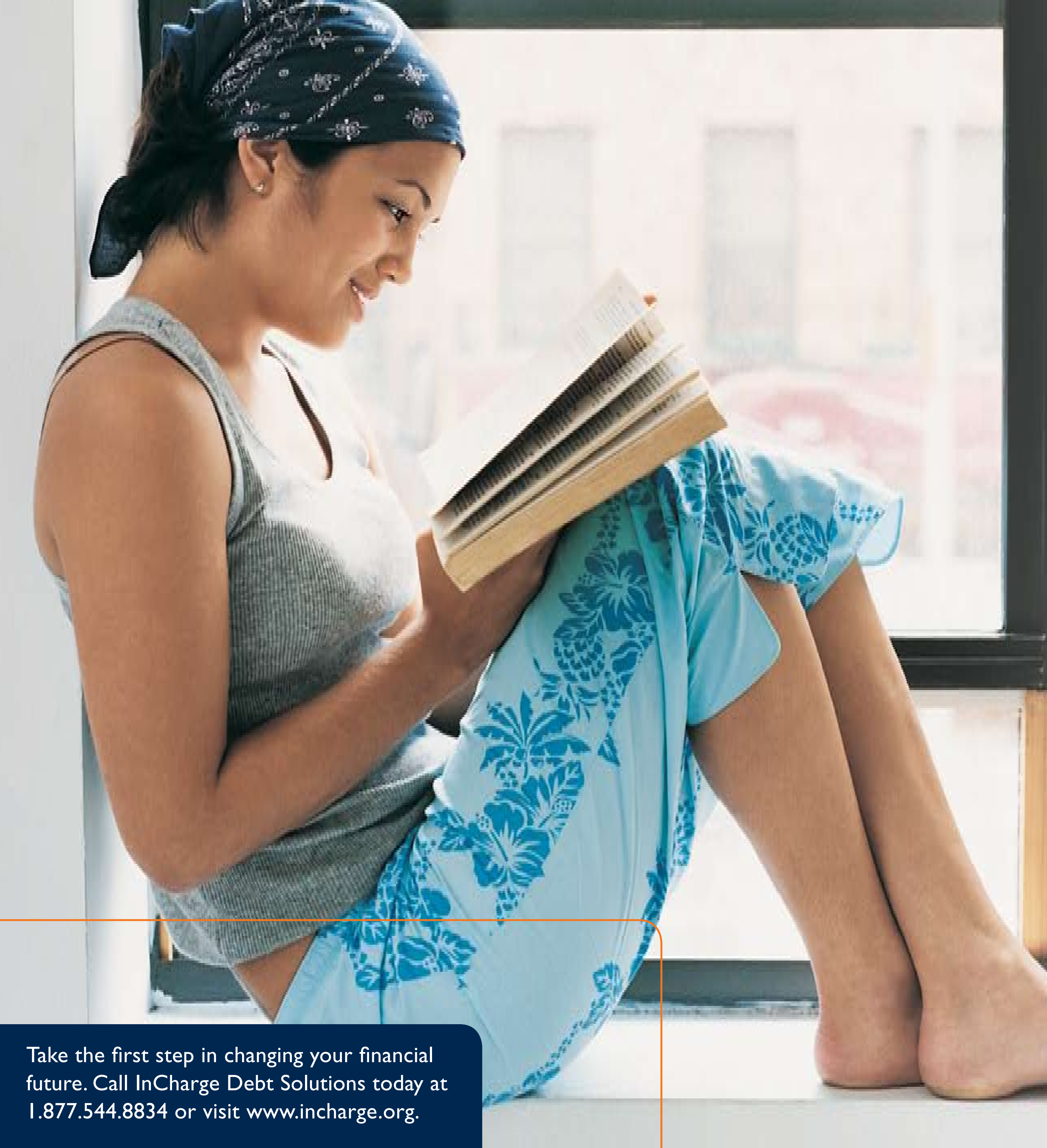
your**money**

a guide to managing your credit and debt

Volume 4

Gaining Control of Your Financial Life

InCharge® Debt Solutions



Take the first step in changing your financial future. Call InCharge Debt Solutions today at 1.877.544.8834 or visit www.incharge.org.

