



# MAKING THE MOST OF YOUR MONEY

## FINANCIAL TIPS FOR TODAY'S CONSUMER

CONSUMER CREDIT COUNSELING SERVICE OF MONTANA & WYOMING

### DIG YOURSELF OUT IN 2010

Many Americans are facing real financial crises: lost jobs, lost homes, lost retirement savings.

Many others, though, are mired in financial messes completely of their own making. Despite relatively steady incomes, they:

- Live paycheck to paycheck.
- Carry credit card debt.
- Neglect their credit records.
- Fail to save anything for retirement.
- Put off the financial fixes they need to make, even if that fix is bankruptcy.

Denial is not a financial plan. And neither is fear, confusion, a government bailout or a lottery ticket. Many people, perhaps believing themselves powerless or that the goal is too far away, simply give up. And in doing so, they give up control of their financial destinies. If that sounds like you, now is the time to take action. It's not only possible -- it's incredibly doable. Let's make 2010 the year you dig yourself out of your money morass, the year you begin to call your own shots.

The process is simpler than you might think it is. To be better off than you are today, you don't need to save a million dollars, but you do need to save something. To be better off than you are today, you don't need to be debt-free -- only to stop digging your hole deeper. You don't need perfect credit or a year's income in the bank for rainy days. What you do need is a paycheck and the resolve to change your financial future. Leave the excuses elsewhere. No matter how you landed in this muck, only you can decide it's time to get out.

#### 1. Save \$500

You've probably heard the advice that people need to have emergency funds equal to -- take your pick -- three months', six months', nine months', even a year's worth of expenses. In reality, it takes a much smaller kitty to pull yourself up from paycheck-to-paycheck living: just enough to keep the little things like a broken water heater or a car insurance increase from becoming an emergency.

#### 2. Raise your credit scores to 740

Credit card companies have burned millions of their customers in the past couple of years by jacking up rates, lowering credit limits and canceling accounts.

#### 3. Make a vow: No new debt

The first step in getting out of your debt hole is to stop digging. That's obvious. But the minute you commit to a no-new-debt lifestyle, you'll be blasted with temptations to do just that.

#### 4. Expect to live until you're (at least) 80

The younger you are, the harder it is to imagine your future decrepitude, but the odds are very good that you'll live well past the usual retirement age. The earlier you get started saving for retirement, the less of your income you'll have to devote to the cause and the more flexibility you'll have in deciding not only when to quit work but how you'll spend your retirement years.

#### 5. Change your financial destiny

If you've tried to fix your finances in the past and failed, the problem may be that you didn't think big enough. Sometimes what you really need is to take a bold step. You may have to go back to school, change careers, move to a new city or start a business. I'll talk about how to assess your current situation and decide whether it's time to take a leap.

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# 10 SMART MONEY SAVING TIPS

As consumers face an uncertain future in 2010, they will be looking to lower their costs, to save more for the future and to stabilize their financial lives. Here are 10 money-saving tips to reach those not-so-lofty goals.

