

# Staying Afloat

Managing Your Finances in a Changing Economy

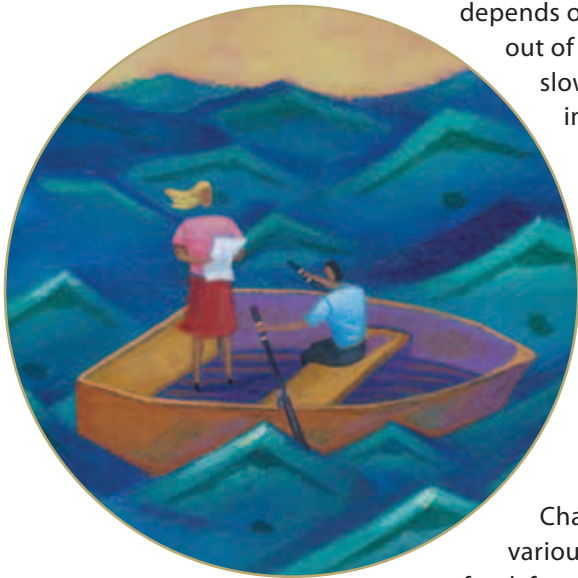


**Nine ways to save your  
money, reduce your expenses,  
and protect your future.**

The Midas Collaborative  
Massachusetts Financial Education Collaborative  
Commonwealth of Massachusetts Department of Housing and Community Development

## The rules of engagement concerning wealth and money are changing every day.

Just like your physical health, your financial health is invaluable. It affects every other part of your life: your relationships, your emotional well-being, and your kids' futures. It is your way to obtain credit, to own large assets, and to maintain other forms of security. And it all depends on your ability to take responsibility for the money coming in and going out of your hands. If money is leaving faster than you can earn it, then maybe slowing the cash flowing out or increasing the streams of income coming in is in order. Technology makes spending possible 24 hours a day. Now, more than ever, money is harder to obtain, yet easier to spend on impulse, or to lose to schemes and games.



We live in changing times, and if any of this hits home, you are not alone. People across the country are realigning their approach to financial security. We all need a new strategy. We are in an economic environment that you cannot control, but you must be responsible for your actions. Neighborhoods, communities, and families are changing because of the financial times we are experiencing. Financial success depends on being aware and financially engaged.

Challenge yourself to operate your home finances as a business. Set up various departments; rent, utilities, transportation, communications, and food, for example. Allot a budget for each, and manage each one, using creativity and information. Your primary intention is to have each "department" function within or under budget and to have a household "profit" to put into the sunny day account, while budgeting for a reserve for unexpected expenses like car repairs and medical costs. Building a profit or savings at the end of a month or year helps build a strong foundation for yourself, your children, and your future. Financially educating yourself and your family is one way that you, your children, and their children are able to sustain a good and secure life.

This booklet highlights nine major areas to assist you in managing your money in a changing economy. The information is a compilation of reliable materials, many of them on the internet. If you do not have access to the internet at your home, consider using the free resources provided by your local library.

This information is provided to you by The Midas Collaborative, a statewide not-for-profit network of community organizations, working to increase financial stability statewide, in partnership with the Massachusetts Financial Education Collaborative, a public/private/non-profit consortium of organizations interested in promoting savings and financial security through financial education, with the sponsorship of the Commonwealth of Massachusetts Department of Housing and Community Development.

