

FLR WORKSHOP: *Outline for Debt Sessions*

1. *Meet the Credit Industry: We Just Want To Help*

- Credit Statistics
 - What is Credit?
 - What do we know about the Credit Industry?
- Three Kinds of Debt
 - What is Debt? Both Sides of the Story
 - Secured Debt
 - Unsecured Debt
 - Convenience Debt (Obligation)
- What happened to the “Loan Sharks?”
 - Predatory Lending
 - Fringe Banking Services:
 - Money Orders
 - Pay Day Loans / Cash Advances
 - Pawn Shops

2. *The Creditors’ Plan: You Belong to Me Now*

- “Debt Mountain” Presentation
 - Introduction to Pay Off Schedule

3. *Personal Spending: What Am I Doing?*

- Wants versus Needs
- Impulse Buying and Spending Addictions
- Warning Signs of Too Much Debt

I. MEET THE CREDIT INDUSTRY: *We Just Want To Help*

Oh, don't we love to get those credit card offers in the mail? Especially receiving the *elite* Gold or Platinum cards...Ahhh, how convenient they are to use. They make life simpler...or so we think. The credit card industry wants us to **think** they are our friendly neighborhood lender, here only to "help" us and make life easier. Let's look at the industry a little *closer* to see if they are really our "friend."

Credit Statistics:

- **What is credit?**
Credit is more of an *idea* and less of a tangible thing. It is a lender (the one able to loan the money) giving a borrower **permission** to take a certain amount of money. The lender establishes this trust relationship based on your financial profile or history. A person may *have credit* (ability to borrow money) but choose NOT to take it.
- **What do we know about the Credit Industry?**
We are going to help you get better acquainted with how the credit industry impacts our debt in America.

QUESTION #1

The average American household has...HOW MANY credit cards?

13

www.newstepsolutions.com/debt-statistics.htm, 6/2/05)



QUESTION #2

The average *household* has HOW MUCH in credit card debt?

almost \$10,000

(*Christian Financial Planning*, p.32)

QUESTION #3

Currently, the average interest rate is 13%.

www.Bankrate.com, 6/13/05)

How much interest can you be charged after a **LATE** payment?

Delinquent rates can go up to **41%** !

(Aspire Visa, FLR data)

QUESTION #4

In the year 2000, Americans paid how much money in credit card *interest*?

\$65 billion dollars!

QUESTION #5

In America, some households report difficulty paying their minimum monthly payments, so bankruptcy **SEEMS like a good plan.**

Approximately, what *percentage* of households said this?

50% !

Virtually half of Americans struggle to make their minimum payments.

QUESTION #6

In 2004, how many people filed for personal bankruptcy?

almost 1.6 million !

(www.bankruptcyaction.com/usbankstats.htm, 6/13/05)

QUESTION #7

On a high interest credit card (*ex. 22%*), when you only make the minimum payment...what is the *percent* paid to **INTEREST (*their fee*) versus **PRINCIPLE** (*money you borrowed and owe them*)?**

90% interest and 10% principle !

(calculated from credit card minimum payments)

QUESTION #8

If you had \$1 in the bank, you didn't have to make a credit card payment of \$218 a month, and you invested that money in a 12% savings plan, in 35 years you could retire with how much money in the bank?

\$1,402,014 !

(calculated using website: www.bankrate.com/brm/cgi-bin/savings.asp)

Three Kinds of Debt

(from *Managing Your Lifestyle*, Dillman & Anderson, p.7)

- **What is Debt?: Both Sides Of The Story**
Debt can be described as a **loan** or a commitment that must be **paid back**, plus extra from added interest. Three common types of debt commitments are secured debt, unsecured debt and convenience debt or "obligation" (*Managing Your Lifestyle*, Dillman & Anderson, p.7).
- **Secured Debt**
Secured debt requires **collateral** in order to get the loan. Collateral is something valuable. It may be your **home** (mortgage loan), **car** (auto loan), **furniture** (finance loans used by furniture stores) or even **electronics**, such as TV, stereos, computers, etc.

The *advantage* of this loan is getting something you want, without having your own money to buy it, at this time.

The *disadvantage* of this loan is the high risk. Generally speaking, if you miss 2 or more payments on the loan, the lender will arrange for the home, car, etc., to be **repossessed**. The lender will take the item away from you and sell it. If they can't get the full price of the loan, you must **pay back** that *difference* to them, even though you don't have it anymore!

