cash advances to make payments
• You’ve maxed out several CC
• Money causing problems with family
• Sleep disturbance due to financial stress

Late Sages

Action steps
• Contact credit counseling agency
• Work with credit counselor
• Cut up credit cards
• Talk to family about exactly what is happening
• Takes time, most people can pay off debts in 3-5 years.
How it happens

1. **Uncontrollable events** – economy, job loss, theft, injury, health-medical

   *The unfair “Tragedies of Life” cause Financial Stress for Some People*

2. **Poor decisions** - Impulse spending, overspending, addictions, lack of planning, wastefulness, lack of self control

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This we know!

• *When the Outgo exceeds the Income*...

• *The Upkeep becomes the Downfall*
What comes to mind?

What words do you think of when hear

Budget

• No fun
• Restrained
• Loss of freedom
• Being controlled
• Not being able to do what I want
What comes to mind?

*It can be very positive and exciting!*

Budget Defined

1. A tool to increase your consciousness of how and where you spend your money

2. A guideline to help you spend your money on the things that are most important to you!

Deborah Fowles: Guilt-free Budgeting: No Blame, No Shame
http://financialplan.about.com/cs/budgeting/a/GuiltFreeBudget.htm#
Improve your life=budget

• Let’s you control your money
• Lets you know if you are living within your means
• Can help you meet your savings goals
• Helps family focus on common goals
• Prepare for emergencies
• Improve relationships
• Avoids waste
• Lowers stress

To Balance YOUR Budget

• Increase Income
• Lower Expenses
• Some combination of both
Personal & Family Goals

• Short Term
• Long Term
• Determine your priorities/values
  – Mission Statement

Where do you want your life to go!

First Step!

• With a Positive ATTITUDE...
• Make a Quality Decision
• Everyone involved must be “on board”
Steps for your budget

1. **Record Your Expenses**
   - Keep track of where your money goes

2. **Set up Categories**
   - Must fit your needs

3. **Calculate Budget Amounts**
   - Income & Expenses

4. **Set Goals and Make Adjustment**
   - You determine what’s important

Deborah Fowles: Guilt-free Budgeting: No Blame, No Shame
Guidelines

Use the following list to review the items in your budget:

**Housing 35%** - Mortgage or rent, taxes, repairs, improvements, insurance, and utilities;

**Transportation 20%** - Monthly payments, gas, oil, repairs, insurance, parking & public transportation;

**Debt 15%** - Credit cards, personal loans, student loans & other debt payments;

**All other expenses 20%** - Food, insurance, prescriptions, doctor & dentist bills, clothing & personal;

**Investments & Savings 10%** - Stocks, bonds, cash reserves, retirement, rental real estate, art, etc.

http://www.debtsteps.com/budgeting-guidelines.html

The Right FIT!!

• “If you’ve never managed to create a budget that worked for you, it was probably the wrong type of budget”

M.P. Dunleavey
Guidelines

The 60% Solution
• 60% Committed Expense
• 10% Retirement
• 10% Long Term Savings-(car)
• 10% Short Term Savings-(irregular exp)
• 10% Fun Money

Richard Jenkins: A simpler way to save: the 60% solution.
http://money.msn.com/articles/smartbuy/basics/8579.asp

Bottom Line

The total % of all Categories can not be more than 100

Watch the **Nickels & Dimes**
3 money tips for every income

• Low income: Below $20,000
  – Save $500
  – Get a break
  – Avoid business that rip you off

• Lower middle income: $20,000 to $40,000
  – Limit you overhead
  – Save for retirement
  – Set up savings buckets

• Middle income: $40,000 to $60,000
  – Nuke your credit card debt
  – Step up your retirement savings
  – Boast your emergency fund

http://money.msn.com/how-to-budget/3-money-tips-for-every-income-weston.aspx

3 money tips for every income

• Upper middle income: $60,000 to $100,000
  – Add a Roth IRA
  – Pay cash for luxuries
  – Save for college

• Upper income: Above $100,000
  – Boost your liability coverage
  – Hire a tax pro
  – Talk to a fee-only financial planner

http://money.msn.com/how-to-budget/3-money-tips-for-every-income-weston.aspx
7 Radical Savings Tips

1. Hold the mother of all garage sales
2. Quit smoking
3. Tame your driving addiction
4. Buy used
5. Become a homebody
6. Cut your housing expenses
7. Cut up your credit cards

http://moneycentral.msn.com/content/Savinganddebt/Savemoney/P36019.asp

Ten Steps for Success

Changing your spending habits is not easy. These steps will help you remain on the path to a bright financial future.

1. Create a Spending Plan
2. Commit to Maintaining your spending plan
3. Set realistic financial goals - both short and long term.
4. Prioritize your financial goals and revise them periodically.
5. Distinguish between wants and needs.

http://www.pueblo.gsa.gov/cic_text/money/66ways/content#autoloans
Ten Steps for Success

Continued:
6. Develop a Record-Keeping System
7. Keep a Record of Expenses to determine where your money is going.
8. Compare your list of income against your record of expenses.
9. Save for periodic expenses and emergencies to keep your spending plan running smoothly.

http://www.pueblo.gsa.gov/cic_text/money/66ways/content#autoloans

S-t-r-e-t-c-h... Extreme Couponing

• http://thekrazycouponlady.com
Best Time To Buy!!

• Video
S-t-r-e-t-c-h...

• Extreme Couponing
  – Video

When Times are Tight...

http://beingfrugal.net

“With prices going up, a dollar doesn’t go as far.”
S - t - r - e - t - c - h...