## WATCH THE FLOW

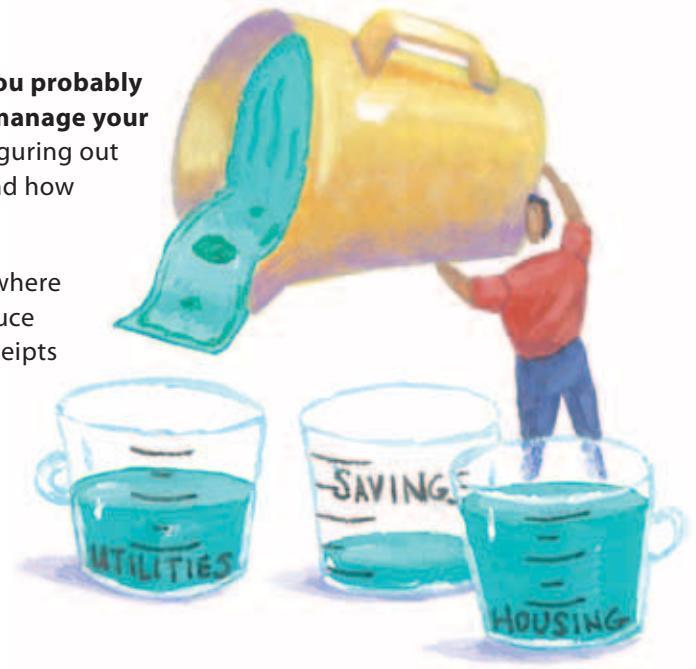
# Know Where Your Money is Going

If you find yourself asking, “Where does all the money go?” you probably have not been using one of the most recommended tools to manage your finances. Saving money starts with a monthly budget. Start by figuring out where you are and where you want to be. How much comes in and how much goes out in a month? Where is your money going?

A budget provides a clear, concise picture of what you earn and where you spend. It is the most effective tool to help build savings, reduce debt, and work on your financial security. Save your spending receipts and pay stubs for a month, and put them into a budget. Notice the proportions. Paying more than 40% on housing and debts is considered too much.

### RESOURCES

Do you need help staying on your budget? Local workshops, saving tips, online resources and strategies for wealth building, as well tips for purchasing and getting out of debt are available online at [www.MassSaves.org](http://www.MassSaves.org).



### SAMPLE THREE-MONTH BUDGET

	October	November	December	Total
<b>Flowing In:</b> Monthly Income	+ \$2600	+ \$2600	+\$ 3000 (overtime pay)	+ \$8200
<b>Flowing Out:</b> Regular Monthly Household Expenses—rent, food, utilities, debt repayment, reserve fund. These are what you NEED.	- \$1500	- \$1500	-\$1600	- \$4600
<b>For the Sunny Day Fund:</b> Designated Savings (\$20 weekly)	- \$80	- \$100	-\$80	<b>\$260 saved in 3 months</b>
<b>Other Expenses That Vary:</b> Hobbies, salon, gym, transportation, clothes, dining out, pocket cash, (\$255 weekly), holiday fun. These are what you WANT.	- \$1020	- \$1000	-\$1320	- \$3340
Balance	\$0	\$0	\$0	\$0

**Need help?  
Start at  
MassSaves.org**

## MANAGE THE FLOW

# Banking Habits Matter

**Do your banking in a secure institution and establish good banking practices. Your choices include savings banks, commercial banks, or credit unions.**

Keeping your money in your pocket or stashing your cash in a shoebox, under the bed or in a jar, runs risks, as your money is not protected in case of robbery or fire. Using a bank or credit union insures your deposit, helps you to save and to establish credit when you want to borrow, and is more affordable than many other “transactional” financial services, such as check cashers.

Basic Banking for Massachusetts is a program that expands access and offers products and services to encourage those with modest incomes to establish banking relationships. Customers who require only a limited number of transactions only need \$25.00 to open a checking account and \$10.00 for a savings account.

Make a note of the number of transactions you make per month before visiting a few banks or credit unions, to shop for the best product to meet your needs. Ask about no-fee and low-fee accounts. Get a list of participating financial institutions in the Basic Banking Program at [http://MCBC.info/basic\\_banking](http://MCBC.info/basic_banking).

**Are you overpaying for banking services?**

### THE COST OF NON-BANKING

Households without bank or credit union accounts pay high fees for check cashing and money orders, and miss the opportunity to participate in savings, credit building and insurance protection. Banking at established institutions also enhances your access to and approval for homeownership, housing, loans, and retirement accounts.

A typical check casher charges a 1% fee to cash a \$100 check. This may not sound like a big number, but let’s look at check cashing over the course of a year, as compared to a low-fee bank account (see chart below).

