

# Smart Money II

A TOOL FOR DEALING  
WITH DEBT PROBLEMS



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

# Do You Need Help With Debt Problems?

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

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



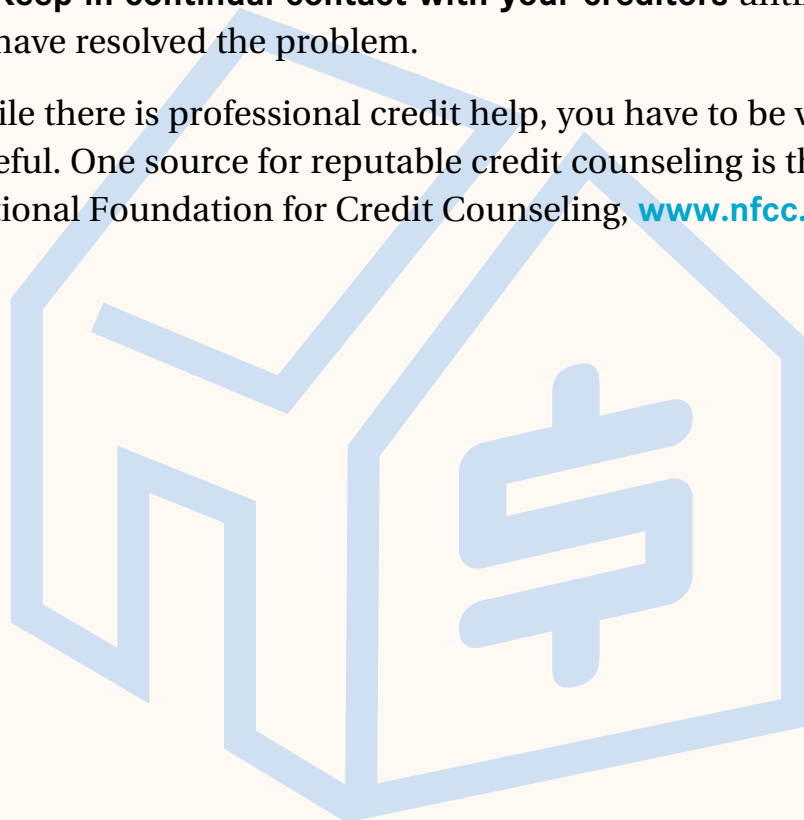
# What Can You Do if You Cannot Meet a Payment?

- ✓ It is to your advantage to **work with your creditors** to find a way to pay off your debts.
- ✓ **Call the credit manager, merchant or lender.** Explain the situation.
- ✓ **Discuss your ability to repay your debt.** Do your best to follow that plan.
- ✓ **Make your plan realistic.** If your plan is realistic and the person you are talking to won't accept it, call the person's supervisor.

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- ✓ Get names and phone numbers of the individuals with whom you have talked. **Follow up your phone conversations** with letters noting what you have worked out.
- ✓ **Keep in continual contact with your creditors** until you have resolved the problem.

While there is professional credit help, you have to be very careful. One source for reputable credit counseling is the National Foundation for Credit Counseling, [www.nfcc.org](http://www.nfcc.org).



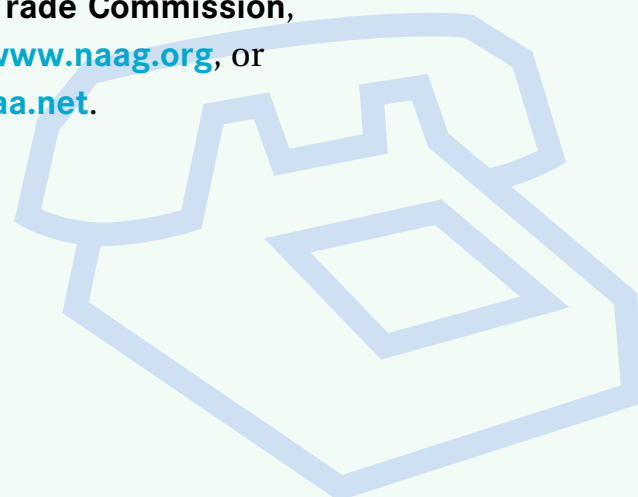
# How Are You Protected in Dealing with Collection Agencies?

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

The collector may not:

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

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



# Ten Ways to Protect Your Credit

## Protect Your Credit Cards:

- ✓ Only carry one or, at most, two credit cards.
- ✓ Don't write your PIN (personal identification number) on your credit card.
- ✓ Immediately report lost or stolen cards to the credit card company. The credit card company can stop the thief by canceling your credit card number.