- **Unsecured Debt**
Unsecured debt requires that you pay back your loan with a **promise** using your signature. Unsecured debt includes **credit cards**, **signature loans** (some may be secured), **student loans**, **medical bills**, etc.

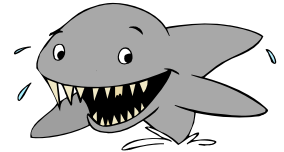
The *advantage* of this loan is having a larger or more convenient money source for your immediate use.

The *disadvantage* is that these loans don't have collateral to pay them back should you have trouble, so the lenders may take you to court for **garnished wages** (automatically takes money from your paycheck) or place a **lien** on your home (you are forced to pay the lender *before* you can sell your home).

- ***Convenience Debt*** (Obligation)
Convenience debt is a **short-term** obligation. We must pay whatever money is owed **in full**, at the time of billing. This includes your **phone bill, electric, water service, cable or satellite TV, lawncare service**, and many other small value services.

The *advantage* of is having access to many useful services.

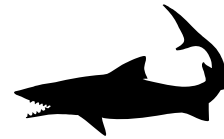
The *disadvantage* happens when services are **discontinued** or **interrupted** for late or missed payments.



What ever happened to the “Loan Sharks”?

Even though the theatrical example of a “loan shark” may seem comical, the truth about present-day lenders who prey on the financially weak is *not*.

- ***Predatory Lending***
(from *Credit When Credit Is Due*, Strassels, p.21)



The banking industry can be an important part of a person's financial affairs. Traditional lenders charge *reasonable* fees and rates for services, based upon a person's credit score. This is calculated from your financial history and activity by special organizations called Credit Bureaus.

Unfortunately, not all lenders operate with reasonable standards. The loan sharks of the past have cleaned up their business image. The Predatory Lenders of today are just that, lenders who *prey* upon the financially weak or misinformed. These lenders charge **excessively high** rates and fees for their loans.

How do they get away with it?

1. Most people don't take the time to read the terms and conditions of their loans.
2. Many people don't know or understand how their Credit Score (Beacon Score) can help them get *fair rates*.
3. Loan contracts are written in order to *confuse* the borrowers.



You have probably seen examples of Predatory Lenders and did not realize it.

- **Cash Advance or Payday Loan Places** may charge 10% of the loan in fees and possibly more than 400% in interest! We will share more details about these lenders momentarily.
 - Be wary of “No credit, Bad credit OK” **Car Sale Lots**. They may advertise 7% interest loans, but then say that *your* credit is so bad that they have to charge you 12%. Without knowing your score you may just believe them and sign away your hard-earned money.
 - **Collection Agencies** often buy old debts from the original lenders (after charge-off) and then they become “original” creditors charging high interest and their own fees.
 - Be careful when doing any “**special financing.**”. One couple was talked into one loan for the construction of their mobile home and then *another* loan for the repayment of the home. They ended up paying 2 closing costs at thousands of dollars loss.
- ***Fringe Banking Services:*** When the bank is closed...to YOU. Fringe banking refers to the types of services offered to people who are NOT able to use **mainstream** banking services. They are often very expensive and should only be used as a last resort.



What makes someone an “Undesirable” bank customer?

- History of **bad checks** (bank closed checking account)
- No fixed **address**
- No **income**
- *Very low* **credit score** may prevent someone from getting a bank account, as well as loans, or credit card offers.

The Ugly Alternatives—Fringe Banking

- **Money Orders** used in place of check writing
Some establishments charge fees for each money order. Creditors may view these payments in a less favorable light; they may carry a stigma.
- **Cash Advance Loans**
According to the Federal Trade Commission, these very highly-marketed, loans are:
 - Small (*low dollar amounts*)
 - Short-term (*such as a 2 week repayment deadline*), and

- High-rate (*in fees and/or interest*).

These loans may be called a variety of names:

- Payday loans
- Cash advance loans
- Check advance loans
- Post-dated check loans
- Deferred deposit check loans



The FTC gives an example:

“A cash advance loan secured by a personal check—such as a payday loan—is very expensive credit. Let’s say you write a personal check for \$115 to borrow \$100 for up to 14 days.

