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mail:
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

fax:
(833) 256-1665 or (202) 690-7442;

email:
program.intake@usda.gov.

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1400 Independence Avenue, SW
Washington, D.C. 20250-9410; o'

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correo electrónico:
program.intake@usda.gov.

Esta institución ofrece igualdad de oportunidades.



**GET READY,
GET SET,
GET GOING:**

A GUIDE TO MONEY MANAGEMENT

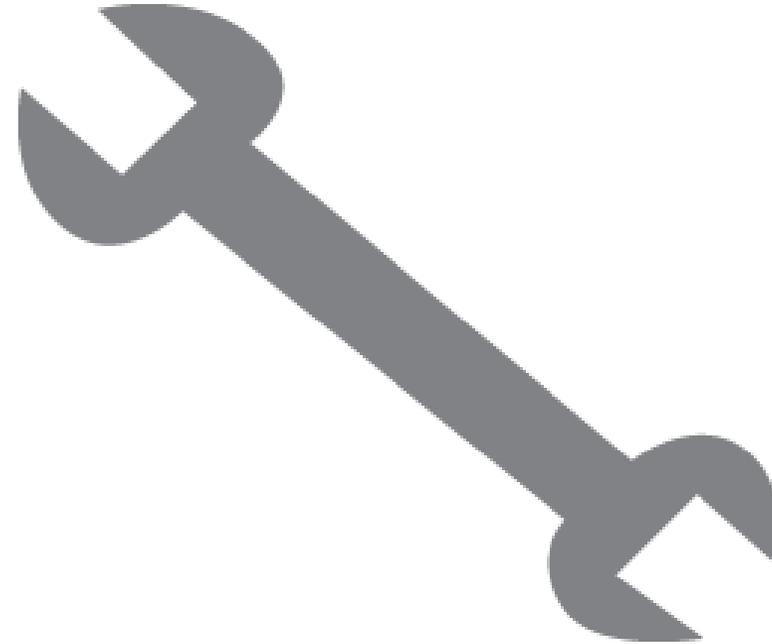
Session 12

Controlling Debt

Facilitator Name & Position
Agency Name

MICHIGAN STATE
UNIVERSITY | Extension

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Our Mission



Helping people to improve their lives through an educational process that applies knowledge to critical issues, needs and opportunities.



MSU Extension



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Reminders

- Sign in each week
- Attend all classes to receive a certificate of completion

GET **READY**, GET **SET**, GET **GOING**.



Ground Rules

**Is there anything
you wish to add?**

GET READY, GET SET, GET GOING.

Participate and contribute.

Be respectful.

Be responsible.

Be open.

Be flexible.

Help us stay on time.

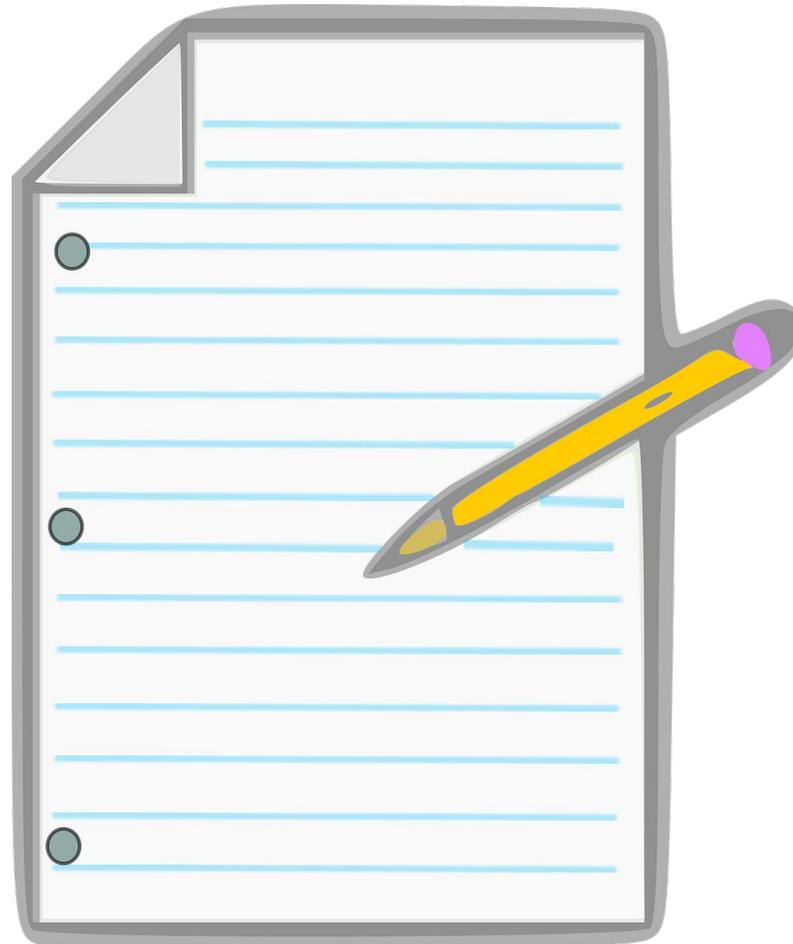
Have fun.