**We can see that over the course of a year, someone making \$50,000 a year could have saved \$572 by using a bank or credit union. Be aware that check cashers are now also offering pre-paid debit cards with hidden fees.**

Annual Net Income of Customer	Annual Cost Of Using Check Cashers at 1%	Annual cost of money orders (6/mo. @ \$1.50 ea.)	Total Annual Cost of Using Check Cashers	Total Annual Cost of Using “Basic Banking” Accounts
\$10,000	\$100	\$108	\$208	\$36
\$12,000	\$120	\$108	\$228	\$36
\$18,000	\$180	\$108	\$288	\$36
\$25,000	\$250	\$108	\$358	\$36
\$35,000	\$350	\$108	\$458	\$36
\$50,000	\$500	\$108	<b>\$608</b>	<b>\$36</b>

## INCREASE THE FLOW

# Get What's Yours at Tax Time

### Add to your take-home pay with tax refunds, and save what you can for the future.

Use free tax assistance and avoid high-cost refund anticipation loans. You may qualify for tax credits and free tax help.

A surprising number of federal and state tax benefits are available to low and moderate-income workers to reduce the impact of payroll and income taxes paid. Even if you don't owe taxes you may be eligible for tax credits. Households with military service members, disabled members, and elders may be eligible for additional benefits and/or free tax help.

That's money in your budget!

### EARNED INCOME TAX CREDIT (EITC)

"EITC is for people who earn less than \$48,279. If you qualify, it could be worth as much as \$5,657 this year depending on your filing status and the number of qualifying children. So you could pay less federal tax or even get a refund. To qualify for Earned Income Tax Credit or EITC, you must have earned income from employment, self-employment or another source and meet certain rules. In addition, you must either meet the additional rules for Workers without a Qualifying Child or have a child that meets all the Qualifying Child Rules for you." (Source: [www.IRS.gov](http://www.IRS.gov), 8/2010)

**Many non-profit organizations are certified by the IRS to provide free tax preparation services for limited-income people in Massachusetts. See listing at [www.MassCashBack.com](http://www.MassCashBack.com).**

### HIGH COST TAX REFUND ANTICIPATION LOANS (RALs)

If you are due a tax refund, you may be encouraged to take a Tax Refund Anticipation check by a tax preparer. This product is marketed by for-profit tax preparers and banks targeted to lower-income earners with high up-front fees for the service. Although it is often described as a faster refund, it is actually a high cost loan. Fees range from \$65 to \$110 to enable you to get a LOAN before your tax return arrives in 1 to 2 weeks. Deceptive practices, false advertisement and abusive debt collection as well as violations of consumer laws have resulted in many complaints. If you have a complaint, call the Massachusetts Division of Banks at 1-800-495-2265.

### INCREASE YOUR TAX-DEFERRED SAVINGS

Employee Retirement Funds known as 401K or 403B are offered through many employers. You can have some of your earnings put into a retirement account, and your employer may provide a match as well. Don't miss the opportunity to get a matched contribution. Ask your Human Resource Department for the details.



**"I work two housekeeping jobs and earned \$38,000 last year and got a refund of almost \$3000. I'm saving some of it for my daughter's education."**

## REDUCE OUTFLOWS

# Avoid High-Priced Financial Services



There is a growing number of companies that earn high profits from many small transactions by limited-income customers. Here are some products to watch for.<sup>1</sup>

### PAYDAY LOANS

"Easy to get, no credit check required and can be wired directly to your bank." Though technically prohibited in Massachusetts, these are some of the advertisement for "payday loans" which are marketed to Massachusetts residents on the internet, and are available in storefronts just over the New Hampshire and Rhode Island borders. Loan payments are usually due every week or every other week so other bills tend to be ignored. This starts the cycle of borrowing to repay earlier loans.

The Center for Responsible Lending estimates that borrowers accessing these loans get into the borrowing cycle, and in the end are paying 400% interest annually and are "trapped in debt." If you have a complaint, call the Massachusetts Division of Banks at 1-800-495-2265.

