

Defeat Debt

Credit Advisors Foundation

Volume 51, Issue 10

Basic Guide to Post DMP Borrowing

There is a light at the end of the tunnel. You have worked hard through your debt management program to become debt free. You have learned how to budget, maintain your motivation and create goals as well as achieve them.

Yet now, the end is in sight. Soon you'll be finishing your debt management program and will be faced with a number of new credit and debt realities.

First, as you well know, credit and debt is still a major part of our world. Once again, you will be confronted with 'buy now, pay later' sales, 'pre-approved offers' and



Saving will be the first order of business

various pressures to live a certain lifestyle, possibly beyond your means. You may face an uphill battle to maintain your hard won financial freedom. Additionally, the world of credit and debt has drastically changed since your last experience as a borrower. It is more important now than ever before to review, ahead of time, all the tools you have acquired over the last three to five years during your debt management program.

One thing you have learned is how to stretch you dollars, make well informed choices, and to *live within your means*. These are BIG and POWERFUL lessons to have learned—especially in today's economy. In addition, once you have completed your DMP and paid off all of your debts, the funds you were paying into the program will be available to you to utilize in your budget.

Saving, of course, will be the first order of business. By now, you are used to

fulfilling your monthly obligations for living expenses without these funds. As a result, you have the perfect opportunity to continue setting at least part of these funds aside each month into some type of savings account.

Ultimately though, you may begin to contemplate re-entering the credit and debt game. What should you consider?

Plan ahead. Exhaust all *other* options first. Would your current savings resources cover this expense? Do you really need this expense right now or can you set a short term or long term savings goal? Question every purchase. Is this a want or a need? Be honest when you answer.

Examine why you are considering borrowing. What do you plan to do with the funds? Here are three 'never' rules to keep in mind when considering new credit:

- Never borrow money

(Continued on page 2)

Inside this issue:

| | |
|--|---|
| <i>Basic Guide to Post DMP Borrowing</i> | 1 |
| <i>Word Search</i> | 3 |
| <i>The Kitchen on a Dime</i> | 4 |

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Post DMP Borrowing

(Continued from page 1)

for luxuries – such as jewelry or the latest electronic gear. Borrow only for necessities, which might include a mortgage, education or medical expenses. Other reasons for borrowing that fall into the necessities category could be home improvements, furniture or major appliances – yet if you have been diligent in setting aside savings each month, even these items could potentially be handled without borrowing.

- Never borrow money to invest. (We've previously had to present a great many, well thought out arguments about this. After the last few weeks, the concept seems to make sense to more people.) Although people have done this before, if you stop and think about it, the interest you earn on the investment will most likely be less

than the interest you are charged on the loan. Generally, when expenses are higher than income this is not considered a good investment strategy.

- Never borrow more than you need. Think ahead. You'll want to retain enough borrowing power or capacity to pay for things or emergencies in the future, for situations in which your saved resources are inadequate to meet an emergency need.

Of course, before making your final decision about borrowing, make sure you will be able to continue making your monthly payments for your current obligations in a timely manner, as well as, any monthly payments for the potential borrowing you are considering. That means you'll intentionally review your budget to determine the feasibility of any new obligations.

If you do decide that obtaining credit is the best way to accomplish the goals you have set, there are still a few more points to keep in mind.

Remember; since you've been in a DMP, interest rates have risen higher, but credit smart debtors know how to keep their debt expenses as low as possible. Some ways to do this are to review your credit report prior to applying for credit, make the largest down payment you can (and finance a lower amount), obtain the shortest-term loan you can afford (for the lowest overall interest costs possible), investigate and understand the terms you are offered, negotiating on the rates and fees, as well as shopping around for the best borrowing deals.

You may also find that different types of credit may provide you

(Continued on page 3)

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Psychology of Money

Friday, November 14, 2008

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Join us by calling our Toll Free Conference
Call line:

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* Word Search *

The Word Search Challenge—the words listed below, pulled from the articles in this edition of Defeat Debt, are hidden in our puzzle. Test your skill and find all twenty words.

- AFFORD LOAN
- BALANCE LUXURY
- BANK PAY
- BATTLE PLAN
- BORROW PROGRAM
- BUDGET REVIEW
- BUY SALE
- DEBT SAVINGS
- EXPENSE TERMS
- GOAL TUNNEL

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| P | A | Y | U | B | Z | P | L | A | N |
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| S | W | E | K | O | T | O | Y | F | R |
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| N | I | N | E | R | O | R | J | R | A |
| I | V | D | O | A | U | A | X | D | T |
| V | E | W | L | X | S | M | R | E | T |
| A | R | B | U | D | G | E | T | Q | L |
| S | A | L | E | X | P | E | N | S | E |

Post DMP Borrowing

(Continued from page 2)

with vastly different terms and costs. Don't simply assume that the only type of credit available will be through credit cards. Check out offerings from local banks and credit unions too. If your decision is to utilize a credit card don't forget these basic borrowing principles: use only one card and use it cautiously. Pay off your balance each month or if you are unable to pay the entire balance, always make more than the minimum payment.

Additionally, always know what you're signing – don't sign blank documents. As you've heard many times before - read everything, even the small print - and do not sign unless you fully understand all of your financial obligations within

the credit agreement.

Don't be pressured – if you are unsure about the terms or any other aspect of the loan, stop, and take the time you need to review it and ask questions. Keep copies of all correspondence and documents pertaining to your loan, regardless of type. Always open and read any mail or other kind of correspondence related to your loan and of course, make every effort to repay the new debt in full, as soon as possible.

Finally, complain if you think you've been treated improperly, cheated or become entangled with a predatory lender – trust your instincts – if you feel something isn't right, then let others know, like the Better Business Bureau,

Federal Trade Commission or your state attorney general.

Finishing your DMP and becoming debt free should be an exciting time. Yet it may take some of the discipline you've developed to overcome cultural pressures, avoid living a lifestyle you can't afford and fall back into credit and debt problems.

As you go forward from here remember to use the knowledge and skills you've acquired through the process to continue your success. Stay credit smart and make well-informed financial choices, keeping your future bright and prosperous.

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We're on the Web !!

www.creditadvisors.org

Get Out of Debt with No Regret !!



The Kitchen on a Dime

Sausage and Chicken Cassoulet

Ingredients:

4 slices bacon, cut into 1-inch pieces
6 bone-in chicken thighs (about 2lbs),
skin removed if desired
4 oz Polish sausage links, cut into ½
inch pieces
1 cup ready to eat baby carrots
1 medium onion, chopped
1 teaspoon dried thyme leaves
½ teaspoon salt
¼ teaspoon pepper
2 cans (15 oz each) navy beans, drained,
rinsed (great northern beans can be
substituted)
1 can (14.5 oz) diced tomatoes with
roasted garlic, undrained

Directions:

Heat oven to 350°F. In 12-inch nonstick
skillet, cook bacon over medium-high
heat until crisp. Remove from skillet;
drain on paper towels.
Reserve 1 tablespoon drippings in
skillet.

Add chicken to skillet; cook over me-
dium-high heat about 4 minutes, turn-
ing once, until golden brown.

Stir in sausage, carrots, onion, thyme,
salt and pepper; cook 4 to 5 minutes or
until chicken, sausage and vegetables
are browned. Drain well. Remove
chicken from skillet.

In an ungreased 13x9-inch glass baking
dish, mix beans, tomatoes, bacon, sau-
sage, carrots and onion. Top with
chicken thighs; cover with foil.



Bake about 45 minutes or until juice of
chicken is clear when thickest part is
cut to bone (180°F) and vegetables are
tender

6 servings at 92 cents a serving