Debt

DEALING WITH DEBT FOR ADULTS
BUDGETING FOR EFFICIENT DEBT REPAYMENT

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Signs of Debt Distress

- Using credit cards to pay for living expenses.
- Using the overdraft protection plan on your checking account to pay monthly bills.
- Using savings to pay bills.
Signs of Debt Distress

- Using one credit card to pay another.
- Delaying one bill (or “floating”) to pay another overdue bill.
- Paying only the minimum due on credit card accounts.
Signs of Debt Distress

- Using payday loans.
- Being over the limit on one or more lines of credit.
- Delaying medical and dental visits because you don’t have enough cash to pay for them.
### Three-Step Spending Plan Worksheet

#### Step 1: Identify Income Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Expected per month</th>
<th>Actual per month</th>
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</thead>
<tbody>
<tr>
<td>After-tax wages</td>
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</table>

#### Step 2: List Expenses

<table>
<thead>
<tr>
<th>Source</th>
<th>Expected per month</th>
<th>Actual per month</th>
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</thead>
<tbody>
<tr>
<td>Rent/mortgage payment</td>
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#### Step 3a: Compare Expected Income and Expenses

- Expected monthly income: $_________________________
- (minus) expected monthly expenses: $_________________________
- Total: $_________________________

#### Step 3b: Compare Actual Income and Expenses

- Actual monthly income: $_________________________
- (minus) actual monthly expenses: $_________________________
- Total: $_________________________
**Debt Recovery Worksheet**

Use one worksheet for each debt owed. Keep track of how much you owe by subtracting your monthly payments from the balance.

**Creditor:** ________________________________

<table>
<thead>
<tr>
<th>Current Balance</th>
<th>Monthly Payment</th>
<th>Due Date</th>
<th>Amount Paid</th>
<th>Date Paid</th>
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</table>
Estimating Interest and New Balance

Example

A. What is the Annual Percentage Rate (APR) on this debt?  
   APR = 27%

B. Calculate APR divided by 12:  
   \[ 27 \div 12 = 2.25\% \]

C. Shift decimal point on B (APR ÷ 12) two digits to the left:  
   2.25% becomes .0225

D. What is the balance after the payment you just made:  
   $487.50

E. Multiply C (APR ÷ 12) times D (balance after the payment you just made):  
   \[ .0225 \times \$487.50 = \$10.97 \]

F. Add D (balance after payment) to E. This is your Estimated New Current Balance:  
   \[ \$487.50 + \$10.97 = \$498.47 \]

You can check the actual Current Balance when you receive your next statement or by contacting your lender.
Prioritizing Repayments

- Highest balance?
- Highest interest rate?
- Lowest balance?
- How much interest will you pay over that time?
  - Use this information to help you prioritize your debt repayment
  - Use power payments as you pay off one debt—use that money toward your next priority
Use Calculators to Help

- How Can I Restructure My Debts To Pay Them Off Faster?

- What Is The Impact of Making Extra Payments?

- How Long Will it Take to Pay Off My Credit Card?
Additional Resources

- Local, state and federal government resources
- Community resources
- National Foundation for Credit Counseling (Consumer Credit Counseling Service)

www.nfcc.org
Avoid the Quick Fix

- Pawnshops
- Payday loans
- Title loans
- Tax refund anticipation loans
- Debt consolidation loans
You’re Worth It!

- Learn from past mistakes.
- Commit to being debt free.
- Spend less.
- Save more.
Now What?

- Complete the 3-Step Spending Plan Worksheet.
- Complete the Debt Recovery Worksheet.
- Seek assistance – variety of resources available to help you!
- Set up a savings account.
- Breathe!