

# Defeat Debt

Credit Advisors Foundation

Volume 48, Issue 1

## The Real Story—A New Year

2005. A new year – new opportunities. Like a wrapped present – with a perfect bow on top – it looks very promising. But what’s inside? Those in our nation’s capital say we are a nation in recovery. The number of new jobs is increasing and the stock market is rising. More consumers than ever before are buying homes rather than renting. Surely these are positive signs. But, again, what’s inside the box? Millions of everyday families just like yours and mine may find a bitter pill instead of the hoped for sweets and candy this year.



*The man on the street reality check:*

Savings are down and debt is up. In the 1970’s consumers’ saved eleven percent of their annual income compared to 1.4 percent today.

Five percent of the typical family’s annual income was promised to pay non-mortgage debt (unsecured loans, car payments and credit cards) just a generation ago. Today? Non-mortgage debt claims thirty-five percent of the average family’s annual income.

Fifty percent of credit card holders say that monthly minimum payments are all they can afford to make, while one in four have made a payment late in the last year. For those families with incomes over \$35,000, one in three have medical bills they cannot pay.

Sadly, although more folks are buying their homes, in the last twenty-five years the national foreclosure rate has tripled.

Most disconcerting of all, living paycheck-to-paycheck finds seventy percent of us with no savings cushion when facing unexpected events like

extended illness or job loss. As a result, bankruptcy is now more common than divorce, with the number of bankruptcy filings increasing five times 1984 figures.

According to a survey conducted in early December 2004 by Thrivent Financial, American families are feeling the pinch. Attitudes about family financial situations and income are on the decline, particularly when compared to January of 2004.

So, with all the bad feelings and icky numbers, what now?

Average American families *can* maintain, and grow their financial situations by remembering a few simple steps.

*Budget with Goals:* Yes, we’re saying it again. If you don’t know where your money is going, how can you make it for you? If you’re consistently going in the red, overdrawn, or over spending and you think you have a budget – check again. A budget can help you find the weak links in your money chain and get them fixed.

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## The Real Story—A New Year (continued)

(Continued from page 1)

**Shop Around:** We shop around for everything else – a home, car, vacuum, CD player, TV, VCR, even groceries, yet do we shop around for banking services? Or how about the interest rates for that home or car? In our parents' day, they went to their trusted banker for whatever financial services were needed be it checking, savings, or certificate of deposit.

Now there are many bankers and credit unions eager to do business with you and provide a wide array of financial products. New customers may receive better terms to gain the business. If you don't check it out how do you know if your getting your money's worth? (Don't forget about other services – like cell phones, internet connection, land line phone, or other utilities – shop around for savings, remember the money you save will be your own!)

**Pay Yourself First:** Pre-tax, straight from your paycheck. Employer sponsored savings programs. Direct deposit into your savings account. Whatever you have to do, do it and save something from each pay-

check.

Short-term savings goals? Those unexpected expenses or events *can* be dealt with – without tapping into credit. Long-term? Education for your kids, retirement savings for you. And if you don't think you need to begin saving for retirement, try this: Imagine you retired today. No more paychecks.

Which of your creditors will call you to say, "you're retired now? That's okay, you don't need to make any more payments"? Will your mortgage payment, car payment, credit card payments, utility bills suddenly be lower next month – just because you're retired now? Think again and start saving!!

**Stop Borrowing:** According to a poll conducted by the Associated Press, fifty percent of consumers are worried about their overall debt. Many of them are trying to solve their debt problems by borrowing more money. Understand that even if you consolidate



*Focus on saving and make your money grow!*

your debt into a mortgage refinance and lower your payments – you don't have less debt. (And 80% of those who payoff credit card debt through a mortgage refinance end up with even larger credit card balances within one year, simply because the spending behavior that originally caused the problem has not been resolved.)

**Get Help When You Need It:** If you don't know how to budget or you're in over your head with credit, call Credit Advisors. We've been helping people get on the right side of financial issues for over 40 years.