## Guard Your Credit Card Number

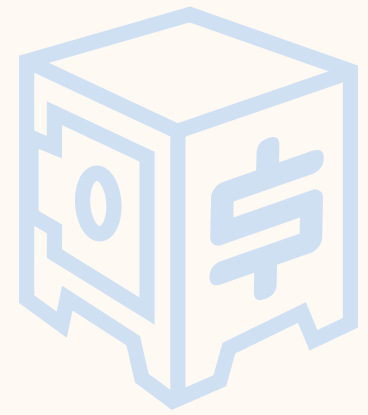
- ✓ When checking out at store registers, shield your credit card from the people around you.
- ✓ Don't give your credit card number to telemarketers unless you are sure they represent a reputable company or you placed the call.
- ✓ Don't fall for con artists who may call and pretend to be your credit card company or bank needing to verify your card number.
- ✓ Make sure your transactions are recorded accurately.

## Check Those Receipts

- ✓ Read your monthly billing statement carefully to make sure it only includes purchases or transactions you actually made.
- ✓ Always check your receipts against your billing statement. If you think a charge amount was changed, call your credit card company immediately.
- ✓ Shred your receipts and anything with your credit card number on it.



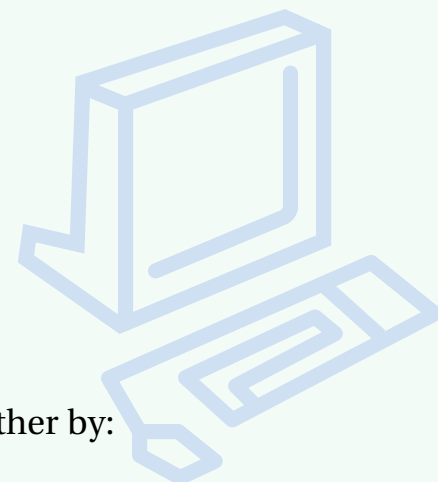
# How to Guard Against Identity Theft



Identity theft occurs when someone pretends to be you, using your Social Security number, your credit cards and your bank account numbers to borrow money, open new credit card accounts or charge thousands of dollars to buy cars, clothes or vacations. Here are ten ways you can protect yourself.

- ✓ Check your credit report at least once a year and correct any errors.
- ✓ Check billing statements regularly for charges you did not make.
- ✓ Don't give out your Social Security number unless it's absolutely required. Ask any business why it needs your Social Security number.
- ✓ Don't have your telephone number printed on your checks or your driver's license.
- ✓ Tear up or shred charge receipts, bank statements, expired credit cards, and credit offers.
- ✓ Cut back on the number of cards you carry. Don't routinely carry your Social Security number, birth certificate or passport with you.
- ✓ Be aware of others who are nearby when you're using your PIN. Don't throw your ATM receipt in the wastebasket.
- ✓ Don't give your credit card or bank account number over the phone, through the mail, or over the Internet unless you confirm that you are dealing with an actual representative of a legitimate business.
- ✓ Don't use obvious passwords like your birth date, your mother's maiden name, or the last four digits of your Social Security number.
- ✓ Secure personal information in your home, especially if you employ outside help or are having work done in your home.

# Obtaining Your Credit Report and Score



Check your credit report at least once a year for your payment history.

You can obtain a free copy of your credit report either by:

- Calling 1-877-322-8228; or
- Visiting [www.annualcreditreport.com](http://www.annualcreditreport.com)

Only order the report from this official source. Legitimate consumer reporting companies will not call you or send an email asking for personal information. On the Web, do not open emails or click pop-ups that offer a free credit report. You cannot obtain a free credit report by contacting a consumer reporting company directly.

If you are applying for a loan, check your credit score to learn if lenders consider you a good credit risk. Credit scores are usually between 300 and 850. Five factors determine credit scores: payment history, amount of debt, credit account history, recent credit history, and types of credit you have.

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To obtain your credit score only, you should check the three credit reporting companies for the best price. You will need to contact

- Equifax at [www.equifax.com](http://www.equifax.com) or 1-800-685-1111;
- Experian at [www.experian.com](http://www.experian.com) or 1-888-397-3742; and
- Trans Union at [www.transunion.com](http://www.transunion.com) or 1-800-916-8800.

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

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

# How Do You Revise Your Spending Practices?

Most people do not keep track of how they spend their money, particularly those small items, such as coffee or sodas. However, it all adds up. If you regularly spend \$3.00 for a cup of coffee and a doughnut five times a week, that's \$15.00, which becomes \$60.00 in four weeks and almost \$800 in a year—that's a lot of money.