Keep the end in mind.

Turn off cell phones.

GET **READY**, GET **SET**, GET **GOING**.

Handouts



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Money Management Sessions

- Week 1 – What’s My Future
- Week 2 – Making Good Money Decisions
- Week 3 – Organizing and Keeping Records
- Week 4 – Planning to Save
- Week 5 – Saving for the Future
- Week 6 – Making a Spending Plan
- Week 7 – Managing a Spending Plan

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Money Management Sessions

- Week 8 – Protecting My Money
- Week 9 – Income and Taxes
- Week 10 – Paying Bills
- Week 11 – Understanding Your Credit
- **Week 12 – Controlling Debt**

My Plan Check-in

Pull and review your credit report.
Anything to dispute?

Identify how I will build my credit score.

Decide how much credit I can afford.

Write a SMART goal based on your findings



GET **READY**, GET **SET**, GET **GOING**.

Objectives

- Demonstrate knowledge of ways to prioritize payment of bills.
- Identify two ways to develop a debt repayment plan.
- Identify options for working on credit problems.

GET **READY**, GET **SET**, GET **GOING**.

Credit versus Debt

- Confirm debts: where you are now?



Activity 1

Handling Disappointments and Frustrations

Feelings & Actions

- Child

- Teen

- Adult

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Handling Disappointments or Frustrations

People react differently to situations. How do people of different ages handle disappointment or frustration? Example — what if “you can’t have it or do it, but you want to.”



Feelings

Actions



Child



Teen



Adult

Activity 2

GET **READY**, GET **SET**, GET **GOING**.

How Much Do I Owe?

Auto loan Back child support Credit card debt Friends and family Medical debt Mortgage or past-due rent Past-due fees and fines Payday loan Student loan

| Debt | Payment due this month | Payment is up to date? | Total amount left to pay | Interest rate (if any) | Payoff date or goal |
|-----------------------------------|------------------------|------------------------|--------------------------|------------------------|---------------------|
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| | \$ | | \$ | % | |
| Total monthly debt payment | \$ 0.00 | | | | |

GET **READY**, GET **SET**, GET **GOING**.

Activity 3

How Much Credit Can I Afford?

Debt to Net Income Ratio

Monthly Debt Payments / Net Income

= Debt-to-Net Income Ratio

- **20% or more is too high**
- **15% or less is ideal**



GET **READY**, GET **SET**, GET **GOING**.

Activity 3

Debt-to-Income Ratio Math

Lenders use your debt-to-income ratio when considering your loan application.

CALCULATE YOUR DEBT-TO-INCOME RATIO

| | |
|---|---|
| Your total monthly debt payment includes credit card, student, auto, and other loan payments, as well as court-ordered fixed payments, like child support | |
| Divide by your gross monthly income which is all of your income before taxes and insurance | ÷ |
| Multiply by 100 to calculate your current debt-to-income ratio | % |

GET **READY**, GET **SET**, GET **GOING**.

Activity 4

Prioritize Your Bills

- Which bill(s) should I pay first?
- Consequences



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Methods to Pay Down Debt

- Debt Snowball
- Highest Interest Rates
- Power Payments

www.powerpay.org



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Dealing with Debt Collectors

- Ask name of caller
- Remain calm
- Dispute debts in writing



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How do you talk to creditors?



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Activity 5 Communication Worksheet

On the Path Communication Worksheet

Complete one worksheet for each past due bill.

Date: _____ Account Number: _____

Name of company: _____

Address: _____

Phone number: _____ Person I talked to: _____

Amount of past due bill: _____ Problem: _____

What I want?

What I need to know.

What questions do I need to ask?

Action to be taken:

By Me

By Them

Do we need to meet or talk again?



Debt Action Plan

GET **READY**, GET **SET**, GET **GOING**.