Let us use our insight and experience to help you gain control of your financial future. If you are currently retiring your debt through a debt management plan, stay with the program and do everything you can to become truly debt free, as soon as possible.

## News from WFNNB (World Financial Network National Bank)

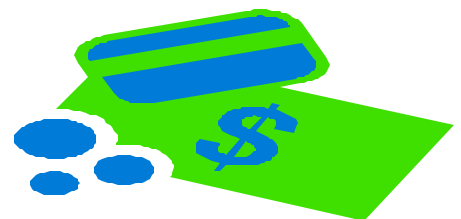
Attention all WFNNB customers! If you have an account from the WFNNB family on your DMP this information pertains to you.

*Please read to avoid sticker shock.* (Not sure? The WFNNB family includes, to name only a few, Abercrombie & Fitch, The Limited, Victoria's Secret, Lerner's, Lane Bryant, American Appliance, American Home Furnishings, American TV, Anne Taylor, Bealls Store, Brylane Homes, Chadwick's, The Avenue, Structure, Crate & Barrel, Dress Barn, Eddie Bauer, etc., etc., etc.)

Credit Advisors has received notification that effective February 1,

2005, the annual percentage rate (APR) on ALL accounts in DMP will be set at ten percent. That's all accounts (there is no grandfather clause) regardless of how long they have been enrolled in the program. Credit Advisors understands that although balances on WFNNB accounts are generally smaller, WFNNB's new policy will result in a rate increase for some of you, which may create a minor impact on the length of time necessary to pay these accounts in full. Have no doubt, however, that as long as you continue with your program these accounts will reach a paid in full status.

Our program director, Michaela Harper, has made the suggestion that affected clients might consider utilizing any full or partial tax refunds they receive in the next few months to accelerate their DMP where needed. Please contact Client Care (888-942-9027 or [clientcare@creditadvisors.org](mailto:clientcare@creditadvisors.org)) to review the options available to you through your debt management program.



# Word Search \* Word Search \* Word Search \* Word Search \* Word Search

## BANKRUPTCY

BUDGET	B	I	N	T	E	R	N	E	T	X	T	E
CONSUMER	A	F	S	M	O	R	T	G	A	G	E	D
DEBT	N	O	F	I	N	A	N	C	E	O	X	U
EDUCATION	K	R	E	C	O	V	E	R	Y	A	P	C
EXPENSE	R	E	Y	W	O	R	L	D	H	L	E	A
FINANCE	U	C	O	N	S	U	M	E	R	S	N	T
FORECLOSURE	P	L	J	Q	L	A	K	C	O	T	S	I
GOALS	T	U	D	N	M	O	N	E	Y	B	E	O
INTERNET	C	S	A	V	I	N	G	S	T	R	K	N
MONEY	Y	U	T	E	G	D	U	B	T	W	F	P
MORTGAGE	Z	R	E	T	I	R	E	M	E	N	T	V
RECOVERY	O	E	U	B	Q	D	J	G	S	H	O	P
RETIREMENT												
SAVINGS												
SHOP												
STOCK												
WORLD												

## Credit History Alert—Payment History More Important than Ever

Many financial trends from 2004 will continue to roll along in 2005. First and foremost, your ability to manage your personal finances will grow in importance, impacting your life in a variety of different ways.

You know your credit report displays a record of your credit history that lenders review to determine the level of risk involved in lending you money. (Attempting to answer the question, what is the likelihood you will repay the debt?) Lenders use your credit history and the amount of repayment risk it implies to set your credit interest rates, in other words, the cost of credit to you.

