



money *in motion*





money
in motion

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**"As long as we have hope, we have direction,
the energy to move and the map to move by, we have a hundred alternatives,
a thousand paths, and an infinity of dreams." -Author Unknown**

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Chapter 1

The Key to Getting Ahead

Whether you are just starting out in life, barely keeping your head above water with your finances, or find yourself in a position of starting over, you may have wondered how some people seem to get ahead financially while others don't.

*Why does my co-worker Julie have a new house, and I don't?
Where does my neighbor Terry get the money to drive a new truck?
How can the Garcias afford to go on so many trips?*

Too often, people believe that if they only made more money, *then* they could have what they want. While everyone needs a certain amount of money to cover basic expenses, more income does not necessarily bring financial independence or success. Many people who earn generous incomes have too much debt, while others with modest incomes have little debt and are still able to get what they want.

The key to managing your finances is not based on complex rules or secret formulas. **You can successfully manage your money and get more of the things you want. What helps people get what they want? The answer is a budget.**

A budget-the key to financial success? Maybe that sounds too simple, or perhaps you can relate to one or more of the responses people often have to the word budget:

Budgets don't work.
Budgets are a model only, not real.
Budgets are only for people who don't have a good income.
Budgets are only for people who are in financial trouble.
Budgets-who needs one; I know what my expenses are.
Budgets are too much work.
Budgets mean you have to do without.

Despite the often negative feelings people have about budgets, they need not be something you dread, especially when you view them as a tool for helping you get what you want. Budgeting can become a rewarding process when you see a clear connection between creating a budget and reaching your goals. Not connected to your goals, however, budgets can seem to be a series of meaningless numbers on paper, not connected to you, or to your life.

In many of the budgeting books available on the market, you are instructed to create a complicated budget with a long list of expense categories. With the best of intentions, you follow the advice, but after a few months, you fail to stick to your plan and are left feeling

Chapter 2

Developing a Budget to Get What You Want

People who set goals get results, often achieving more than they ever thought possible. Perhaps you've heard stories about people who make modest incomes that somehow manage to retire comfortably and to travel extensively. Maybe this seems unrealistic when you find yourself constantly shelling out cash for life's unexpected expenses- like paying to have a cavity in your tooth filled, buying yet another pair of running shoes for your son or daughter, or replacing the transmission in the family car.

It seems that no matter what you do, something always comes up. **That's why setting goals is so important to helping you get what you desire-a plan can ensure that you have money for the things you want and need. And here's where a budget comes in.**

Because budgets and goals go hand in hand, you'll find some similarities between them. **Like goals, budgets should be flexible, changing with you as your life changes.** Anyone with a new baby, a teenager who has moved out, or a grown child who has moved back home understands how circumstances can affect the family budget.

In this way, your budget will also be personal. Throughout this chapter, you'll get advice and guidance to help you create a budget, but ultimately, you'll need to base it on your goals and your own situation.

Assessing the amount of money you'll need to reach your goals is the first step in the budgeting process. This means that you need to calculate your income, from any and all sources.

Your **gross income** is the amount of money you make per hour, multiplied by the number of hours you work before taxes are deducted. You pay taxes for services and programs such as education, transportation and roads, national defense, and much more. Typical tax deductions include income tax withholding, Social Security, Medicare, as well as state taxes.

Other deductions may also be taken away from your gross income. For example, if you are enrolled in your employer's health or dental plan, you may be required to pay the insurance premium or a portion of the premium. Your employer will typically deduct your contribution to a health or dental plan directly from your paycheck. Even if you must pay for the health insurance or a portion of it, it is usually cheaper

Chapter 3

Financial Tools to Help You

Getting what you want becomes easier when you have developed a detailed plan and when you know about and understand the various financial tools that are available to you.

You can pay for your monthly expenses in a variety of ways, including cash, money orders, checks, debit cards, and credit cards. Each form of payment comes with its advantages and disadvantages; knowing them will help you to determine which financial tools you will use.



Cash is quick, convenient, and works well for making small purchases. However, it isn't typically a good idea to use cash to pay larger bills unless you get a receipt and keep that receipt in a safe place. Carrying large amounts of cash can also be a liability—it's much safer to keep your money in a bank or credit union savings or checking account.