- 1. Start, or boost, your emergency savings account.** The biggest barrier to saving is not being in the habit of saving. The best way to get in the habit is to pay yourself first by directly depositing money from your paycheck into a dedicated savings account. This can be done concurrently with your goals of paying down debt or saving for retirement. You won't miss what you don't see, and putting your savings on autopilot is a great way to reinforce your money saving habit when unplanned expenses inevitably come along.
- 2. Get a high-yield savings account.** Once you've started to save, you'll need a place to put that money. There are three requirements in determining where to put your rainy-day fund: It must be liquid it must be free of investment risk and you must earn a return that preserves your buying power against the erosive effect of inflation.
- 3. Find a free checking account.** Having the wrong checking account can take hundreds of hard-earned dollars out of your pocket every year. The average interest-bearing checking account charges a monthly service fee of \$12.55 and requires a balance of more than \$3,300 at a near zero rate of interest to avoid fees. Instead, look for one of the many accounts that charge no monthly service or per-transaction fees, and don't require a minimum balance. These free checking accounts have long been the hallmark of smaller community banks, credit unions and online banks.
- 4. Track your monthly spending.** People hate to use the "B" word -- budgeting. Call it what you want, but you do need to get a handle on your spending. Doing so does two things: It helps you determine where you can cut back and helps maximize your money-saving efforts. Begin by tracking your spending for two months. Then use that information to build a realistic monthly spending plan. Finally, track all of your monthly expenses. At month's end, tally your spending against the plan and see where you did well and where you didn't.
- 5. Pay down high interest credit cards.** For many households, the best return on your money is to pay down credit card debt. Whether carrying balances at 12 percent or 22 percent, credit card debt is typically the costliest debt households have. Plowing excess cash into repayment of credit card debt is a double-digit, risk-free return because it reduces the outstanding balance and the resulting interest charges. This is a sound move now as credit card rates will only move higher over the next two years.
- 6. Begin or increase contributions to a workplace retirement program.** While many employers have scaled back or suspended their matching contributions to workplace retirement plans, such as 401(k)s, this is not an excuse to suspend your own. Even if your employer is contributing at a reduced rate, it still represents free money. If they're not, the burden is on your shoulders.
- 7. Make an IRA contribution.** If you or your spouse has earned income, you are eligible to contribute to an individual retirement account. Those under age 50 can contribute a maximum of \$5,000 and those 50 and older can contribute up to \$6,000. You can open an IRA with a bank, credit union, brokerage firm or mutual fund, and invest the contributions as you choose. With an IRA, you can choose investments that aren't available in your workplace retirement plan, such as commodities, individual stocks or certificates of deposit, giving you access to investment options that result in a more diversified portfolio.
- 8. Convert traditional IRA to a Roth IRA.** The new year brings an attractive new opportunity. While the income limits restricting contributions to a Roth IRA remain, the income limit restricting eligibility to convert a traditional to a Roth IRA disappears. This means anyone wanting to convert some or all of their traditional IRA into a Roth can do so, regardless of income. It also means doing it in 2010 is especially appealing because the resulting taxes can be spread over 2011 and 2012. Even though the income limit on Roth contributions remains, you can contribute to a traditional IRA then immediately convert that traditional to a Roth IRA. This is a roundabout way of financing a Roth IRA, even if your income is too high to do so in a direct way.
- 9. Refinance into a fixed-rate mortgage.** Interest rates are at record lows, and eventually they will move higher, much higher. When that happens, the home financing place not to be is in an adjustable-rate mortgage that is subject to a rate reset.
- 10. Rebalance your investments.** Many investments have rebounded from their depths in March 2009, with the stock market up by more than 60 percent. Commodities, too, particularly gold and energy, have turned in strong performances. In other words, your portfolio may look much different than it did during the March lows. Such outsized performance by some asset classes can distort your asset allocation widely from its intended target. So rebalancing your investments back in line with your goals and risk tolerance is prudent. This also helps reduce the susceptibility of your portfolio to sharp market corrections.

## HANGING HEART MOBILE CARD

**What you'll need:** Two types of design cardstock • Thin wire • Wire cutters • Pencil Scissors • Colored beads • Needle • Pattern

### **How to make it:**

**Card Pattern Cutouts:** 1) Trace and cut out large heart pattern with two types of design cardstock. 2) Trace and cut out small heart pattern with two types of design cardstock.

**Heart Cutouts:** 1) Glue large heart cutouts together. 2) Pierce two holes with a needle at center of large heart near top and bottom. 3) Place the smaller hearts together and pierce a hole through both at the center near the top of the heart.

**Wire Loops:** 1) Thread wire through hole at center near top of large heart. 2) Twist and shape wire to make an interesting pattern. Thread beads onto wire at various points, and twist the wire to keep beads in place. 3) When you have created a big enough loop, wrap one end of the wire around a pencil three times to create a curly swirl and have an adult cut the wire. 4) Take the starting end of the wire and secure the end to the curly swirl, closing the loop. 5) Repeat the last four steps by using another piece of wire to create a loop for the small heart. 6) If you like, use another piece of wire to create a link between the loops of the large and small hearts.