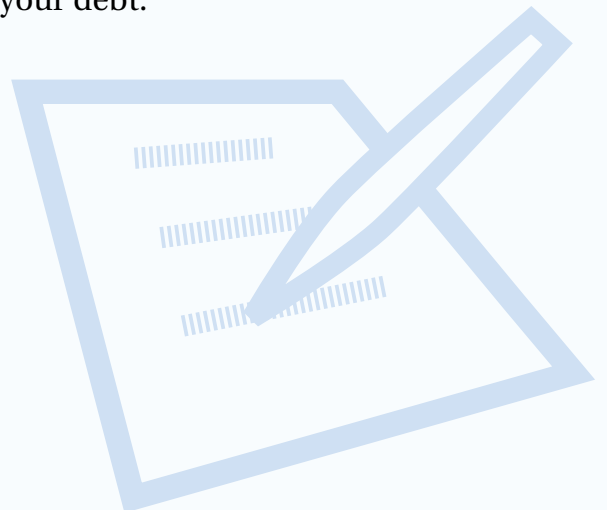
In order to repay your debt, you need to know how you spend money now so that you can decide how you can revise your spending to develop a plan to pay your bills. The Money Tracker on the next page will enable you to keep a record of your regular purchases. This information will assist you in creating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

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

By entering both your weekly expenses and your monthly bills in the Spending Plan worksheet on page 10, you will learn your spending habits and can decide how you make changes.

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

In addition, we suggest some Ways to Increase Income and Reduce Expenses on page 9 so that you may repay your debt.





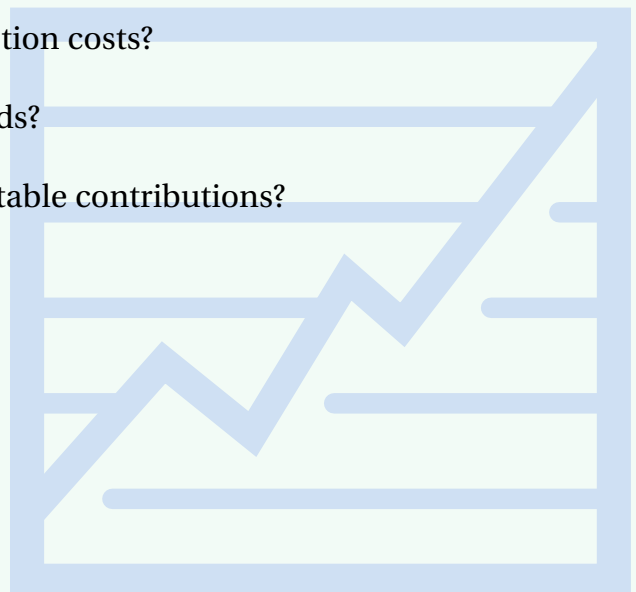
# Ways to Increase Income and Reduce Expenses

## To Increase Income

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

## To Reduce Expenses

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



# The Spending Plan

Monthly Income	Net
Income 1	\$
Income 2	\$
Pensions	\$
Other	\$
<b>Total Monthly Income</b>	<b>\$</b>

Monthly Expenses	Current	Changes	Planned
<b>Shelter</b>			
Rent/Mortgage	\$	\$	\$
Electricity	\$	\$	\$
Gas	\$	\$	\$
Water	\$	\$	\$
Telephone/Internet	\$	\$	\$
Garbage	\$	\$	\$
<b>Food</b>			
Groceries	\$	\$	\$
Work Lunches	\$	\$	\$
School Lunches	\$	\$	\$
<b>Transportation</b>			
Car Payment	\$	\$	\$
Gasoline	\$	\$	\$
Car Insurance	\$	\$	\$
Car Repairs & Maintenance	\$	\$	\$

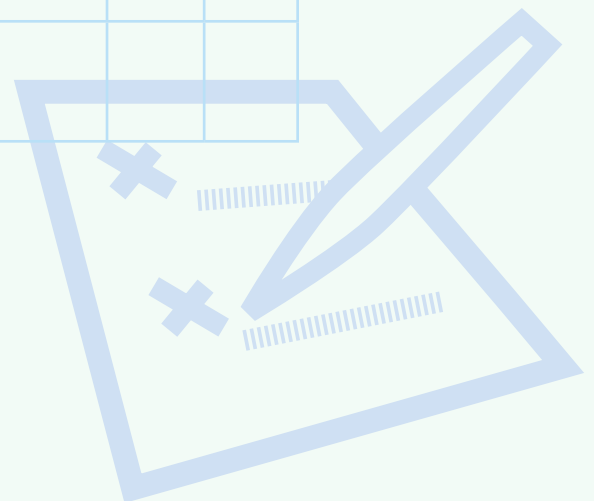
<b>Monthly Expense</b>	<b>Current</b>	<b>Changes</b>	<b>Planned</b>
<b>Personal</b>	\$	\$	\$
Clothing	\$	\$	\$
Laundry, Dry Cleaning	\$	\$	\$
Haircuts, Personal Care	\$	\$	\$
<b>Insurance</b>		\$	\$
Life	\$	\$	\$
Health	\$	\$	\$
Disability	\$	\$	\$
Other	\$	\$	\$
<b>Medical and Dental</b>	\$	\$	\$
<b>Child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

**Shortage/Surplus** \_\_\_\_\_

# Quiz Yourself on Solving Debt Problems

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



# AARP Foundation Money Management Program

## Program Description

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

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

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

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

For more information, visit our website at [www.aarpmmp.org](http://www.aarpmmp.org).

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



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