

YOUR MONEY

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One of America's Oldest, most trusted Consumer Credit Counseling Agencies.

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Licensed by the Department of Financial Institutions and fully bonded

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When Duty Calls:

The Financial Impact on Military Families: Money Management Tips for Military Families Dealing with Deployment



Over the past two years, more than 150,000 troops have been deployed for service overseas. For the families left behind, dealing with the separation is never easy and juggling household finances is just one more source of family stress. However, with the right information, this task can be much less frightening.

The following are suggestions for military families to effectively manage their debt and credit concerns and to help ease the financial burden at home:

- If the family member leaving on deployment is the one who typically handles the bills and manages the household finances, be sure to go over these details prior to deployment. Discuss what bills need to be paid and by what dates to avoid late fees or negative marks on your credit report. Try setting up a automatic bill-pay service online to make the schedule easier to maintain. Start a file with all important financial documents, receipts, account numbers, financial and computer passwords, etc.
- Be sure the spouse or someone else left behind is authorized to make decisions on all financial accounts and has access to needed funds. If necessary, draw up a power of attorney to accommodate this. Be sure all insurance policies are complete and that the information is readily available for family members.
- Save, Save, Save. It is impossible to predict all emergency expenses that can come up during deployment, so it helps to have as much money stowed away as possible. Have an open conversation about the family's monthly budget. Consider what impact deployment will have on the family's cash flow and expenses, such as if babysitters will be needed to watch the children while the remaining Spouse works, etc. Next, consider what household expenses can be put on hold, cut back or eliminated, such as the deployed spouse's automobile insurance, mobile phone service, memberships, etc., and put that money into a savings account each month.
- Discuss how you will handle filing your taxes well in advance to avoid penalties for late filings. Extensions can be provided for active duty military, so be sure you understand how the procedures work.
- Live within your means. Avoid the temptation to throw big parties when a loved one is shipping off or coming home or extravagant gifts or activities for the kids to compensate for a parent being gone. You may need this money for a household emergency down the road. Focus on thoughtful and creative (and free!) ways to show your care instead.
- Avoid putting new expenses on credit cards. Consider this: A \$1,000 tab charged on your credit card at 17 percent interest will take you more than 17 years to pay off and cost an additional \$1,590.17 in interest if you only make the required minimum payment of 2.0 percent.
- Ask for help. Handling your family's financial situation alone can be a stressful experience, particularly if you are struggling with debt or poor credit ratings. Don't be embarrassed to seek the help of a professional credit counselor or financial advisor.

There is plenty of free and low-cost assistance available to get you started on the right foot.



Payday Loans = Costly Cash

"I just need enough cash to tide me over until payday."

"GET CASH UNTIL PAYDAY! . . . \$100 OR MORE . . . FAST!"

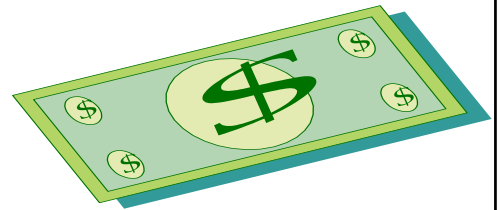
The ads are on the radio, television, the Internet, even in the mail. They refer to payday loans - which come at a very high price. Check cashers, finance companies and others are making small, short-term, high-rate loans that go by a variety of names: payday loans, cash advance loans, check advance loans, post-dated check loans or deferred deposit check loans.

Usually, a borrower writes a personal check payable to the lender for the amount he or she wishes to borrow plus a fee. The company gives the borrower the amount of the check minus the fee. Fees charged for payday loans are usually a percentage of the face value of the check or a fee charged per amount borrowed - say, for every \$50 or \$100 loaned. And, if you extend or "roll-over" the loan - say for another two weeks - you will pay the fees for each extension.



Under the Truth in Lending Act, the cost of payday loans - like other types of credit - must be disclosed. Among other information, you must receive, in writing, the finance charge (a dollar amount) and the annual percentage rate or APR (the cost of credit on a yearly basis). A cash advance loan secured by a personal check - such as a payday loan - is very expensive credit. Let's say you write a personal check for \$115 to borrow \$100 for up to 14 days. The check casher or payday lender agrees to hold the check until your next payday. At that time, depending on the particular plan, the lender deposits the check, you redeem the check by paying the \$115 in cash, or you roll-over the check by paying a fee to extend the loan for another two weeks. In this example, the cost of the initial loan is a \$15 finance charge and 391 percent APR. If you roll-over the loan three times, the finance charge would climb to \$60 to borrow \$100.

Alternatives to Payday Loans



There are other options. Consider the possibilities before choosing a payday loan:

- When you need credit, shop carefully. Compare offers. Look for the credit offer with the lowest APR - consider a small loan from your credit union or small loan company, an advance on pay from your employer, or a loan from family or friends. A cash advance on a credit card also may be a possibility, but it may have a higher interest rate than your other sources of funds: find out the terms before you decide. Also, a local community-based organization may make small business loans to individuals.
- Compare the APR and the finance charge (which includes loan fees, interest and other types of credit costs) of credit offers to get the lowest cost.
- Ask your creditors for more time to pay your bills. Find out what they will charge for that service - as a late charge, an additional finance charge or a higher interest rate.
- Make a realistic budget, and figure your monthly and daily expenditures. Avoid unnecessary purchases - even small daily items. Their costs add up. Also, build some savings - even small deposits can help - to avoid borrowing for emergencies, unexpected expenses or other items. For example, by putting the amount of the fee that would be paid on a typical \$300 payday loan in a savings account for six months, you would have extra dollars available. This can give you a buffer against financial emergencies.
- Find out if you have, or can get, overdraft protection on your checking account. If you are regularly using most or all of the funds in your account and if you make a mistake in your checking (or savings) account ledger or records, overdraft protection can help protect you from further credit problems. Find out the terms of overdraft protection.
- If you need help working out a debt repayment plan with creditors or developing a budget, contact your local consumer credit counseling service. There are non-profit groups in every state that offer credit guidance to consumers. These services are available at little or no cost. Also, check with your employer, credit union or housing authority for no- or low-cost credit counseling programs.
- If you decide you must use a payday loan, borrow only as much as you can afford to pay with your next paycheck and still have enough to make it to the next payday.