The check casher or payday lender agrees to hold the check until your next payday. At that time, depending upon your particular plan, the lender deposits the check, [or] you redeem the check by paying \$115 in CASH, or you roll-over the check by paying a fee to extend the loan for another two weeks.

*In this example, the cost of the initial loan is a \$15 finance charge and **391 percent APR**. If you roll-over the loan three times, the finance charge would climb to \$60 to borrow \$100.”*

Unbelievable! For a \$100 loan, in 6 weeks the interest you would pay would be 60%! If money was tight and you kept extending the loan all year, you would have to pay almost \$400 for that \$100 loan!

Another source claims that the annual interest charged at such places could be as high as **650%**! (Military Money, Summer 2005)

○ **Pawn Shops**

These may offer loans with high-interest or fees, using your car or boat titles, jewelry or other valuables as collateral.

These may also be shady establishments, working with questionable merchandise.

Wow! It’s mind-boggling to become aware of all the financial scheming that goes on in the world. If you think *that* was bad, wait until you hear what’s next!



2. The Creditors' Plan: *You Belong to Me Now*

Debt Mountain Presentation

Question:

Think about this for a minute. Could you, if you needed to, pay off your all of your credit cards **today**? You *can't* dip into your 401k, borrow money from mom and dad, or do a balance transfer.....Could you be "debt free" right now?

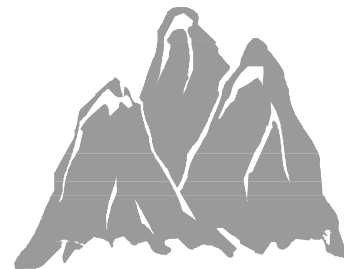


Keep your answer in mind as we begin our presentation on **Debt Mountain**.

- What is Debt Mountain?
- Is it good to be on debt mountain, bad, or does it matter?
- Are you on Debt Mountain?

Debt Mountain is a concept used to describe the various marketing tactics used by the Credit Card Companies to encourage you *into* debt and how they plan to keep you in debt **for the rest of your life**. This is their plan to keep you living on Debt Mountain. The credit card industry spends millions of dollars collecting and analyzing your spending habits so they can take advantage of your weaknesses, and that's exactly what they do.

We are going to explore a financial journey going up and down Debt Mountain. Have a look at this huge mountain with 3 peaks... Let's find out how someone gets ON this mountain in the first place.



The **First Step is the 1st card** which is given with a lot of hype: Large folded announcements, colorful literature, and coupons. You might even get a timely placed welcome call. Go use it...

You buy a small item and receive your first bill. You are excited about your first credit card and you pay the bill right away, *IN FULL*. You feel very *worthy* having that card.

After a few months the credit card company will **Increase the Limit**. Again, you feel even more worthy.

We still may be getting comfortable with the card still making small purchases.

Question:

If I am paying my bill in full with no interest, how does the credit card industry make their money from me?

Answer:

The *Merchant Rebate* pays 2-6% back to credit card companies.

They want you to use your card more...food, gasoline, eating out, and buying clothing. You become a more active debt consumer.

Next, you continue up the mountain by accepting a **2nd Credit Card (Silver or Gold)**.

The goal is to see what it will take to make you feel *comfortable* so you will **Carry a Balance** on that card.

It may take you 1-2 years or longer to get there.

Once you get that first Balance you don't pay off in full, the industry knows your limitations. You are now marked with a profile.

You may feel in control because you know or believe you can pay it off in 3-4 payments. Unwittingly, you continue up the mountain by receiving and accepting offers for a **3rd or 4th Credit Card (Platinum)**.

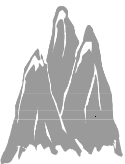
Over time, you begin to forget some of those purchases you made and your balance will grow. The credit card industry has you because you now send in smaller payments. The Credit Card companies want you to get to the first peak. And now you have...

* *You have reached the First Peak...* **Making Scheduled Monthly Payments.**
You pay a little more than your minimum payment.

Feeling bad about your debt, you **Pay Down (your Balances) with Taxes or Bonus**, etc. Unless you address your spending habits and take a look at your lifestyle by doing a budget, you will continue going UP the Debt Mountain.

