

Defeat Debt

Credit Advisors Foundation

Volume 52, Issue 1

Make a Plan to Survive Uncertain Times

In January the unemployment rate rose to 7.6 percent. This constant threat of unemployment has increased the American workforce's stress level. Making a plan now and understanding all your available options will help you survive a job loss.

One of the factors that may increase your stress is where you live. The five states with the highest unemployment rates are:

- Michigan – 9.6%
- Rhode Island – 9.3%
- California – 8.4%
- South Carolina – 8.4%
- Oregon – 8.1%

The five states with the lowest unemployment rates are:

- Wyoming – 3.2%
- North Dakota – 3.3%
- South Dakota – 3.4%
- Utah – 3.7%
- Nebraska – 3.7%

No matter where you live, job loss is a very real threat. However, some industries have higher job

losses than others. In January 2009, those with manufacturing, construction and retail jobs were most likely to get the pink slip. The fields with the highest level of increased employee stress due to job retention are manufacturing and finance.

There are few factors you can control when it comes to the current job market. Having a plan will not completely eliminate the stress from job loss, but it will make the transition easier. Following are some steps you can make now to ease the stress.

Calculate Your Expenses

Take a good look at your expenses over the last few months. What do you spend every month on necessary expenses? Necessary expenses include: food, housing, utilities, healthcare, and payments to creditors. Can any of your expenses be eliminated? Some examples of unnecessary expenses are: cable television, cell phones, entertainment expenses, magazine subscriptions, and health club dues. Be honest with yourself. Add an extra \$100 for emergency costs to your total necessary expenses figure.

If you need help organizing your expenses call your Account Manager or one of our certified credit counselors; they will help you develop a budget.

Start Saving and Paying Off Debt

Start saving enough money to cover six months' worth of expenses. This will help you to get through a financial emergency. In addition, making payments to your creditors above the minimum payment will decrease your debt and lower your necessary expenses.

Consider taking on a second job if your financial situation does not allow you to save or make payments to your creditors. A second job will give you an income source to fall back on if you are let go from your current place of employment.

There will be many stressful decisions to make if you are laid off here are a couple of major areas to consider.

Be Proactive With Your Creditors

Don't wait until you receive collection letters or calls to notify your creditors

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Budget Strategy

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that you cannot pay. Whatever you do, don't ignore your creditors! This is not a problem that will go away with time. Call your Account Manager or one of our certified credit counselors to create an action plan for contacting your credit cards and your mortgage lenders. If you are renting, talk to your landlord immediately. The sooner you notify them of your financial situation, the more likely they will cooperate with you.

Understand Your Health Insurance Options

Americans rely on their employers for health insurance. It's a daunting task to understand all your health insurance options after you lose your job.

Forty-six million Americans are uninsured, and the number continues to grow. Without a job, paying for health insurance is a large financial burden.

There are several health insurance options available:

- If you're married have your spouse add you to his or her employer's group health insurance plan.
- There is a federal law, COBRA, which allows you to keep your employers group health insurance. You can keep your insurance for 18 – 36 months after your employment is terminated. Most of the time, you will have to pay the full premium for your health care under COBRA. After termination, you will receive a written notice of your rights. You have 60 days from the date the notice is provided or from the date coverage ended to elect or deny COBRA coverage.
- If you qualify, there are some government programs available: Medicaid, for low income individuals with special needs,

State Children's Health Insurance Program, for children of qualified families, and Medicare, for people 65 or older. If you would like more information about these government programs, contact the Employee Benefits Security Administrations hot line at 1.866.444.3272.

- The final option available is private, individual health insurance. This is often the most expensive option, but if you are in good health with no pre-existing conditions it can be affordable.

There are many decisions to make when you lose your job. Instead of worrying away your workday, take proactive steps now. Make sure you understand all the options available if you lose your job. Don't be afraid to ask for help or advice; your Account Manager, one of our certified credit counselors or a close family member or friend are all good resources. Losing a job can be a stressful experience, but you don't have to handle it alone.