**A typical payday borrower pays back \$793 for a \$325 loan.**

Source: Center for Responsible Lending

### AUTO LOANS

Do your homework before stepping into an auto dealership. Quick decisions and impatience could cost you money. Here are some helpful steps.

- Research interest rates and/or pre-approval options for an auto loan from your credit union or bank.
- Research the cost of the auto insurance.
- Research financing options, lease vs. ownership, and the trade-in value for your old auto at an online site such as [www.cars.com](http://www.cars.com).

Don't just look at the monthly payment. Look at the total cost of borrowing, including interest, fees, and any future balloon payments. Increased interest and an extended number of monthly payments dramatically increase the cost of your auto. Remember, lower credit scores usually require a higher interest rate, and the higher the interest rate, the more costly the loan repayment.

### RENTAL CENTER CONTRACTS FOR HOUSEHOLD GOODS

Have you seen those promotions that say "no credit needed," "we match competitor prices," "you don't need references or proof of employment," or "you can make weekly or monthly payments?" In these arrangements, customers often pay very high prices over time for used or poor quality products.

These companies advertise rent-to-own as an affordable option, but many unhappy consumers file complaints. Government actions are pending against businesses for advertising issues, billing and collection issues, contract issues, delivery issues, service issues, guarantee and warranty issues and refund or exchange issues.

If you are considering renting furniture or a television for a special occasion, check for complaints about the store before you sign the contract or spend your money. The Boston Better Business Bureau helps consumers find trusted businesses at [www.Boston.BBB.org](http://www.Boston.BBB.org). For help with consumer complaints in Massachusetts, contact the Massachusetts Office of Consumer Affairs toll free at 1-888-283-3757 or online at [www.Mass.gov/Consumer](http://www.Mass.gov/Consumer).

<sup>1</sup> See more in "Understanding High-Cost Financial Services Providers and Mainstream Banking Alternatives", Alliance for Economic Inclusion, FDIC 2010

## REDUCE THE OUTFLOW

# Save on Energy Bills and Communications

### HOME ENERGY USE

Living in New England means long, cold winters and some high home heating bills. The best way to lower your bills is to cut back your energy use each day. Additional help is available for eligible households (based on income level and household size) for programs that can lower energy costs. These programs include Fuel Assistance, Weatherization and utility bill discount rates.

The Commonwealth of Massachusetts operates the Fuel Assistance and Weatherization programs across the State. Once eligible for Fuel Assistance, part of your heating bill will be paid that season, and you are automatically referred for free Weatherization and enrolled in all available utility discounts. To find out where to apply, either call the Department of Housing and Community Development's "HEAT Line" (1-800-632-8175) or else visit [www.Mass.gov/dhcd](http://www.Mass.gov/dhcd) and click on Fuel Assistance in the "Key Resources" section.

To learn about other energy savings programs, go to [www.MassSave.org](http://www.MassSave.org). The site also has ideas for reducing energy use all year round which you can find by entering "Energy Savings Tips" in the search box.

In addition, the Federal Tax Credits for Energy Efficiency Program provides a tax credit for 30% of the cost, up to \$1,500, for energy efficiency improvements installed in homes starting January 1, 2009, through December 31, 2010.

### COMMUNICATION COSTS: CABLE, INTERNET, AND CELL PHONES

The communications—or telecom—industry is growing, dynamic, and minimally regulated. It is not easy to compare the best deals or to understand consumer rights and responsibilities.

One strategy is to periodically review the use and costs of your communication services to see if there are new deals as the competition changes. Are there opportunities to bundle multiple communications media (e.g., cable, internet, and landline) to save money? Are there services you no longer use that can be dropped or replaced for lower cost items (e.g., replace landline and cable TV with cell phone and internet)? Watch out for obligations related to contract duration, disconnection charges, and other unexplained fees.