Start reducing your debt by making a **Debt action plan**

1. Review the pros and cons of each strategy for paying down debt.
2. List your top three debts, sorted based on the strategy you chose—either by smallest total dollar amount or highest interest rate.



| | PAY SMALLEST DEBT FIRST  | PAY HIGHEST INTEREST RATE FIRST  |
|-------------|--|--|
| Description | After you've made all your minimum payments, increase your payment on the smallest debt. After it's paid off, add that extra amount to your minimum payment on the next smallest debt. | After you've made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it's paid off, add that extra amount to your minimum payment on the next highest-rate debt. |
| Pro | If you have many small debts, you might see progress quickly by reducing the number of debts you owe. | By paying off the debts that charge you the highest interest and fees first, you save money overall. |
| Con | If the interest rate and fees are high on your larger debts and you pay the smaller ones first, you might pay more in total over the length of the debt. | You might not feel like you're making progress very quickly, especially if the first debt is large. |
| | I'll pay down the smallest debt first, in this order: | I'll pay down the debt with the highest interest rate first, in this order: |

GET **READY**, GET **SET**, GET **GOING**.

Discussion Questions





Managing a Spending Plan

- Set Goals
- Plan Spending
- Save Money
- Spend Wisely
- Organize and Keep Records
- Help Family



Activity 6

Your Future: What Does It Look Like?

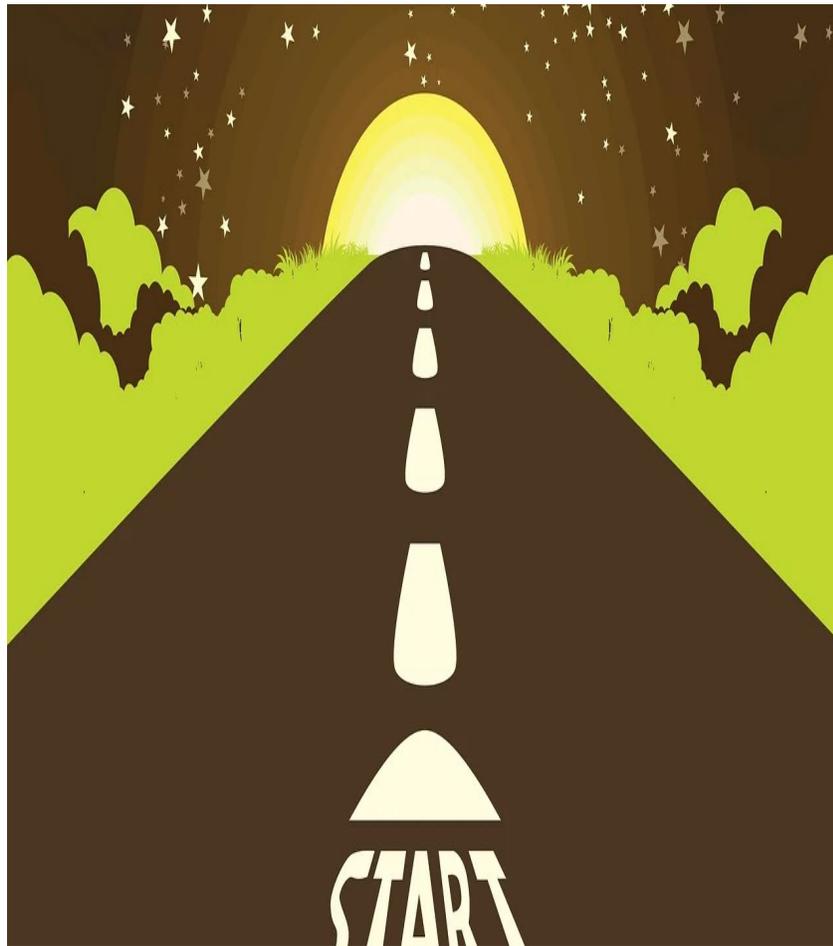
GET **READY**, GET **SET**, GET **GOING**.

What really matters to you?
What goals do you have?



Ready for Change?

GET **READY**, GET **SET**, GET **GOING**.



Make a plan for **Putting goals into action**

1. Pick a SMART goal that you want to achieve and break it up into steps.
2. Write down each step, the resources you'll need to achieve it, and the due date for completing it.
3. Pick a friend or family member to tell about your goal and check in with them on a regular basis. This will help you keep yourself accountable.

Select a SMART goal you want to achieve.