"Ask Michaela" Question of the Month

Q. How can I ever get 6 months of income into an emergency fund?

A. You hear it again and again. Every financial advisor is asking if you have funded an emergency account with 6 months of living expenses. It sounds like an insurmountable task. How can you get six months of funds together when you are on a budget?

The trick is to break it down into much smaller goals and set out to achieve them one by one. Start with a realistic expectation of your total end goal. This amount will not be accumulated overnight and six months of actual income may not be necessary. Figure a monthly total for items that will be requirements if the time comes to tighten your belt further – housing, utilities, food, insurance, medications and those expenses related to a job search. Multiply by six and that is your end goal.

Does it still seem unobtainable? Then start small. Make an inventory of the small crises that might occur over the course of a year that could put a kink in your budget – flat tire, engine repair, broken furnace, co-payment at the emergency room, deductible on a car accident, etc. This list will vary greatly depending on the number and needs of the persons in your family. Line them up smallest to largest and begin.

Designate a separate savings account as your emergency fund and deposit every dollar you can spare into it. Money left over the day before payday? Into the account! Bonus or a raise? Into the account! Birthday money from Grandma? Into the account! Took on a part time job? Into the account! Tax return? Into the account! Only remove funds from this account for a true emergency. When you are tempted to withdraw funds, think of the most conservative person you know and trust – would they agree that your reason is a true emergency? If not, find another way to address your temporary need.

Focus on the smaller increments. Aim for \$100 in the account to cover a minor repair. Once you are there add on the cost of a deductible and raise your goal to \$350. Got it to \$350? Now add in the co-pay at the ER to make your new goal \$850. Continue until you have put aside enough to cover your list of smaller crises.

By the time you reach this goal two things will have happened: you are now in the habit of saving and you have developed the discipline not to touch the funds unless it is a true emergency. If you continue with these habits, even if it takes awhile, you will reach your end goal.

E-mail our Michaela our credit counseling expert at michaela@creditadvisors.org if you have a question.

*Word Search * Word Search * Word Search * Word Search * 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 sixteen words.

- | | |
|---------------|--------------|
| COBRA | MONEY |
| CORNFIELD | PERSEVERE |
| CRISIS | PROACTIVE |
| EXPENSES | SAVE |
| GOAL | SMALLER |
| INSURANCE | STRESSFUL |
| MANUFACTURING | TRANSITION |
| MEDICAID | UNEMPLOYMENT |

L N I N S U R A N C E Y S
 U U O S I N P M O V E F M
 F D C E I E E C A N M A S
 S C O L X M R S O M N M N
 S I I U G P S M R B P I R
 E G P T D L E I F N R O C
 R E R D O O V N S C A A C
 T I O N C Y E E S I M I R
 S N A R S M R N G E R R N
 N E C V F E E U D G S C I
 F S T R A N S I T I O N O
 G N I R U T C A F U N A M
 E N V S M A L L E R L A L
 E R E P I R L R E M A E I

PIF

It takes time, perseverance, and dedication to become debt free.

Each month we honor those who paid off all their creditors with a Credit Advisors Debt Management Program.

January 2009

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Debt Management PIF's
 Congratulations!

They Should Have Called Credit Advisors

(16 July 2001, Union City, Tennessee) A woman ordered to pay off \$1100 in bad checks left the courthouse, drove to her hometown, and pulled a gun on employees at the First State Bank. She fled into a cornfield with \$7000, eluded the hastily-organized search party, and made her way back to Union City to pay her debt.

But given the small size of her hometown, with a population of 344, it was inevitable that one of the tellers would recognize her. Police were waiting at her home to arrest her and confiscate the remainder of the money.

Courtesy of the Darwin Awards, www.darwinawards.com



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We're on the Web !!

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Get Out of Debt with No Regret !!



Free Financial Seminar

“Debt and Stress”

Friday, February 20, 11:00am or 2:00pm

Credit Advisors

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Please RSVP by February 18th

Call 402-514-3341 or e-mail
todd@creditadvisors.org

If you cannot make it to our office, call our
conference line at 1-866-285-7780 code
4425358.