

SMART WAYS TO HANDLE YOUR MONEY

National Endowment for Financial Education®

1 CHAPTER

Managing Family Finances

Prison has a way of bringing everything to a screeching halt, especially your money. Suddenly, it's a good day just to have enough in your account to make a phone call or buy a soda. Like most prisoners, you'll likely find a way to survive the lean times while looking forward to freedom and cash flow again. But what if handling money poorly is part of the reason you're in prison? How do you escape from this tricky trap?

It is easy in today's materialistic society to spend money you don't have. It feeds the "immediate gratification monster" that doesn't want to wait for hard-earned rewards. Fast cars and flashy jewelry impress friends and girlfriends, but at what price?

If prison has been the place where God finally got your attention, and you're ready to try life His way, then it's time to put money in its proper place and plan to use it in a way that will benefit not only yourself, but also those to whom you are responsible. Preparing to be a steward (manager) of whatever money God entrusts to you puts you one step closer to enjoying the rewards God guarantees to those who honor Him with their money.

Proverbs 22:7 defines debt and the conditions of indebtedness: "The rich rule over the poor, and the borrower becomes the lender's slave." In Psalm 37:21, it is a sin to borrow and not repay the money: "The wicked borrows and does not pay back, but the righteous is gracious and gives." For many of you, money may have fueled

addictions. For others, money may have been an afterthought, until prison cost you your job and your ability to keep up with rent, credit cards, utilities, child support, or alimony. All these creditors still want their money—even though you're not making any. Either way, there are steps you and/or your family can take to erase debt and get back on your financial feet.

Communicating with Creditors

On a piece of paper, list all of your creditors and how much you owe each of them. Include friends, family, banks, credit cards, and any other creditor who has lent you money (repaying those from whom you might have stolen is another issue). Make a note of how to reach them, either by mail or telephone. Also make a note of how often this money is due.

Once you know how much you owe, and to whom, start contacting each of your creditors. Telling them about your situation might not be easy or comfortable, but it is necessary so they understand you're not making excuses. Ask how you or your family can work with them to create a payment plan. Some creditors are willing to take a smaller payment each month if it means they will continue to receive money. If you owe money to several companies, you may need the help of a credit counseling agency.

You may want to compile your list in order from the smallest debt to the greatest debt. Aim to pay off the smallest debt first and as quickly as possible. Pay as little as possible on all the others. When the smallest debt is paid off, move on to the next smallest debt on your list—only this time, pay the minimum payment plus the amount paid on the previous debt. That way you avoid paying only interest and not making any progress on the original debt. If that exceeds your abilities, just make the largest payment

possible above the minimum required. Knock the debts off one at a time. Leave the biggest debt until you have paid off several smaller ones.

A brief example may help clarify this plan. Suppose John owes \$2,000 on his car, \$480 in back utilities, and \$9,000 in alimony. Assume John wrote each creditor and got them to agree to suspend further payments until his release and proof of employment. John gets out 13 months later and finds a minimum-wage job. He begins making a token payment (say \$20) for alimony as a show of good faith. His minimum payment for his back utilities is \$35 per month, and his minimum car payment is \$125. John tightens his belt and pays \$40 a month until he pays off the utilities in 12 months. Then, he takes the \$40 and applies that amount on top of the car payment for a total of \$165. Because he's made regular minimum \$125 payments for a year, he only has \$800 left of car debt. His \$165 payment finishes off the car debt in less than five months. Now, he is able to take the \$165 plus his \$20 for a total of \$185 and apply that to his alimony debt. In less than 18 months John will have streamlined his debt to one manageable payment.

Choosing a Credit Counseling Agency

A credit counseling agency can help you understand your current situation and what options you may have. Following are a few things to think about if you're considering help from a credit counseling agency:

- Look for a nonprofit organization that is nonprofit in more than just its name. Expensive upfront fees are red flags to watch for. Most true nonprofit agencies ask for just enough money to set up the program and contact creditors for you.

CHAPTER 2

Ten Tips for Talking About Money with Your Spouse

It's not easy to discuss financial issues with a spouse under any condition. After all, there is a reason tension over money is often mentioned as a major contributing factor in divorce. If discussing money matters is difficult around the kitchen table, it's 10 times harder when one spouse is behind bars.