Budgeting:

You Can Gain Control of Your Financial Life

Even if you feel you'll be stuck in the debt cycle forever, know that you can turn your financial life around. In this issue of *Your Money,* we'll show you how identifying and improving a few key practices can make all the difference. Establishing and sticking to a budget, correcting bad spending habits, and creating a realistic plan to pay down your debt can all help you take back your financial freedom. This issue includes information on:

- Breaking the debt cycle
- How debt management plans work
- The downside of home equity loans
- Budgeting tips—and how to stick to them

And so much more. Learn how to live your financial life the way you want to—free from the stress of debt and in control.

Breaking The Debt Cycle:

If you're in debt, you're by no means alone. In fact, together, Americans owe nearly $2 trillion in consumer debt, according to the Federal Reserve. That's over $18,000 per household, and is up 41% from 1998. But just because you're caught in the debt cycle now doesn't mean you have to stay stuck in it forever. Your spending habits have a huge impact on your amount of debt. And a few positive changes can make all the difference.

Pay with cash, not credit.

This sounds so simple, but how many of us do it? With so many "Zero down!" and "No payments for 18 months!" types of offers out there, it is very tempting to buy now and pay later. The problem is, you really do pay later—usually much more than you planned to. Hidden interest rates and fees can add up fast. And paying for things months or even years after you've bought them is a sure way to keep you in debt for longer than necessary.

Develop a budget to know what you can spend.

It's not rocket science. Just make a list of all the expenditures you have each month, total it, and subtract the total from your monthly income. (Check out pg.10 for more budgeting advice). The amount you have left is your "disposable income," meaning the amount you can play with. This should be your source for spending, not credit cards.

Pay yourself first.

Start a "rainy day" fund for unexpected emergencies. They always crop up: car repairs, doctor visits, appliance repair or replacement—and having an emergency fund in place will keep you from having to use credit.

Comparison shop.

Check prices before you buy. Use the Internet, sales circulars from your local paper, the telephone, or even your Aunt Edna. Try Web sites like www.mysimon.com or www.epinions.com to see what the item you want to buy is priced at through various retailers. You could save big!

Avoid cash advances.

Whether they are from a paycheck advance or your credit card company, this "easy money" comes at a huge cost—extremely high interest and fees. Stick to your budget and you'll be able to skip them altogether.

Don't buy on impulse or emotion.

Let's face it, buying stuff is fun. And it can make us feel better, temporarily at least. But purchasing items you don't really need or haven't budgeted for can keep you in the debt trap forever. Treat yourself to the things you want, but do it the smart way: identify what you want in advance, save up for it, week by week, until you can really afford it.

Don't waste money unnecessarily.

We all have them: expenditures we really shouldn't have. They can be anything: magazine or newspaper subscriptions that we don't read, late fees on videos or DVDs, unwatched cable channels, leaky faucets—anything that we could avoid paying for if we just did something about it. Like the ad says: Just do it. Take the videos back on time. Fix the running toilet. And save yourself some cash.

The bottom line? Don't spend more. Spend smarter.