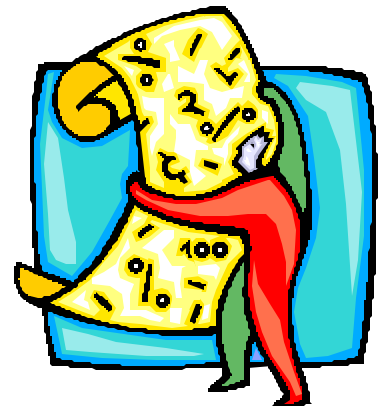
If you are borderline in your effectiveness in handling your debt repayment, your budgetary house of cards could easily tumble down. One late payment,

even to a landlord, can mean higher rates and higher costs of credit from all your creditors. Of course, as your rates go up, not only are you paying more for credit in the long haul but minimum monthly payments will rise as well.

Today, lenders are not the only ones looking at your credit history. Utilities, employers, insurers, and landlords all use your credit history to make decisions that can influence what products and what prices will be offered to you and what security deposits will be required of you.

Even now, some in the healthcare industry are beginning to use your credit history to determine payment options for elective surgery, and as a result, whether or not the surgery occurs.

So remember, the list of those who are looking at how you repay your bills is growing. Stay focused and committed. How we manage our personal finances is fast becoming as important to how we live our lives as breathing and that doesn't mean we're breathing any easier.



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## Get out of debt with no regret!

### The Kitchen on a Dime

Cornish Pasties (rhymes with vastly) Originally from Cornwall England, the pastry can be traced at least as far back as the middle ages. It evolved to meet the needs of the mining trade. A good meal wrapped in pastry made for a very practical lunch in the dark, damp mines. They became a New Year's tradition in some immigrant households in the Americas and Argentina.

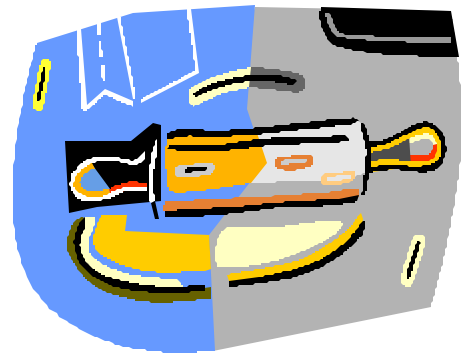
#### *Ingredients*

1 pound beef top round or chuck steak  
2 medium onions, thinly sliced  
2 large potatoes, thinly sliced  
1 medium rutabaga, thinly sliced  
4 slices of raw bacon, cut into ½-inch pieces  
2 teaspoons salt  
¼ teaspoon pepper  
Margarine or butter  
Water  
Milk  
Hot Mustard

Cut beef into ½-inch pieces. (Cutting will

be easier if you partially freeze beef approximately an hour.) Prepare pastry; divide into 6 equal pieces (see recipe below – if pressed for time, use prepared pie crust, one package for every two servings). Dust work surface with flour. Roll each into a 9-inch circle. Support half of the pastry nearest you over the rolling pin. On the other half, put small layer of potatoes, rutabaga, onion, beef and bacon. (Key is thin slicing and thin layering – don't over fill or will burst when baking.) Sprinkle sparingly with salt and pepper. Sprinkle a dusting of flour over the filling.

Dot each with about 1 teaspoon margarine and sprinkle with about 2 teaspoons water. Moisten edge of each circle with water; fold the half resting on the rolling pin over the filling. Press edges with fork to seal (or crimp like edge of pie – however you do it, you must get a good seal). Cut slits or design in top of each (traditionally pasties were marked with initials of the owner to avoid confusion at lunch time). Brush with milk. Bake at 375° until crust is golden brown, 50 to 55 minutes. Serve



hot or cold with hot mustard.

#### Pastry

1 cup plus 2 tablespoons shortening  
3 cups all-purpose flour  
1 ½ teaspoons salt  
5 to 6 tablespoons cold water

Cut shortening into flour and salt until particles are the size of small peas. Sprinkle in water, 1 tablespoon at a time, tossing with fork until all flour is moistened and pastry almost cleans side of bowl. Gather pastry into a ball.