Ways To Stretch a Dollar:


- Auto
- Banking
- Clothing
- Credit
- Food
- Health
- Household
- Insurance
- Personal
- Recreation & Entertainment
- Telephone
- Transportation
- Utilities
What you can do about it –

You have a CHOICE

• Take action – make a decision – start today
• A Budget is a friend – not an enemy. It is you deciding where you want your money to go. It is you being in control not someone else controlling you.
• Get Honest with yourself
• Develop a Balanced Lifestyle attitude
• Determine to live within your means

SMART GOALS

• Written goal statements should begin with “I will...” and should be SMART:
  • S – Specific
  • M – Measurable
  • A – Action-Oriented
  • R – Realistic
  • T – Time Bound
SMART GOALS

• **Specific** goals tell exactly what will be accomplished and what steps you will take. They are much more likely to be accomplished than a general goal.
  - Instead of: I want to spend less.
  - Try: I will cut expenses by 10%: 1) cancel Sat TV, 2) grocery shop form list, 3) limit entertainment 1X mo.

SMART GOALS

• **Measurable** goals tell how many, how much, and how you will know whether or not your goal has been accomplished.
  - Instead of: I want to pay down credit card.
  - Try: I will get a part time job of 10-14 hours on weekends and put all of money on credit card.
SMART GOALS

• **Action-Oriented** goals use action verbs and describe the exact activity you will do.

  • *Instead of:* I will begin budgeting.
  
  • *Try:* I will track all of my expenses for one month before setting up budget categories.

SMART GOALS

• **Realistic** goals are those you stand a reasonably good chance of accomplishing, given enough time and effort. Ask, “Am I willing and able to work for this?”

  • *Instead of:* I would like to live in a mansion.
  
  • *Try:* I will invest $100/month for the next 10 years for a “retirement home” fund.
SMART GOALS

• **Time Bound** goals include a specific deadline. Deadlines will increase your motivation, however they should not be “set in stone.”

• *Instead of: I would like to go to Paris someday.*
• *Try: One year from now I will take a 10-day vacation to Paris.*

Keep your goal statements visible! (Post them on the refrigerator, on the computer, in the car, etc.)

Bankruptcy

**The Truth About Bankruptcy: Dave Ramsey**

1. Chapter 7
   - total bankruptcy,
   - stays on your credit report for 10 years.
2. Chapter 13
   - more like a payment plan
   - stays on your credit report for 7 years.

“Bankruptcy, however, is for life. Loan applications and many job applications ask if you have ever filed for bankruptcy”.

“Bankruptcy is listed in the top 5 life-altering negative events that we can go through, along with divorce, severe illness, disability, and loss of a loved one”.

http://www.daveramsey.com/the_truth_about/bankruptcy_3018.html.cfm
Resources

• Employee & Family Resources
  http://www.efr.org/

• Consumer Credit of Des Moines - Local office
  http://www.consumercredit-dm.com

• Metropolitan Debt Solutions - Local office
  http://www.debtmanagers.com

Resources

• The truth about credit card debt by: Liz Pulliam Weston
  http://moneycentral.msn.com/content/Banking/creditcardsmarts/P74808.asp

• Federal Consumer Information Center
  www.pueblo.gsa.gov

• Money-Zine
  http://www.money-zine.com

• Auriton Solutions
  http://www.auritonnew.org

• My FICO
  www.myfico.com
Take Action Today

• Most of us don’t plan to fail - we just fail to plan

• If you don’t know where your going, any road will get you there

• Start today!

We Can Help!
Employee & Family Resources is your

Employee Assistance Program (EAP)

800-327-4692 or 800 EAP Iowa

www.efr.org/eap
PROMOTING
WHOLE HEALTH

EFR WORKPLACE SERVICES
EAP | Training | Leadership Coaching | Mediation | Crisis Response

You Are Here: EFR > Workplace > EAP

Employee Assistance Program (EAP)

When you want your business to be its best, you need your employees to be at their best. Family problems, financial worries and stress can all take their toll during the workday. Let EFR’s EAP help.

Our EAP is a perk that helps individuals and their families with issues affecting their day-to-day performance and health, including stress, anxiety, depression, relationship, substance abuse and legal and financial concerns.

If you and your family already have the EAP, please sign in to My EAP to access tools and information you can use to improve your life at work and at home.

- What is EAP? from EFR — The EAP Experts

Sign In

Learn about the services available to you through your EAP! Access Achieve Solutions—your online link to articles, resources and tools related to wellness, work, emotional, relationship, financial and legal issues, and more.

Please type the code provided to you by your employer.

Enter Code: ******* Sign In | Continue without Sign In

Need Your EAP Web Site Code? Please contact EFR for help.

State of Iowa: 946021

da division of Employee & Family Resources, Inc. www.efr.org
Financial Consultation

- Free telephone consultation with a qualified financial counselor – Debt, Budgeting & Planning
- Referral to a local advisor for a free, in person, 30-minute consultation
- Ongoing financial planning services at reduced rates
Financial Consultation

- Managing & Reducing Debt
- Financial Demands of Life Stages
- Home Buying Strategies
  - Maximizing the market and equity
- Health Savings Accounts (HSA)
- Taxes, Taxes, Taxes

Coaching Services

- Assignment of Life Coach
- Personal, secure website
- Scheduled telephone sessions
- Non-synchronized 24-hour access to Life Coach on personal website
- Relevant articles posted by Life Coach
- Personal website journal
- Up to 8 weeks of web-based and telephone assistance
Counseling

• Phone or 3 in-person sessions
• You and your spouse are eligible
• Develop a plan for make changes and better decisions
  – Impact acute/chronic financial stress has on health
  – Impact on work or career
  – Impact on relationships

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www.efr.org/eap
Thank You!

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