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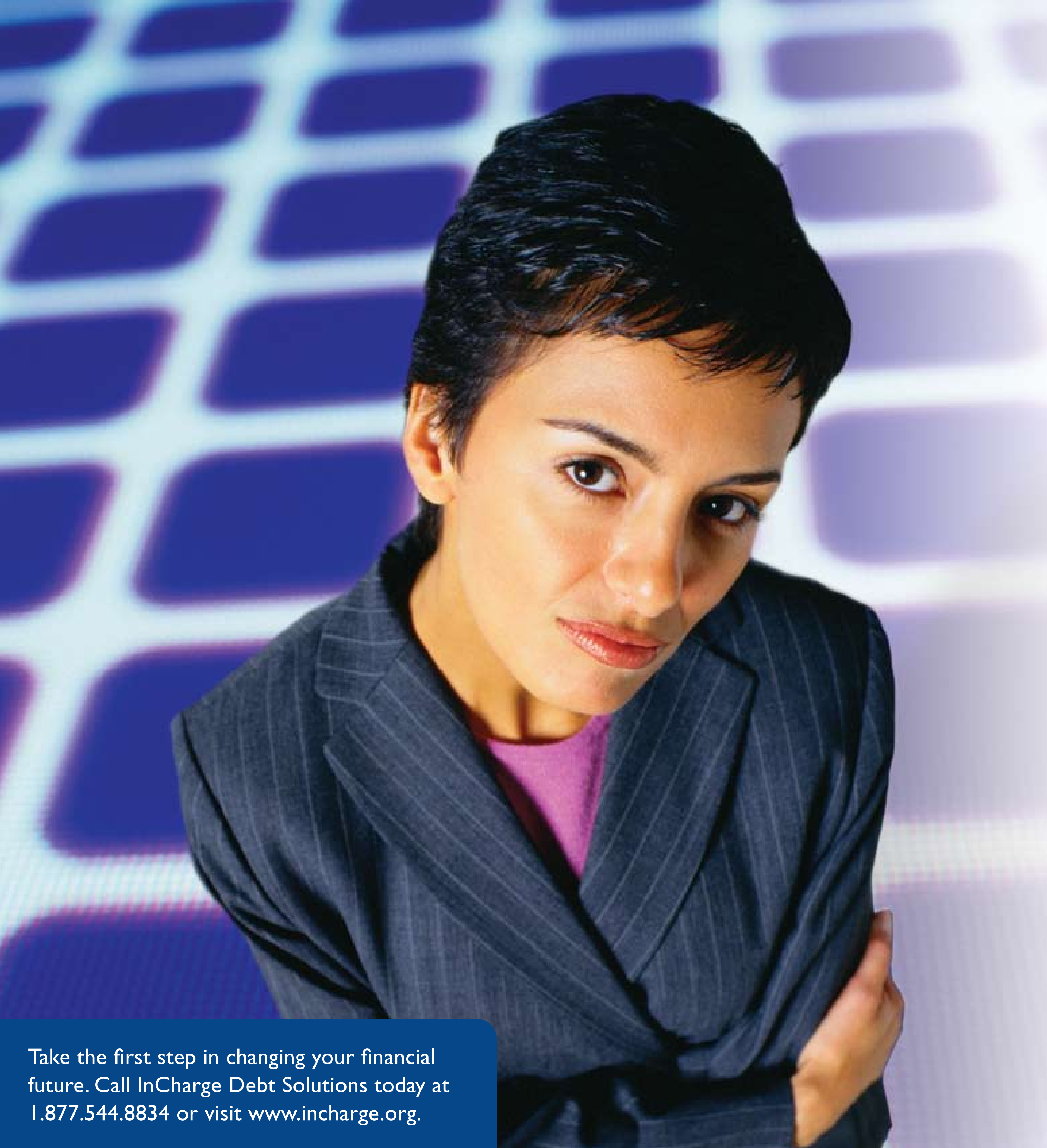
Avoiding Bad Spending Habits Practices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What's a Debt Management Program – And How Can it Help Me?

If you're in debt, chances are you've already done some research into ways to pay off your debts. You may have heard the terms "debt counseling" or "DMP" and wondered what they mean. Here's an overview of debt counseling and debt management programs and how they can help turn your debt around.

Consumer credit counseling agencies, like InCharge Debt Solutions, offer debt management programs (DMPs) that help you consolidate and pay off your debts. If they determine that a debt management program is the best solution for your situation, they negotiate with your creditors on your behalf to obtain lower payments, have your interest rates reduced and/or your late and over the limit fees waived. Once an affordable payment plan has been established, you make one monthly payment to the credit counseling agency. The agency then disburses payments directly to your creditors. Your debt payment schedule is set up in the beginning, so you know how long it will take for you to pay off all of your debts.

An important part of participating in a debt management program is learning. A good credit counseling agency will provide you with valuable, ongoing education throughout the length of your DMP and afterwards. Through one-on-one counseling over the phone, educational newsletters and programs, and other means, a credit counseling organization can give you the knowledge and tools you need to keep from falling back into debt once your DMP is completed.