For the credit card companies there next tactic is to direct market you with high profit items (expensive items, Ex. New roof, riding mower, diamond bracelet), and then offer you the famous "credit card protection insurance."

You may do **Balance Transfer**. It may seem like a fix, but without addressing your current lifestyle you will continue up the mountain.



Credit card companies are not done with you yet and they offer ...

More Credit Cards (Titanium).



* Now you have Reached the Second Peak... **Only Able to make Minimum Payments.**

It may take you 5-10 years to get to this point. By the time you are in your 30s you are now a trained, conditioned, “debt is part of life” consumer. Credit card companies will make lots of money from YOU in interest.

When you are in credit card debt, you no longer work for *yourself*. You work to constantly make payments **to your creditors**.

Next we’re going to explore HOW the creditors will keep you paying them money every month for the rest of your life...through a **Pay Off Schedule**.

A “Pay Off Schedule” is just a term used to describe **how long** it will take you to pay off your debt, when you make those “affordable,” low monthly payments. To illustrate what a pay off schedule is like, let’s imagine this *dream world* type scenario:

You wake up one morning and fix yourself breakfast, scrambled eggs and toast. You finish dining and scrape the remains into the sink, turn on the water and flip the switch: Grrrrr. *Ugh, what a mess*— the garbage disposal is broken!

Later that day, you go to a new **Home Depot** store and choose a nice model for a total of **\$120**. To your delight, they are offering an unbelievable “special financing” deal where you can make monthly payments with NO INTEREST whatsoever!

Wow! That sounds great, so you sign up at the very *common* 2% minimum payment. Most creditors charge around 2 or 3% for the minimum payment. Well, two percent of \$120 is only **\$2.40**...a dream come true.

Let’s stop a moment and take a guess:



**How many payments total will you make...
to pay for this garbage disposal?**

(ask participants for guesses)

Well, if you had a calculator handy, you may have figured out that it would take you **50 payments** to pay off your debt! Mind-boggling, isn’t it?

That is a little over **4 years** to pay off a tiny little balance of only **\$120!!!**

Now imagine what it would be like with a much larger balance (bigger dollars amounts in debt) and added INTEREST!

What many of us may not realize is that our minimum monthly payment (of 2 or 3%) SHRINKS, as the balance goes down. That sounds good, but as you'd imagine with all tasty bait...there's a HOOK!

To get a feel from a more realistic example, as in a loan with INTEREST added, let's pretend you need to buy a new washing machine.

It costs **\$1,000** even. You decide to put it on a credit card with a seemingly decent rate, such as **15%** interest. The minimum monthly payment is **2%** of the balance, which is \$20. Not bad, right? That sounds like a very affordable payment.



But, **HOW LONG** will it take you to pay off your washer?

If you make **FIXED PAYMENTS** of \$20, you will pay off the \$1,000 debt in...

- **79 months** , which is almost **6½ YEARS!**
- You will also pay an ADDITIONAL **\$580** in *interest* (choke).
- You paid more than **HALF** of the washer's price in interest...over 50%!



Have you recovered from that news? Brace yourself; it gets worse. If you only make the **MINIMUM PAYMENTS** on that \$1,000 debt, you will pay it off in...

- **172 months** or **14 plus years!**
- You will pay the \$1,000 washer price plus an extra **\$1,100** in *interest!*
- Sadly, by only paying the minimums, you have **DOUBLED** the time for repayment and DOUBLED the interest!

I bet the creditors LOVED *squeezing* all that money away from you. But remember, they "just want to help"... *help lighten your wallet!*

When the average American may have 10 credit cards, all with similar terms as the scenario just mentioned, can you now see HOW the creditors keep you in debt for the rest of your life?

Examples were calculated on *FREE* financial website called *Bankrate.com*, using the Credit Card Calculator:

<http://www.bankrate.com/brm/calc/creditcardpay.asp>

and

<http://www.bankrate.com/brm/calc/minpayment.asp>.

Let's resume our journey here on Debt Mountain. Once again you're not happy about the amount of debt you have. You may be in fear, despair or worried. So you look for another way out. You take out a **2nd Mortgage or Personal Loan** to help pay down some of your debt.

A loan on a loan only brings more trouble. Eventually you just get into more debt.



* It finally happens you *Reach the 3rd and Final Peak...* and **Make a Payment Late**. It's all "*downhill*" now!!!