The Federal Trade Commission, the federal agency that regulates the industry, has consumer information and a complaint portal at [www.FTC.gov/consumer](http://www.FTC.gov/consumer). In Massachusetts, the Department of Telecommunications and Cable handles inquiries and complaints at [www.Mass.gov/dtc](http://www.Mass.gov/dtc). A number of non-profit consumer action and media groups monitor the industry, provide savings tips, and inform consumers of ongoing issues. They can help you understand what you're dealing with before you buy or when you have questions. They include [www.UCan.org](http://www.UCan.org) and [www.ConsumerWatchdog.org](http://www.ConsumerWatchdog.org) as well as [www.RedTapeChronicles.com](http://www.RedTapeChronicles.com).



**The best way to lower your bills is to cut back your energy use each day.**

## REDUCE THE OUTFLOW

# Managing the Cost of Credit

**Are you getting the best deal on credit cards?  
Do you know your rights as a credit card holder?**

There are so many offers with rewards, cash back offers, and other benefits to choose from. The rules and products change constantly. Follow product changes, industry rules, and rate comparisons at [www.CardRate.com](http://www.CardRate.com).

Are you paying too much for credit by carrying a balance?

Look at how much you pay if you carry a balance on your card:

If your balance on the card is:	..and the card's interest rate is:	If you only send the minimum payment amount (4%) of:	Here is what you pay on the balance in the end:
\$5,000	18.90%	\$200	\$8,155
\$1,000	12.90%	\$40	\$1,318
\$3,000	14.90%	\$120	\$4,289
\$2,500	10.99%	\$100	\$3,203

**You may want to talk to experts or peers to get information, encouragement, and to develop your plan.**

## REPAYING DEBTS

Do you have a plan for getting out of debt? Do you know what bills to pay first?

Getting out of debt can be overwhelming. Certainly prioritizing your “needs” budget items before your “wants” budget items is a good start, but it is not a plan.

A reputable credit counseling agency can help create a budget and develop a plan to address financial challenges. On the other hand, the wrong agency can take your money and leave you with greater financial problems. Make sure you do your homework—check with the Better Business Bureau or the Attorney General, or to see a list of questions to ask a credit counselor check out the Federal Trade Commission’s Website at [www.FTC.gov](http://www.FTC.gov) and search for “Choosing A Credit Counselor.”

You may also want to talk to experts or peers to get information, encouragement, and to develop your plan. Online help is available. Start your search at [www.MassSaves.org](http://www.MassSaves.org) where you can find links to online information, relevant educational games, and tools, as well as information about local trainings and service providers.



## PROTECT THE FLOW

# Guard Your Reputation

**ChexSystems, Clue, NexisLexis, and Credit Reports monitor and report on your financial activities to your landlords, insurers, employers, or lenders. Pay attention to what they say about you!**

### **CHEXSYSTEMS**

This company tracks mishandled checking and savings accounts and only shares this information with member financial institutions. Get your free consumer report by calling 800.428.9623 or online at [www.ConsumerDebit.com](http://www.ConsumerDebit.com).

### **CLUE**

The Comprehensive Loss Underwriting Exchange (CLUE) report tracks “incident” or claims reports and is shared between insurance companies. Filing insurance claims affects your premium costs. CLUE reports are available at [www.ChoiceTrust.com](http://www.ChoiceTrust.com) or through LexisNexis (below).

### **LEXISNEXIS**

This service provides a free personal history including insurance (CLUE) reports, employment history, and resident history report. Order reports toll free at 1-866-312-8076 or online at <https://PersonalReports.LexisNexis.com>.

### **CREDIT REPORTS**

Trans Union, Equifax and Experian are credit agencies that collect and distribute financial information on consumers which is summarized in a FICO score. These reports list all outstanding loans and balances that you have or had for the past seven years. Your FICO score is influenced by the amount of credit you have outstanding, your payment history, and public records related to financial matters. Some public record filings can have a negative impact on scores: bankruptcies, foreclosures, tax liens, civil judgments, garnishments, and civil lawsuits. With your permission, lenders, landlords, employers and others can see your information. There are often mistakes on reports that may reduce your score and only you can correct them.