The purpose of this chapter is to provide you with a framework for making financial discussions with your spouse easier and more productive, especially during this difficult time while you are in prison. Follow the 10 tips below and you will defuse a lot of the emotions that can so easily derail your best intentions to communicate with your spouse about finances

1. Plan ahead.

This is important for a couple of reasons. First, if your conversation is going to be held over the phone, you need to make every costly moment of phone time count. Planning ahead helps you get a lot accomplished in a short time. Second, planning ahead helps you organize your thoughts in a logical order, so you keep the conversation on track and positive.

- If a company contacts you about creditor debt counseling, run the other way. A legitimate credit counseling agency doesn't need to look for business.
- Contact the Better Business Bureau or your State Attorney General's office and ask if the agency has unresolved complaints or other red flags.
- Working with a credit counseling agency makes it clear to your creditors that you are serious about repaying your debt, and it can educate you on related topics of budgets and spending plans.
- Remember, God's Word clearly says that a believer should be responsible for his promises and repay what he owes. Therefore, Christians must be willing to accept the absolute requirement to repay what we owe.

2. Write a list.

Writing down what you want to discuss with your spouse ensures that you don't forget something important. It is smart to keep an ongoing list of financial discussion items and add to it as you think of topics that need to be addressed in your next call or face-to-face visit.

3. Practice the call with your chaplain.

If you are deeply concerned about your financial discussion with your wife or husband, consider showing your list of discussion points to the prison chaplain prior to the call. Ask for his or her advice on how you can be most helpful to your family, and ask if the chaplain has any ideas for keeping the discussion focused and productive.

4. Give your spouse a heads up.

This is a good tip to remember even when you are out of prison. Don't spring financial discussions on your spouse. Tell your spouse ahead of time that you want to discuss a certain financial issue; that way you won't catch him or her by surprise. Your spouse may want to prepare, too. Also, what you want to discuss may require him or her to locate financial documents.

5. Keep your emotions in check.

Emotions never help a financial discussion. Your list will help you stay on topic. Your personal determination will keep you from saying something hurtful that you can't clear up until the next phone call or visit.

6. Remember, it's not all about you.

When you are the one in jail, it's easy to feel like the world—or at least your conversations with your family—should revolve around you. That's not fair. When you set out to have a financial discussion, or any discussion, with your spouse, remember that he or she has financial needs and concerns, too. Your discussion needs to consist of more than finding out how much money your loved ones have deposited in your commissary account.

7. Ask your spouse about the family's financial situation.

Then listen. Find out how your spouse's job is going. If he or she is looking for a job, ask about the search. Stay engaged in the financial life of the family. Even

though you are physically removed from the family, if you are a man, you are its head. Your biblical role to fulfill that position long distance doesn't mean giving orders, but providing loving leadership. Listen to your spouse's needs first before getting to your needs.

8. Provide suggestions for financial help.

If your spouse is having trouble paying the bills, you need to be an encourager and adviser. If credit card bills are the problem, suggest a letter or phone call to the card issuer, explaining the situation. You might report a loss of a source of income (mentioning prison as the reason isn't always necessary)—and ask for a lower interest rate and/or payment. Contact information for the credit card company is always included on the monthly billing statement. Showing a willingness and desire to pay often makes a big difference to a credit card company. It can result in more favorable terms for the cardholder.

If the financial situation is dire, your family should not overlook the possibility of temporary emergency help from your church. Many churches take up special collections specifically to help those who are struggling in the community. If your family fits the bill, do not hesitate to ask your pastor or deacon if such help is available. Also, you may want to advise your spouse to speak with a reputable credit counselor for advice on how to get relief from bills. A word of caution: Make sure your spouse uses only a legitimate nonprofit credit-counseling agent. An agency that charges high fees is not a legitimate alternative. Good places to ask for a referral are the local Better Business Bureau and your bank.

9. Remember, it's not all about you.

Sometimes when a spouse is in the middle of a budget crisis, it is difficult for him or her to identify areas in which change can be made. Suggest that he or she keep track of every dollar spent over the next month. Then, either alone or together during a visit, the two of you can look over the list and identify areas where money could be saved. Almost every family has fat in its budget. In an emergency situation, these areas need to come under careful scrutiny.

10. Recap at the end of the call.

When you reach the end of your phone call or visit, spend a moment going over what your spouse will do to follow up on your conversation. Make sure you both have a clear idea of expectations. It will probably be tough, so make your last words encouraging. Pray together and send a letter with more encouraging words as soon as you can.