When you're *late*, the message to you changes. It says that we—the *creditors*--are in control.

The next step sliding down the mountain is when the creditors **Raise Interest Rates**. They make lots of money off you in interest.

Creditors also begin with **Charged Late & Over limit Fees**. (Ex. \$30.00)

FYI in the fine print: If you're late once a year ...

- They have the right to lower your credit limit *forcing* you to pay the difference.
- Suspend charging privileges.

If you are late **two** times in one year, they will charge you sky-high **Delinquent Rates** of 41% or higher!

Welcome to Bondage

- This may be a 7-10 year journey or it could be 3 years or 30 years.
- You have now entered into many years of monthly payments
- High interest cost
- Late fees

The last fall down the mountain is...**Bankruptcy**...

Last year there were over *1.6 million* bankruptcies filed in America, a sad statistic indeed.

Don't worry though, there is *hope!* **Thousands** of people have become debt-free through Family Life Resources programs.

We must learn to be *God-dependent* instead of world-dependent.

Why not make an appointment for free counseling at Family Life Resources and let's evaluate where you are on the mountain. Then you'll know what you have to do to get off.

3. Personal Spending: *What Am I Doing?*

Okay, maybe I have some debt. I'm not thrilled about it, but what does God think?

"Let no debt remain outstanding, except the continuing debt to love one another, for he who loves his fellowman has fulfilled the law"
(Romans 13:8).

God is not a big fan of debt. Let's look at some of specifics how you actually got into debt, and then we'll look at some strategies to help GET OUT!

Wants versus Needs

We all have basic needs for food, clothing and shelter. However there are many options and levels of spending, depending upon how we choose to meet those needs.

All the media advertising in magazines, television and radio may confuse us into thinking that luxury items are needs, rather than the items to save up for and celebrate only as our finances can afford. However, a **NEED** is something you truly **must have**.

These next few examples contrast some options we have to choose to meet our needs

	Needs	Wants	Desires
<u>Food</u>	<u>hamburger</u> <u>coffee made at home</u>	<u>steak</u> <u>7-11 coffee</u>	<u>Filet Mignon</u> Starbucks <u>Mocha Cappuccino</u>
<u>Clothing</u>	New pants from Target (<u>discount stores</u>) or a nice used pair from Goodwill (<u>thrift stores</u>)	New slacks from Burdines (<u>department stores</u>)	Tommy Hilfiger designer wool trousers, tailored at Nordstrom's (<u>luxury shopping</u>)

(for more ideas see *The Family Financial Workbook*, Burkett, Ch. 3, 1995)

People must have food and water to live. Wrinkle your nose if you must, but you probably could survive on peanut butter and jelly sandwiches if you had to. You may “want” to eat restaurant food often because it is more convenient or tastier but it should be classified more as a want or a desire, depending upon your lifestyle and budget.



The following is a real-life story that further highlights some of the differences between NEEDS and WANTS.

A married couple was slowly making upgrades to their nice, but older home. The husband felt they “needed” a brand new, top-of-the-line power washer for nearly \$800. He said he could not easily borrow one from a neighbor and renting one would not be cost-effective since he believed he would need to use it often.

The wife asked her husband if purchasing the less commercial model, priced at almost half, would meet the requirements for the jobs he wanted to do. He made the comparisons and thought it over. He purchased the medium grade washer, which saved them over \$350. Depending upon their budget, the money saved could be directed toward paying down debts, savings for vacation trips or even for emergencies. ☺

You will probably want to LIST out your own needs, wants and desires on paper and then discuss it with someone you trust, a spouse or close friend. This may help you determine *which* category some items belong in. Sometimes women consider chocolate as a “need,” but really it is a “want,” and should be budgeted as such. All the little things we spend add up, especially if you are buying things for your **home**,

which is why it is so important to identify what items we spend our money on and then prioritize them.

The Bible tells us in Song of Solomon 2:15 (KJV) to care for even small details:

“Take us the foxes, [catch] the little foxes, that spoil the vines; for our vines have tender grapes.”

Just as little weeds or pests in a garden can have a big impact on its plant growth, so does a little spending here and there impact your **financial growth**.

Of course the message is NOT to stop buying coffee, water, etc. Although quitting smoking IS a great investment financially and health-wise. The idea is to *thoughtfully decide* and **choose** how to spend or invest your hard-earned money.