Many so-called “free credit report” websites and advertisements are hosted by companies that want your information and/or charge fees for unrelated services. Get a free annual credit report without the sales pitch at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com), a site that federal law requires the credit reporting agencies to provide for consumers.



**Many so-called “free credit report” websites and advertisements are hosted by companies that want your information and/or charge fees for unrelated services.**

## PROTECT THE FLOW

# Guard Your Name Against Identity Theft

**Unfortunately, these days it requires your diligence to protect what you have now and what you hope to purchase in the future.** Although there are several types of financial fraud, identity theft—the unauthorized use of your name and/or social security number for debit or creditor service accounts—is especially serious because the damage it causes directly affects your credit history and overall financial status.

An identity theft can result in a time intensive clean-up process in order to restore your records. What can you do?

1. **Order a free copy of your credit report each year.** Report immediately any strange activity and correct any incorrect information, especially prior addresses and phone numbers. All three major agencies—Experian, TransUnion and Equifax can be viewed through one website [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com).
2. **Regularly review and correct activities on your bank and credit card accounts.** Look for charges, especially small ones, from unfamiliar businesses and locations. Small charges often indicate a “test” charge by identity thieves. Larger charges follow. Also, be sure you wrote all of the checks listed. State and federal laws protect consumers against fraudulent charges, but only if you contact the bank within 30–60 days. Don’t ignore your bank statements.
3. **Guard all personal identification numbers and personal identification numbers (PINs).** Keep a record of all your personal information and credit card account numbers in a secure place that only you can open (e.g., a home safety box). Log expiration dates as well as phone number and address of the card-issuing bank for each card. Be sure to copy the expiration date, the security number on the back, and any personal identification numbers (PINs).

**Unauthorized use of your name and/or social security number can affect your credit history and overall financial status.**

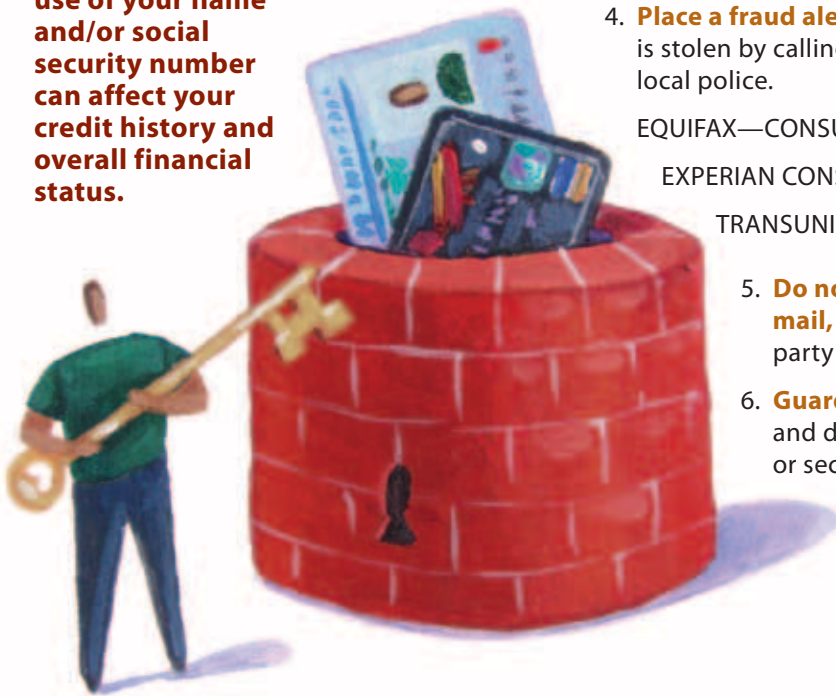
4. **Place a fraud alert on your credit file** if your wallet or purse is stolen by calling all three credit reporting agencies and the local police.