Worth the Effort

Plearly, it takes planning, control, and effort to have productive financial discussions from behind bars. But remember, any help or advice you can give shows that you have a strong desire to remain involved in your family's life.

3 CHAPTER

Beware of Financial Predators Who Come Into Your Home

Do you have a game plan ready the day you leave prison and enter society? Predatory companies have a game plan for you—in fact, their whole business plan centers on taking advantage of people such as prisoners who have desperate cash needs. You're probably eager to make positive change in your life, but it's also important to go into your new life with your eyes wide open. You may be familiar with predatory operations such as check-cashing stores, payday lenders, and pawnshops. The financial predators that come into your home through the mail or television can be just as damaging to your finances—and to your chances of staying out of the big house.

Predatory Credit Card Issuers

There are organizations that target people who need credit the most—people who can least afford it. An offer for a credit card with an interest rate of 23 percent or higher is not a good deal. Consider this scenario: When you combine that high interest rate with an annual fee, a one-time application fee, and a hidden requirement that the new cardholder automatically purchase a credit education course (which ends up costing as much as the amount of credit offered), you have a

predatory situation. This offer is out in the marketplace right now.

These companies are in business because enough people have taken the bait and then faced a credit card debt they could ill afford that takes up almost all of their credit line.

During your first year out, don't even open credit card offers that come in the mail. Shred the credit card offer to prevent identity theft. Generally, there are three credit reporting agencies. We've listed TransUnion as a contact to remove your name from unwanted credit offers. You have the option to remove your name from these unwanted credit card offers by visiting www.optoutprescreen.com, by calling 888-5OPTOUT (888-567-8688), or by writing to the following address:

TransUnion Name Removal Option
P.O. Box 505
Woodlyn, PA 19094

Include the following information with your request:

- First, middle, and last names (including Jr., Sr., III)
- Current address
- Previous address(if you've moved in the last six months)
- Social Security number
- Date of birth
- Signature

Surviving on Credit?

Using credit cards and taking advantage of "no money down offers" are easy ways to feed our desire to have more possessions. If you have enough to eat, a roof over your head, and clothes to wear, be content. But what if you don't have a reliable place to stay, clean clothes, transportation to a job? Few people have the self-control to put an item on credit and then pay it off in full the next pay period, avoiding all finance fees. Should you say yes to a credit card when you feel desperate? Before we answer, first determine how vulnerable you are to using credit. Assess your resistance to credit by circling your answers to these four questions:

1. Do you envy other people's possessions?

Y N

2. Do you think you could be happy if only you had a little more money?

Y N

3. Do you dream of owning an expensive house, a new car, or beautiful designer clothes?

Y N

4. Do you think it is OK to put necessities on a credit card?

Y N

If you answered yes to three or more questions, you are going to need help resisting. And that's the answer to whether you should put food or clothing on credit. Don't make that decision alone, especially while you're still adjusting to the speed of life on the out-side. Seek wise counsel before using that card. Church counselors and pastors are a great place to start. If you have a real need (TVs and digital music players don't count), often churches have ways of helping out short-term so you can avoid going into debt.

Extreme Car Loans

Another predatory practice you may encounter is the lender who helps those who are not creditworthy to get a loan that allows them to purchase a car. These lenders often advertise on television with clever ads that make it seem like the lender is a real friend. But think twice. Often requiring nothing more than proof of employment, these lenders may charge an extreme rate of interest that, when calculated out, costs the customers many times what the car is worth. It is not likely to be affordable for any recently released prisoner. If you cannot save enough money to buy a low-cost, used car, then walk, bike, ride public transportation, or get a lift from a friend or coworker until you do have the money you need to buy.

Extreme Car Loans

A third type of financial trap actually disguises itself as a welcome gift of money. The unsuspecting prospect (you) receives a check in the mail made out to you for anywhere from \$2 to \$5. If you don't read the fine print in the enclosed letter, you won't realize that by cashing this check you are signing up for a membership in anything from computer protection services to a pet supply club. Although the letter makes it clear that you can drop out any time, it's not easy to figure.

out whom to call to drop out unless you hang on to your membership materials. These offers are typically mailed only to individuals with an existing credit card account, which the merchant uses to automatically charge you an ongoing monthly fee for the membership. This type of account typically can go on for decades, until the member finally takes action and cancels the membership. If you do not have any credit cards, you are not likely to receive this type of offer.