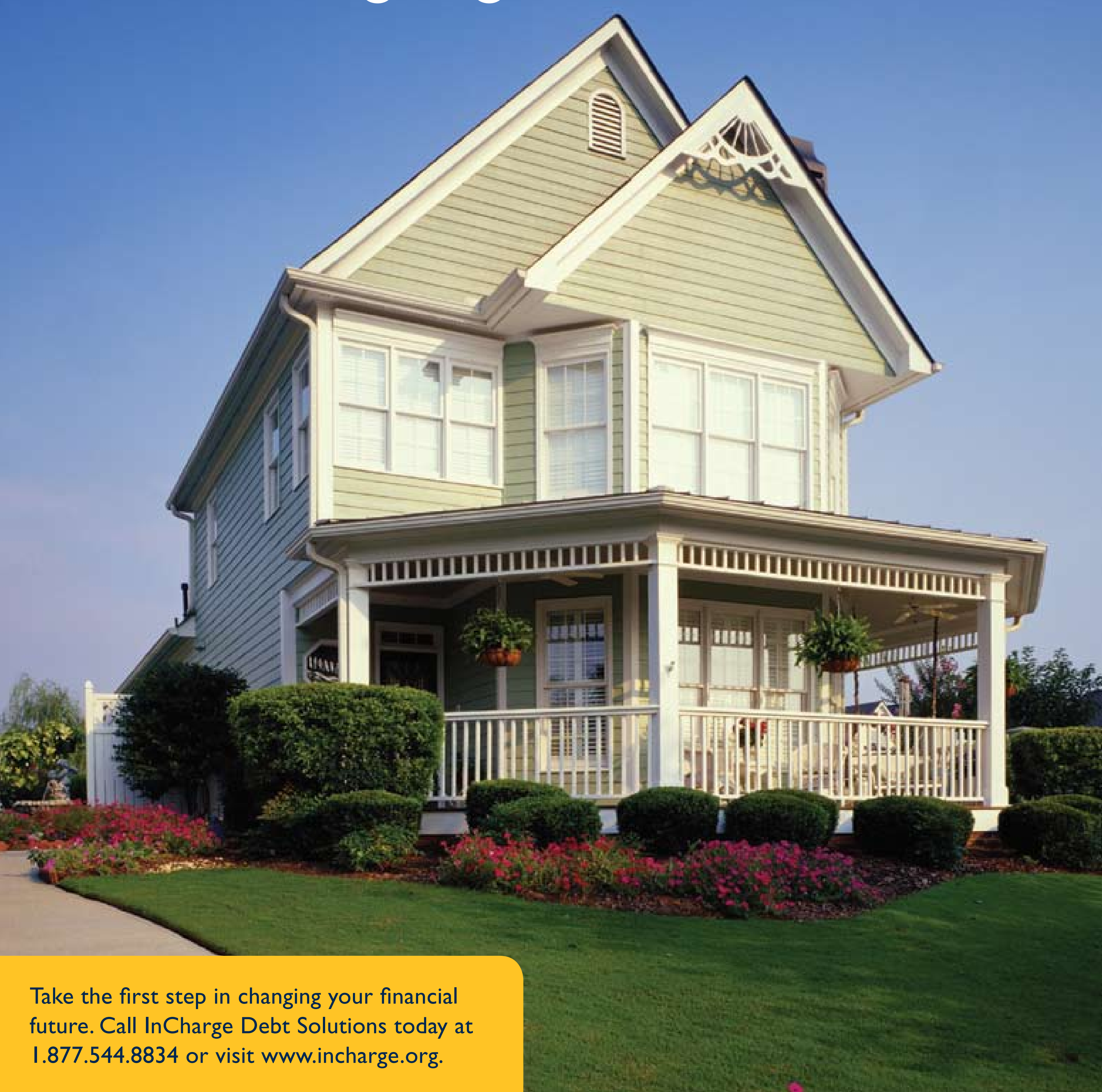
Participation in a debt management program does not impact your credit score. However, each creditor's policy varies, and some creditors do note participation in a DMP on clients' credit reports and may view it negatively if one attempts to open additional credit. At InCharge Debt Solutions, we let our clients know from the start that nothing we do directly impacts their credit rating. We do not report client participation to credit bureaus. And by making payments promptly, most people actually improve their credit rating while on a DMP.