Money orders work well for those payments you do not want to make in cash and for which you want or need to maintain a receipt. Money orders aren't as convenient as other forms of payment because you must travel to a business that sells them and purchase one each time you need to pay for something. Money orders are most commonly purchased from grocery stores, post offices, banks, and credit unions. The cost for obtaining a money order can range in price anywhere from \$.50 to \$5.00 each, depending on where you purchase them and the amount of the money order.

Using a check or a debit card is probably the most convenient way to pay your monthly expenses. Debit cards are cards that automatically draw the payment out of your account and can be used at a variety of businesses. Checks can be easily sent in the mail with your bills. Since the passage of the Check Clearing for the 21st Century Act, commonly called Check 21, which became effective in October 2004, checks can be cleared immediately from your checking account. You cannot count on a few days delay when paying with a check, as funds may be immediately subtracted from your account. Your checks, debit card receipts, and statements provide proof if you ever need to verify that you made a payment.

Chapter 4

Credit Can Enhance Your Life

When used wisely, credit can enhance your life. It allows you to purchase things like a home, a car, and even finance a college education. However, when you use credit unwisely, your financial life can become stressful and difficult.

Credit is a financial tool that can help you get what you want. Financial tools themselves are neither good nor bad; they are just tools. How you use the tools available to you determines whether they will have a positive or negative affect on your life.

Credit comes in many forms: credit cards, charge cards, car loans, mortgage loans, home equity loans, personal loans, consolidation loans, student loans, and more. When you use credit, it becomes a debt. Anytime you use credit, you are relying on the fact that you will be able to pay the debt back in the future, regardless of what is happening in your life.

To purchase an item on credit means that to get the item now, you are willing to pay extra for it. This extra amount is called interest. The amount of interest you pay will be determined by the rate of interest, how the interest is calculated, and length of time interest is paid. You will also pay additional fees to use some loans and credit cards. The less interest and fewer fees you pay, the more money you have for things you need and want.

Whenever you use credit, you should calculate the true cost of an item, which will include all fees and interest you pay. It is not uncommon for people who make purchases using credit to spend two to three times more than if they were paying cash for the purchase.

The most common types of credit include revolving credit, installment credit, and service credit.

Revolving credit allows you to borrow up to a specific dollar amount. The monthly payment may vary as your balance changes. As you repay the credit, you will be able to borrow it again. Credit cards are revolving lines of credit.

Installment credit allows you to borrow a specific amount, for a specific period of time. The monthly payment usually remains the same. When you have repaid the amount, the loan is closed. Car and mortgage loans are considered installment credit.

Chapter 5

Your Credit Score- A Number to Know

While credit allows you the convenience of buying something now and paying for it later, you pay a premium, known as interest, in order to do this. **Just how much interest you will pay is determined largely by your credit score, a number that lenders use to assess your credit worthiness and to determine whether they will give you a loan and at what interest rate.**

When you go to a lender and ask for a loan by filling out a loan application, you authorize the lender to pull a copy of your credit report. **Your credit report is maintained by three national credit-reporting agencies-Experian, Equifax, and TransUnion-that compile and report a variety of information on you, including personal identifying information.**

Your credit report contains your full name, current and previous addresses, Social Security number, date of birth, and current and previous places of employment. It also includes information that is a matter of public record-bankruptcies, tax liens, and any judgments filed against you.

A list of creditors who have extended you credit, what you currently owe them, and whether you have paid your accounts on time will also appear on your credit report. Most banks, credit unions, finance companies, and mortgage lenders report information to the credit bureaus.

Anytime you apply for credit, an inquiry is made on your credit report. Lenders may view too many credit inquiries in a short period of time as a potential warning sign, and may ask you why you are applying for credit with so many other lenders. These types of inquiries, however, are different than what are known as soft inquiries. A soft inquiry will appear on your credit report when you receive an unsolicited credit card offer in the mail.

Thanks to the Fair and Accurate Credit Transaction Act, you can now get a free copy of your credit report every year. You can go to www.annualcreditreport.com, call 1-877-322- 8228, or request one by mail by writing to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. If you request a credit report by mail, you must include a form with your request. The form is available for download at the Federal Trade Commission's website at www.ftc.gov/credit.