EQUIFAX—CONSUMER FRAUD 800-525-6285

EXPERIAN CONSUMER ASSISTANCE 888-397-3742

TRANSUNION FRAUD VICTIM DEPARTMENT 800-680-7289

5. **Do not provide personal information by phone, mail, or over the Internet** unless you know the party or YOU initiated the communication.
6. **Guard your mail from theft.** Pick up mail regularly and dispose of mail securely. Use a paper shredder or secure locked disposal service.



## REDUCE THE OUTFLOW

# Avoid Financial Scams

**Scams have always been a part of every society, but they change forms frequently.** It is important to keep current on the “too good to be true” ideas. Scammers often prey on the sick, the disabled, the elderly, the unemployed, parents, and people without a lot of money. Here are some current examples.

**Work from Home Scams** The typical job scam involves stuffing envelopes, craft assembly, or a task where you are an employee. Workers never get paid. Promoters refuse to pay based on quality of work. If it sounds too good to be true, it probably is.

**Foreign Lottery Scam** You are informed that you have won a great deal of money, then you are asked for a loan to pay “taxes,” “custom duties,” or “fees”—the scammers then keep the money that you send. The winnings are bogus.

**“Nigerian (or other nation’s) Email Scam”** “Family” or “friends” are looking for help to transfer money—requiring you to provide money or bank account information to transfer the bogus funds.

**Phishing** Scammers obtain your financial info via email to gain access to your accounts. Often, “phishers” pose as vendors, such as your bank, that need to “update your account information.”

**Vishing** Same as phishing, but instead of email, scammers call on the phone to ask you for your information to “update your file.”

**Cure-All Products** Scammers prey on the sick by claiming false cures for ailments or diseases and convince you to buy their products, while they obtain your personal information.

**Check Overpayment Scam** The “buyer” of something you are selling must send you a “bank check” for too much money and wants you to send them the change. The check they send you is actually forged, but your bank does not alert you before you have sent out the change.

**Mystery Shoppers** An employment scheme targeting victims by offering job opportunities to shop at specified retailers. Checks for payment are counterfeit.

**Debt Relief or Consolidation, Bankruptcy/Foreclosure Rescue** Offers to pay your bills for you if you pay them one monthly payment or initial fee. The Federal Trade Commission cautions, “just because an organization says it is ‘non-profit’ doesn’t guarantee that its services are free or affordable, or that its services are legitimate. In fact, some credit counseling organizations charge high fees, some of which may be hidden, or urge consumers to make ‘voluntary’ contributions that cause them to fall deeper into debt.” See page 8 for more details.

**Investment Schemes** Promise of high rates of return for your investment, but often businesses close down quickly and open under a new name in a new location.

**Higher Education Scams** Many online training or college offerings are not with accredited institutions and do not provide relevant training or college credit. Some offer access to government-backed college loans for a worthless educational experience.

Many scammers are being investigated by the Federal Bureau of Investigation. Visit their site at [www.FBI.gov](http://www.FBI.gov) for more information. More consumer information is available at [www.BustAThief.com](http://www.BustAThief.com).



**Scammers often prey on the sick, the disabled, the elderly, the unemployed, parents, and people without a lot of money.**

## Why not begin a new year early with a new approach to finances? The sooner you start, the easier the transition.

This booklet offers information and advice for a new financial mind-set. Each page covers brief topics, with website links to more information. The key tips include ways to retain money by budgeting, saving, retrieving taxes, and using free services whenever possible, as well as ways to avoid overpriced services and scams.

Share this information with family and friends.

If you don't have internet access, go to your local library. Explore the websites provided and share the information to start on a new financial path.



We thank the following for their contributions:

Center for Responsible Lending  
Commonwealth of Massachusetts, Office of Consumer Affairs and Business Regulation  
Federal Reserve Bank of Boston • Federal Trade Commission • FDIC's Alliance for Economic Inclusion  
Internal Revenue Service • Massachusetts Community and Banking Council  
Massachusetts Bankers Association • American Credit Counseling Service

**For translations, web versions, or additional copies of this booklet,  
visit [www.MassSaves.org](http://www.MassSaves.org) or contact The Midas Collaborative at 617-787-3874.**

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