Impulse Buying and Spending Addictions



- **Impulse buying: Are you a “Shopper” or a “Spender” ?**

Speaking of spending, let’s imagine this scenario:

You were out doing errands, on your way to the next task, when it caught your eye. I have always wanted that, you think to yourself. I work so hard. I *deserve* to have it. **Can I afford it?**

Unfortunately, the last question of *affordability* sometimes is forgotten, to our own harm. This is one way that many of us get into debt (and sometimes into arguments), by making **UNPLANNED** purchases. If you didn’t *plan* on buying those shoes and restaurant meals—or shop for that new car—you probably did NOT budget for them either. That means the money should have gone somewhere else.

You try to justify yourself. How could you resist—they were on **SALE!** Yes, but retailers are *always* trying to LURE shoppers with sales. That is their business.

It is YOUR business to carefully make wise financial decisions with the money that God has given to you as His steward. *What?* You thought that your paycheck was YOUR money? Listen to the scriptures from Psalm 50: 7-12:

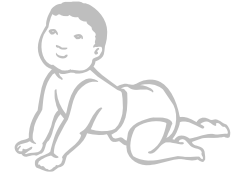
*“Hear, O my people, and I will speak...I am God, your God...
I have no need of a bull from your stall or of goats from your pens,
[another way of saying your **money** or resources]
for every animal of the forest is mine, and the cattle on a thousand hills.
...for the world is Mine, and ALL that is in it.”*

The Bible also tells us where our wealth comes from in the story of Job. He was a very rich man who owned over 10,000 farm animals and hired many employees (servants): *"He was the greatest man among all the people of the East"* (Job 1:3). Job loved God and was very thankful for all his blessings. One very awful day, several messengers rushed in to tell Job of many horrible disasters that just happened to him and his family. This is how he replied:

*At this, Job got up...fell to the ground in worship and said:
"Naked I came from my mother's womb,
and naked I will depart.*

*The **LORD gave** and the **LORD has taken away**;
may the name of the LORD be praised."*

In all this, Job did not sin by charging God with wrongdoing. (Job 1:20-22)



Wow. It really is true. Babies don't bring any possessions into this world and we can't take anything along with us when we die. In fact, if God did not create us and give us *bodies* to labor with, a *mind* to think with, and various *talents* and *abilities*, we would not be able to earn ONE red cent!

You could even take it a step further. If God did not give you *each breath* of life that you take moment by moment, you would be in an ambulance headed for the Emergency Room, instead of sitting here listening to this presentation!

So we know that buying on our *impulses*—with spontaneous unplanned purchases—can get us into more debt and may lead us out of God's will. If we *often* buy something on a *whim*, will we have the resources needed to bless someone *later* that God puts in our path?

There is another *danger* that can lead to impulse buying: **CREDIT CARDS!** The temptation to buy something on a credit card is greater when you have not planned for the purchase, so you probably did not budget to carry cash for this event.

Different sources estimate that you will spend from **12%** to **30%** MORE if you use a credit card, instead of cash.

Try this experiment sometime:

You have planned to dine-out at a restaurant. You order your meal. Afterward, you wonder: Should I order that \$7 slice of strawberry cheesecake?

If you are paying with CASH, you will probably feel a sense of hesitancy. Parting with seven *actual* dollars hurts a bit more than merely signing a piece of paper for using your credit card.

This experiment may be a double benefit; helping our wallets and our waistlines!

By using CASH, you can more easily discipline yourself to reduce spending on impulse. Family Life Resources has a **Cash Envelope System** that can organize your funds, help you keep your budget and keep you from getting any further into debt!

Another tool to help you avoid unplanned, impulse buying is to write down your own "**Wish List.**" If you plan, discuss, and budget for the things you want, you will undoubtedly save money and feel more in control of your finances. You may try doing research to find price comparisons and waiting 30 days or more, to see if the item is really necessary and if you have enough money to buy it. Less expensive items may require fewer comparisons, but more expensive ones may need MANY for the best results.