Chapter 6

What You Need to Know About Contracts

It seems that everywhere you go these days, someone wants you to sign on the bottom line. Whether you want to open a checking account, get a cell phone, rent an apartment, order cable television, get a credit card, join a gym, purchase furniture, or buy insurance, you are typically required to sign a contract to get what you want. But is it really that easy, just signing on the dotted line to get what you want? Are all contracts basically the same? What do you do if the salesperson doesn't give you time to read the fine print and urges you to sign right there on the spot? If you are required to sign the contract to get the product or service, do you really need to read the fine print?

Because you are so often required to sign documents, it can be easy to take the word of whomever you are dealing with, especially when contracts are packed full of fine print and legal language. **You can avoid a lot of future headaches, however, if you take the time to read all the fine print before you agree to the terms set out in any contract.** After reading the contract in its entirety and asking any questions you might have, you can decide whether you can live with the terms and if you still want the product or service.

Rental agreements or leases are just one of many contracts you may be asked to sign. Even if you never sign one yourself, chances are you'll have someone close to you who will. Knowing what to expect when it comes to leases can better prepare you, or someone you know, when it comes time to sign on the dotted line.

Leases vary in length and content, but most will outline the amount of rent due each month and how much of a security deposit you are required to pay to cover any damages to the apartment or house. It will also list to whom you should make your rent payment, when it's due, and the penalty for making a late rent payment. Information on who can live in the apartment, what should happen if you break your rental agreement, and what utilities you are responsible for paying may also be in the lease you sign. Some rental agreements have information on pet policies, the terms for notifying the landlord when you intend to move out, and subletting.

As with all contracts, you should read a lease agreement carefully.

Chapter 7

Consumer Laws to Protect You

As a consumer, you should remember the old rule that if something sounds too good to be true, it probably is. Anytime someone wants to sell you something without giving you time to think about it or won't provide the details in writing, steer clear—this is an opportunity you *do* want to pass up. In fact, to protect yourself, you should steer clear of anything that sounds at all questionable.

Fraudulent companies use a variety of ways, including the promise of a prize in exchange for sensitive financial information, to get you to part with your money. You must be on guard and ask questions to keep your financial information safe. Fortunately, Maria did just that.

Maria received a card in the mail announcing that she was the lucky winner of a cruise. To claim her prize, she simply needed to call the number provided. Maria excitedly dialed the number and was



connected to a representative who congratulated her on winning the grand prize cruise and then went on to describe all that she would enjoy on her trip. Maria was ready to set sail, until the representative asked her for a credit card number to hold her reservation.

Maria paused for a moment and asked why it was necessary to give her credit card number if the trip were indeed free. Not satisfied with the answer she was given, Maria refused to give her credit card number and asked that the information detailing her trip be sent to her in the mail. It never arrived.

Maria wisely recognized that if the cruise had been a legitimate prize, she would not have been required to provide her credit card number. Any time a business you are unfamiliar with wants your credit card number or asks for an upfront payment for goods or services, you should get the offer in writing.

Duane and Lina lived in a community hard hit by a tornado, leaving them and many of their neighbors with serious damage to their homes. Because so many homes were in need of repair, the

Chapter 8

What to Do When Things Go Wrong

Even with the best-laid plans and intentions, you can experience financial problems. Perhaps you, or someone close to you, has been laid off from a job, is undergoing expensive medical treatment, had a marriage or relationship end, or closed a business. These issues, as well as many others, can lead to financial problems.

What are some of the warning signs that you are headed for serious financial trouble?

- Your credit card balances are growing each month.
- You are taking cash advances on one credit card to pay another.
- You are getting calls or letters notifying you that your payments are past due.
- You are hiding the mail or have stopped opening your statements because you fear the balances on them.

What should you do if you find yourself in any of these situations? **You first need to face the situation head on, so that you can determine the underlying cause of the problem.** A rising credit card balance is not the real problem, though it is a symptom of one.



The causes of financial problems come in many forms. Perhaps you've experienced a layoff, are going through a divorce, or you have incurred serious medical expenses. You might have had to take an unplanned early retirement. Perhaps someone in your household is dealing with an alcohol, drug or gambling problem, or a shopping addiction. A death in the family can cause financial hardship. Perhaps your home or family was affected by a natural disaster. Maybe you co-signed a loan for someone, or you are helping your adult children, even though you're putting your own financial well-being at risk. If you are spending more money than you are bringing in, you need to determine the root cause.

It can be difficult to think about the root of your financial