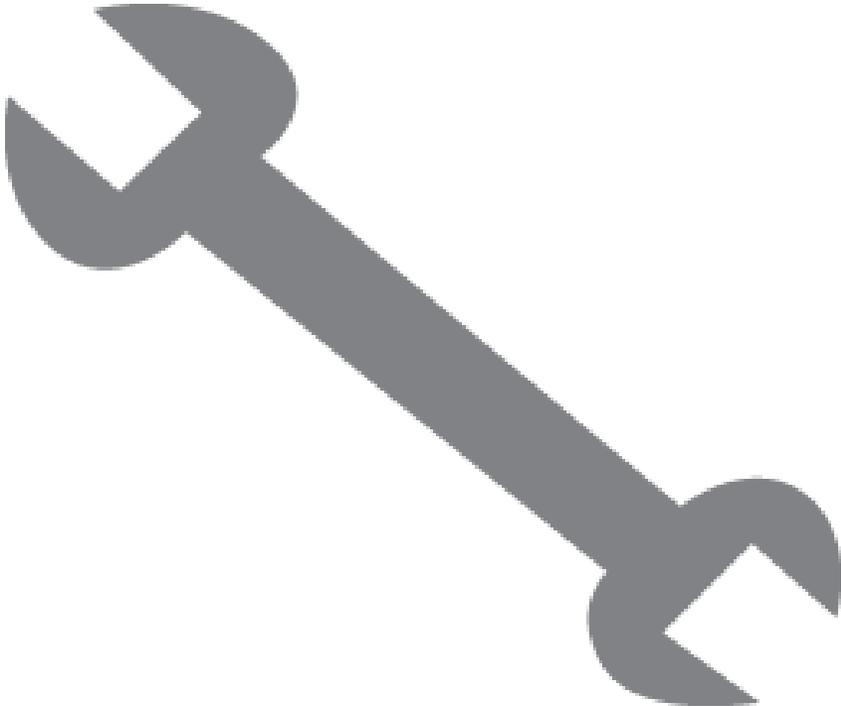
My SMART goal is...

Make an action plan for your SMART goal.

| Steps List one specific step in each box for achieving your goal | Resources I need This can be things like tools, information, transportation, assistance, or money | Date to complete step | Who will I check in with? And how often will I check in? |
|---|--|-----------------------|---|
| 1. | | | |
| 2. | | | |

GET **READY**, GET **SET**, GET **GOING**.

Wrap-Up

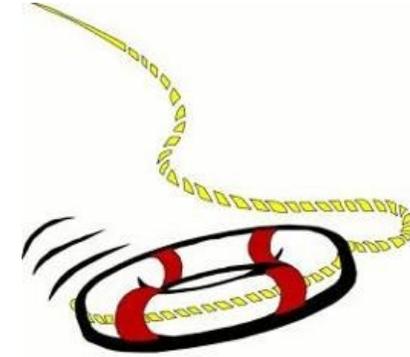




My Plan

aka...assignment

1. Fill out Debt Log
2. Compute your Debt-to-Income Ratio
3. Decide your bill paying priorities
4. Write a SMART goal based on your findings



GET **READY**, GET **SET**, GET **GOING**.

SMART Goals – Ask Yourself...

| | | | | |
|---|--|---|---|---|
|  S |  M |  A |  R |  T |
| Specific | Measurable | Action Oriented | Realistic | Timed |
|  |  |  |  |  |
| A specific goal is one that is clearly defined. | Quantify your goal. | Take action. | Be realistic. | Consider your time frame. |

If you answer any with no, you have more work to do!

Forms & Forms

GET **READY**, GET **SET**, GET **GOING**.

Date:

Participant ID:

Given what I know now, what are the chances I will: (Mark one response for each statement with an "X.")

| | Very Unlikely | Unlikely | Not Sure | Likely | Very Likely |
|--|---------------|----------|----------|--------|-------------|
| Set money goals | | | | | |
| Spend money on needs before wants | | | | | |
| Use a file system for important financial papers | | | | | |
| Start or keep an emergency fund | | | | | |
| Make choices today for my future | | | | | |
| Make a plan for spending | | | | | |
| Track my spending | | | | | |
| Choose a way to manage my money | | | | | |
| Pay all bills on time each month | | | | | |
| Keep my personal information in a safe place | | | | | |
| Increase my income | | | | | |
| Know what to do if I am a victim of consumer fraud | | | | | |
| Select a bank or credit union for my money | | | | | |
| Balance my checkbook | | | | | |
| Track my credit use each month | | | | | |
| Review my credit reports | | | | | |
| Choose lower cost credit | | | | | |
| Set a debt reduction goal | | | | | |
| Pay at least the minimum on all debts | | | | | |
| Set up a debt repayment plan | | | | | |

Please tell us about any changes in your financial life:



Congratulations!



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Acknowledgments

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