You may wish to write up a chart or something like this:



Wish List



Date	Desired Items	Price Comparison #1	# 2	# 3	Item Types: Categories
May 5	HD television, plasma, new	\$3,619.99 <i>Toshiba, from Overstock.com</i>	\$2199.99 <i>NEC PlasmaSync, from Plasma.com</i>	\$_____ ?? Sams Club	Recreation
June 2	laptop computer, <i>Apple IBook</i>	\$1,075 <i>CDW</i>	\$1,069 <i>Apple</i>	\$1,127 <i>PC Universe</i>	Work, Home office
June 6	<i>Finding Nemo</i> DVD	\$22.49 (new) Amazon.com	\$4.69 + \$5 S&H from eBay	\$_____ ?? Walmart	Birthday, relative
June 9	Cruise to Caribbean				

Try to make an appointment with yourself, write it in your planner:
"I will create my own Wish List and start comparison shopping."

- **Spending addictions**

It seems as though we all slip up and do a little impulse buying from time to time, but how do you know when you really have a **serious** problem? How do you know if you have a "*spending addiction?*"

Our counselors meet with people from all walks of life in various levels of debt. Check these off to see if some "Red Flags" of a **spending addiction** apply to you:



- 20-40** credit cards
- Binge** spending—like buying a new car on spur-of-the moment
- Money **missing** from checking account
- Bills** are not getting paid
- SECRETS**—You hide your spending habits by having checking accounts or credit cards that your spouse doesn't know about...
- Opening lines of credit under *several* **names**, including spouse or relatives
- Opening lines of credit that you **don't need**
 - Multiple cell phones
 - Multiple Gas Station or Department Store cards
 - 3 or more credit cards from the same company (ex. four *Capital One* cards) because of "special offers"
- Hoarding**—Buying *more* items than you *need*
 - Clothes with price tags on them fill up closets...but don't get worn
 - Buy too much of an item because of a SALE—10 boxes of cereal, 20 rolls of paper towels
 -

If many of these red flags describe you, please call Family Life Resources for a FREE appointment to meet with a counselor! We can educate you and help develop a financial plan to help get you back on track.

If your life has become unmanageable because of credit card debt and overspending, you may also wish to get more information from *other people* who are fighting their own spending addictions. There is an organization based out of Massachusetts called **Debtors Anonymous**.

Their website gives more information about spending addiction and their meetings throughout the country. The participants of DA offer support to each other through group meetings and even by phone or online!

If you want to look them up on the web, their address is:

<http://www.debtorsanonymous.org/>.

You can also call or write to them at:

Debtors Anonymous
General Service Office
PO Box 920888
Needham, MA 02492-0009
(781) 453-2743



Like any addiction, the first step is *admitting* the PROBLEM. The next is getting help to overcome it.

Warning Signs of Too Much Debt

The Bible tells us to be *wise* in HOW we live our lives and *not* to HURT others by our actions:

*“Behold, I am sending you out like sheep in the midst of wolves; be wary and **wise** as serpents, and be innocent (harmless, guileless, and without falsity) as doves”* (Matthew 10:16, Amplified Bible).

God also gives us a clue in how we should govern our financial affairs:

*“In the house of the **wise** are stores of choice food and oil, but a foolish man devours all he has”* (Proverbs 21:20, NIV).

Let’s try these concepts “on for size”...

- If you are in debt, can you have “stores of food,” as in SAVINGS?
- Are you *financially able* to help others in need, as God leads you?
- Or are you the one who “devours all he has” through debt?



Actually, if you are in DEBT...
your financial worth is **LESS than ZERO!**
You **owe** money; you are in the negative numbers.
If this describes you, you are not alone.

In 2003, credit card debt was almost **\$785 BILLION dollars**, according to the May 2004 Nilson Report (cited at <http://creditcollectionsworld.com/cgi-in/readstory.pl?story=20050426CCWI479.xml>). Now that’s a very big number, \$785 *billion* dollars of credit card debt in America. If everyone paid almost \$123, it could be paid off. That doesn’t sound too bad does it? Oops, did I mention we would need all 6.4 billion people in the WORLD to do it?

It would take about \$2,600 for *each* of the 296 million people in America to pay off our national credit card debt. That includes infants, children, single mothers, disabled veterans, retirees, homeless persons, etc. So, do you think we will **ALL** be able to afford to pitch in?