A lot of people on the outside make their living by creating deep debts and financial commitments for those who are struggling. Don't give them your business. Talk over your money needs with a trusted, wise person who has your success in mind. You can make it.

4 CHAPTER

Living Without Credit in a Credit- Obsessed Culture

“Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions.”

In the last chapter, we discussed the importance of establishing a game plan to help you handle money on the outside, including how to avoid businesses that are known to take advantage of people. In this article, we'll look at another important aspect of your post-prison financial game plan: how to live without relying on credit.

A Growing Problem for Americans

It's been more than 50 years since Diners Club issued the first credit card. Over the years, what was initially seen as simply a more convenient and safer way to pay for purchases became an important part of life. Today the average credit card-using family has accumulated more than \$8,000 in credit card debt. Savings rates are at historic lows with the average family saving only about 1 percent of its income. Americans are using credit cards to buy things they have no way of paying for with cash. Down the road that can lead to financial problems.

It takes a disciplined person to live a credit-free life. Adopting this disciplined lifestyle and learning to live without credit is key

to avoiding the misery of debt and the temptation to solve that problem with questionable shortcuts. Ex-prisoners may have fewer opportunities to obtain a credit card, making the challenge a little easier.

It is going to take determination and planning to get along without credit. One of the first steps to take is to see the difference between things you need and those that you simply want. This will help you understand and adopt healthy attitudes toward spending—so you don't fall into the destructive habit of using credit cards. Consider the items in the following list. Which are “needs” and which are “wants”? Designer Jeans, New Car, Cable TV, Shoes, Coat, Lottery Tickets.

Lottery tickets, designer jeans, and cable TV are wants. Shoes and a coat are necessities. If you opt for a designer coat or expensive trendy shoes, your purchase slips into the want or luxury category. Transportation is a necessity, but a new car is a want. Even a used car may not be a necessity if there are other, less-costly ways you can get around.

Understanding these differences can help you cut expenses, reduce impulse spending, and save money. It is almost impossible to live without credit unless you adjust your thinking to pay cash for needs first. To cut impulse spending, it is wise to give yourself a 24-hour cooling off period before you make any purchase of \$100 or more.

Prepare for Challenges

Credit card purchasing has not only affected the American family. It has also altered businesses' expectations of their customers—some businesses simply require a credit card. If you have a checking account and a debit card, you can often use it in place of a credit card. Nonetheless, pursuing a credit-free lifestyle has some barriers that are more difficult to get over. If you do not have a credit card, consider the following:

- **Rental Cars**—To rent a car without a credit card is impossible with some agencies. They just won't allow it at any price. However, call ahead, and you will find that if you answer a questionnaire, give a hefty, refundable deposit, and provide proof of residency (such as a utility bill), a few rental car agencies will allow you to rent a car without a credit card.

- **Hotel Bookings**—Most hotels require that you provide a credit card when you check in so that purchases you make while staying at the hotel can be applied to your account. If you do not have a credit card, some hotels allow you to make a money order or cash deposit that is refunded if it is not used on services during your stay.
- **Small Businesses**—Occasionally you will encounter merchants, such as doctors' offices, that are not equipped to handle cash. Sometimes they don't have adequate funds in their cash drawers. It's wise to check the payment policy at these types of businesses when you make an appointment.
- **Buying Online**—You can buy just about anything from a computer with an Internet connection—even pay your bills and save that stamp—and it can be a way to save money. Without a credit card, you'll have to take an extra step. You can easily create a “PayPal account” (visit www.paypal.com), which allows people to make purchases online using funds taken directly from a bank checking or savings account. But be careful. Internet buying can also lead you into impulse buying.

Establish a Monthly Budget

One of the best ways to successfully live without credit is to establish a monthly budget and stick to it. If you are married, do this with your spouse. First, list all your sources of income. On a separate sheet of paper, write down all your bills and expenses (electricity, water, rent, food, insurance, gas, medicine, savings, etc.). Setting aside money in savings for emergencies is essential when you are trying to avoid using credit cards. Subtract the total expenses from the total income. The money left over (if any) is available to spend or for additional savings.