While they are not the solution for everyone, DMPs can offer great benefits for the right candidates, including:

- Reduced monthly payments and interest rates
- Waived late and over-the-limit fees
- Stopping collection calls
- The convenience of one monthly payment
- Reaging your account to bring it current

Debt management programs can be a good alternative for consumers considering bankruptcy—call us today and find out if they are the right solution for you.

Borrowing Against Your Home's



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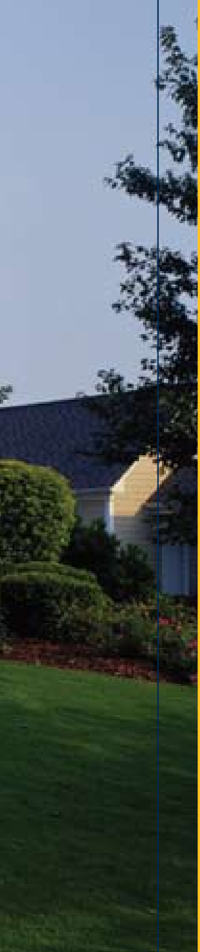
Equity: What You Need To Know



Consolidating your debt and paying it off with a home equity loan is becoming a popular method of paying off debt. It seems like easy money, but before you jump on the home equity loan bandwagon, know what you're getting into.

In a home equity loan or line of credit, you borrow against the amount of equity you have. A loan is a fixed amount, while a line of credit is more like a credit card.

These loans seem simple, but one key factor must be remembered—your home is the collateral. If you can't pay back the loan, you could lose your house. However, there are many other things to think about. Before you take out that loan, consider these points:

Important points to consider about home equity loans:

- We can't say it enough—if you default on the loan, you could lose your home.
- Some lenders offer high loan-to-value programs, meaning you can borrow up to 125 percent of your home's value. Sounds tempting, but you could end up owing more than your home is worth.
- If you use the loan to pay off credit card debt, but don't change your spending habits and run up those cards again, you could end up much deeper in debt than you were before the equity loan.

Consider this—if you use a home equity loan to pay off credit card debt or purchase something, you will actually pay more in interest, over a much longer period of time. Why? Most are 15 to 30 year loans. Say you borrow $10,000 at 6% interest and take 30 years to pay it off. You will have paid nearly $20,000 for that $10,000 loan. Not such a deal, is it?

The bottom line? There are some good reasons to take out a home equity loan. But you must do your homework, know the facts, and be realistic. Your home isn't a giant credit card—it's the roof over your head. And after all, that's not something you want to jeopardize.

The Power of Budgeting:

One of the key factors in gaining control of your financial life is developing and sticking to a budget. Why? By knowing exactly how much money you need each month to pay your bills, you'll be able to identify where you may be spending too much. You'll also be able to better distribute the remaining amount on paying down debt, saving up for future needs, and other purchases—like recreational items, vacations, and the like. After all, it's your money—shouldn't you know where it's going every month?

Here's what establishing a monthly budget and spending plan can do for you:

- Reveal your financial condition by comparing income to expenses
- Help you avoid overspending and show where you can save
- Break down your expenses into categories to help you better understand your spending
- Help establish financial control and direction
- Help you save for emergencies and anticipated financial responsibilities
- Help you achieve your goals

Why Setting A Monthly Spending Plan Is Key

It can also reveal possible financial problems, such as:

- Too much debt—having more debt than you can pay off in one year
- Lack of cash—using credit for small daily purchases
- Emergencies—lacking cash to cover emergencies
- Minimum payments—lacking cash to pay back money owed in a timely manner
- Cash advances—using credit cards to pay other debts
- Skipping payments—paying late or skipping payments
- Borrowing from friends and relatives—depending on loans to pay bills

Remember, budgeting doesn't have to be intimidating. Keep it simple. Try keeping a budget workbook, or go online to www.incharge.org and try out our budget calculators. Or let one of InCharge's certified counselors work one-on-one with you over the phone to create a budget with you. We're just a toll-free phone call away.

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