Unfortunately, that's not the worst of our debt problems. As of June 2, 2005, cited by the Bureau of the Public Debt., the *overall debt* held by the American Public is over **\$4.5 TRILLION dollars!** To add insult to injury, our government also owes an *additional* \$3.2 trillion dollars! (<http://www.publicdebt.treas.gov/opd/opdpdodt.htm>). So we know Americans owe a lot, but *how do you know if YOU have too much debt?*

Answer the 7 Warning Signs
to identify if YOU have too much debt:

- | | |
|---|-----------------|
| 1) I use <u>credit cards</u> to pay for other bills, such as groceries or utilities. | YES / NO |
| 2) Sometimes I take <u>cash advances</u> from my credit card to pay other bills. | YES / NO |
| 3) I make only the <u>minimum</u> payments on my credit cards. | YES / NO |
| 4) I pay <u>high</u> interest credit rates, such as 15...18...21% or higher. | YES / NO |
| 5) My overall debt is not going <u>down</u> . | YES / NO |
| 6) I receive <u>late</u> and/or <u>over-the-limit</u> fees on my credit card bills. | YES / NO |
| 7) Creditors are <u>calling</u> me about making my payments. | YES / NO |

- If you answered yes to only **1** of these warning signs, you ***probably*** should do some research on managing debt.
- If you answered yes to **2 or more**, you should ***definitely*** seek out more information and resources to take control of your debt.

Clarence Hackett, Director of the Stewardship Department of the Florida Baptist Convention, encourages us to think positively and act proactively about our debt situation:

**“CREDIT CARD DEBT IS NOT SOMETHING YOU ACCEPT.
IT IS SOMETHING YOU CONQUER”**

(Christian Financial Planning, p. 32).

Family Life Resources offers FREE budget counseling and can help you find out which cracks your money is slipping away into. We offer many different programs to help you CONQUER your debt and get OFF Debt Mountain! Here are some testimonies of people that have conquered their debt with the help of Family Life...

One happy individual wrote us a letter in May of 2005 that read:

With this note I am gladly informing you that my debt has been PAID IN FULL...Getting in debt was very easy, getting out of debt has been a learning experience that I will not soon forget. It feels wonderful to be out of debt!

Thank you so very much for all the help and support during these past three years. May God bless you richly as you bless others...

In Christ, your sister and friend...

Here is another letter written by a couple who serve as Adult Sunday School teachers at a local church:

We would like to take a moment to thank you for graciously blessing our church with the teaching materials from Family Life Resources. We used the materials in our Adult Sunday School class. Members who attended the classes shared how God continues to bless them based on God's plan for our lives. His word declares in **Jeremiah 29:11**: "*For I know the plans I have for you, declares the LORD, plans to prosper you and not to harm you, plans to give you hope and a future.*"

Several of our members shared how God has blessed them, based on following God's word in giving tithes and offerings. We heard many testimonials sharing how God had blessed them by providing income, jobs, and other opportunities to gain financial freedom.

After teaching the class, my husband and I have **NO MORE CREDIT CARD DEBT** and we are continuing to be blessed as we are continually reminded that everything belongs to God, including our finances.

Thanks again for the wonderful gift. As you blessed us, we in turn are able to bless others. We hope members of our church will take advantage of your services. May God continue to bless your ministry.

At Family Life Resources, some of our programs help lower your interest rates which help you pay back your creditors **FASTER**. Others may help settle old debts so you pay back a portion, saving hundreds of dollars in fees. We can help with improving your credit score and qualifying for a mortgage. We also assist with bankruptcy services, if this is best for your family.

Come visit us! Our business hours at Family Life Resources are Monday through Friday from **9:00 AM to 5:00 PM**. However, many of our counselors work later hours and will schedule *after-hours* appointments as needed.

Our office is located in Tampa on Fowler Avenue, about a mile east of USF. Our address is: **5802 E. Fowler Avenue, Suite D, Tampa, Florida 33617**. If it is difficult to come in person, you can reach us by phone at: **(813) 989-1900**.

Please contact us to find out if there's anything more we can do to help you understand and take control of your debt. Even if you feel discouraged and crushed under the weight of a "*mountain*" of debt, remember that nothing is impossible for God! Jesus said, "the *truth* will set you *free*" (John 8:32).

Remember, also, that you don't have to face your financial fears *alone*, God has called this ministry to help be a *partner* with you in your journey to become debt-free!