For purchases made at the grocery store, consider paying with cash instead of a check. It's easier to keep a tight rein on money when dealing with cash. People tend to be more careful about what they toss into the shopping cart when they're concerned about having enough money to pay at the register. Many people who pay with cash actually reduce their purchases at the grocery store instead of adding impulse items, which is common for those who pay with checks and credit cards.

Adopt an Attitude of Contentment

In our consumer-driven society, it's easy to get caught up in the lust for possessions. Don't allow yourself to think thoughts like, *If only I had a better car, better clothes, or a bigger apartment.* There will always be people richer than you. Comparing leads to discontent, greed, and jealousy. You can live a good and contented life without credit. These ideas will help you get started.

5 CHAPTER

Your First Year Out: Five Tips to Get on Track Financially

In this, the final chapter in our financial education series, we will discuss what you can do to get on the right course with your finances after your release. It's a fitting follow-up to our chapter on living without credit, but only a part of what needs to be a complete change of attitude toward money and finances.

An Amazing World Awaits You

When you are first released, you're likely going to feel a little overwhelmed by the changes in the world outside. Depending on how long you've been away, these changes can range anywhere from surprise that some of the businesses you used to visit are no longer around, to marvel at the wonders of online banking and Internet transactions. Because the world has changed so much, you also will face new and different financial challenges. The following five tips will help set you on a path that leads to financial security and peace of mind:

1. Keep the faith.

Offering some money (tithe) to your local church is an exercise in faith. It says you trust God to provide for all your needs, and it shows your thankfulness for the money in hand. The amount can be anything that requires faith. After that, pay yourself next. This means simply that you set aside a little money for your savings each time you get a paycheck. This is important no matter what other bills you may have to pay. You may not be able to save much money at first, but that's OK. The important thing is to make saving a habit. When you pay yourself first by saving, you build up a reserve that you can use in an emergency. You also

begin accumulating money you can use toward long-term goals and dreams—a home, a car, even a vacation. Plus, when you put a little money in a savings account you start earning interest, which helps your savings grow.

2. Set goals.

The best way to achieve anything is to write it down as a goal. Goals can be short-range (reachable within three months), medium-range (attainable within three months to a year), and long-range (achievable in over a year). After writing down your goal, break it into steps with completion dates. For example, let's say your goal is a construction job—a medium-range goal.

Sample Goal: "I will be hired by a construction contractor by Month 00, 20XX."

Steps toward reaching that goal might include:

- Meet with my probation officer and ask for tips on how to handle my prison record in my job search.

Accomplish by: Month 00, 20XX

- Ask my friends and family if they know anyone I could contact about a job in the construction business.

Accomplish by: Month 00, 20XX

- Talk to an employment counselor at job service about construction job openings in my area.

Accomplish by: Month 00, 20XX

- Visit construction company offices and ask to fill out an application.

Accomplish by: Month 00, 20XX

- Interview for a construction job.

Accomplish by: Month 00, 20XX

- Be hired for a construction job.

Accomplish by: Month 00, 20XX

3. Avoid people and places that make you desire products that you can't afford.

This is one of the most difficult to follow. Temptations will come to you through the TV, radio, and Internet. Former friends may want to tempt you to be involved

in activities you know you should avoid.

Prepare yourself daily by keeping biblical thoughts firmly planted in your mind. The apostle Paul wrote to the Philippians, "I have learned the secret of being content in any and every situation, whether well fed or hungry, whether living in plenty or in want. I can do everything through him who gives me strength."

4. Live simply. Do not owe anyone unnecessarily.

Take pleasure in ordinary things—a good day's work, a picnic with your family, a hobby—or whatever brings you satisfaction and solace. Part of living simply is the commitment to live within your means. Know the difference between "wants" and "needs." Buy what you need to live, such as food, shelter, clothing, and transportation. Don't get into debt for the "wants" list—a big screen TV, designer clothes, a fancy cellphone, a new car. A loan may be necessary for a house or a car, but not for a home theater system.

4. Adopt a new attitude toward money.

Money is a tool and nothing more. It is a means to an end, not a worthy goal in and of itself. Save money to build your security. Use it to buy food and shelter. Give it to help those in need, but don't allow yourself to love money, for that will lead to spiritual and social problems, including possibly another incarceration. Never make money more important than people or especially God.

You can live a good and contented life on the outside. Be the master of your money, not its slave, and you will be off to a strong start.

This information is meant to provide general financial information; it is not meant to substitute for, or to supercede, professional or legal advice.

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