

Special Advertising Feature

## Tax Relief Could Spell Relief for Consumers Carrying Credit Card Debt

by Lori Z. Bahnmueller

Have any plans for your tax rebate?

Intuit Inc., the Mountain View, Calif., company that created Quicken TurboTax software, said its online survey that drew more than 2,100 responses found that a lot of Americans have debt on their minds. Some 46 percent said they'll use their rebate checks to pay bills. Still, 18 percent said they'd save the money, 7 percent planned to buy stock and 6 percent said they'd add it to their retirement funds.

It's no wonder consumers are thinking about debt. According to the Federal Reserve Board, consumer credit debt hit an all-time record \$1.69 trillion in May. That figure, which includes credit card debt and car loans but excludes mortgages, comes out to about \$14,500 per household.

Many taxpayers have balked at the relatively small size of the rebate checks, up to \$500 for individual tax filers and \$800 for joint filers. Still when you're mired in revolving debt, you've got to start somewhere. Why not think of that rebate check as the foundation for a stronger, more stable financial future?

The key for today is to get out of debt. Begin by calculating your debt load, listing revolving credit from the highest interest rate to the lowest. This is your priority list. If you're overwhelmed, don't give up. There are non-profit organizations available to assist. Start by contacting the local Credit Counseling Centers Inc., www.debtreliefnow.org. Don't be confused by the numerous fee-based debt management agencies swimming in the phonebook. You should be able to get started on the road to financial recovery without paying a fee.

The following 10 tips are by no means a map to your future personal financial success, but they're a good place to start.

#1 - Understand that credit is not more money. If your credit card has a \$5,000 limit, you don't have \$5,000. You only have the right to rent \$5,000 and you'll pay a very high price for that right.

#2 - If you're going to use a credit card, make sure it doesn't have a high interest rate. With a little shopping around you ought to be able to find a card at 12.9 percent or below. Credit unions have traditionally had better rates than other lenders. The phone is the fastest way to comparison shop.

#3 - Stop using credit. People find it easier to spend when they pull that plastic out of their wallet but in the long run, it's cheaper to pay cash. If you can't control your

credit card spending, cut your cards up and throw them away. If you crave the convenience try a debit card. It offers all the immediate access of a credit card along with immediate reduction of your checking account.

#4 - Sit down and make a list of your debts. Include how much you owe and what rate of interest you are being charged on each debt. Pay off the one with the most expensive interest rate first, not necessarily the largest amount owed. Update the list each month and total the amount owed to make sure that it is getting smaller each month.

#5 - Establish a savings plan. You should have both short-term and long-term savings goals. The short term is for things like insurance, auto repairs, holiday gifts and other regular, predictable costs. The long-term is for house down payments, kids' college and retirement. Keep the two funds separate and set a specific amount to go into each fund out of every paycheck.

#6 - Save first. Don't try to save out of whatever money is left over after other bills have been paid. There won't be any. You have probably already been living beyond your means but credit has disguised it. Making your savings payments first forces you to see what you really have to live on.

#7 - Carry a little notebook around with you for one month and write down everything you spend. Everything from the home mortgage payment to the 45¢ pack of gum. Small things can add up. Even a low-cost \$5 lunch each working day will cost \$1,250 over a year. You can't start trimming costs until you actually know what you're spending.

#8 - Based on your savings goals and the spending patterns you've tracked, establish a spending plan. Then follow it. The plan doesn't have to be brilliant, it just has to be followed. You don't have to be a rocket scientist to design a budget, you just need the will to follow it.

#9 - Involve your family in your budget planning. A successful budget isn't imposed from above, it emerges from consensus. If everyone in the family doesn't feel their interests have been considered, they won't be motivated to make the spending plan a success.

#10 - Compare fees and services at various financial institutions. For example, credit unions typically offer lower fees on everything from checking accounts to credit and debit cards. Credit unions also generally offer higher interest rates on savings accounts.

## CATCH OUR SPIRIT

INTERNATIONAL CREDIT UNION DAY

### Save Up to \$200 a Year in Bank Fees

By becoming more informed about what's in the fine print of your fee statements, you could save \$100 to \$200 each year.

Here are some tips from the Consumer Federation of America and the Credit Union National Association:

#### Checking Fees

To reduce checking fees, seek a "totally free" checking account - with no per-check fees, no minimum balance fees, no overdraft fees. You can find totally free checking at 70 percent of credit unions and 13 percent of banks.

Select an account with a balance requirement you can meet. "Average" balances are easier to maintain than "minimum" balances. Dipping below the minimum at any time during the course of a month will trigger monthly fees and often per-transaction fees.

And finally, set up overdraft protection on your checking account, to give yourself an automatic credit advance if your balance drops below the required level.

#### Credit Card Fees

To reduce credit card fees, make at least the minimum payment as quickly as possible after receiving your monthly statement. Grace periods are shrinking - and if you're carrying an outstanding balance, you have no grace period.

To help ensure each payment is processed on time, set up an auto-transfer so your checking account automatically pays your minimum credit card payment each month. But also make sure to send in a check to pay off as much of the balance as possible to avoid high interest charges.

If you're charged a fee after making payment promptly, call and complain. If the fee is not waived, change cards.

**Banks vs. Credit Unions**  
Credit unions charge lower fees than banks on checking accounts and credit cards. For example,

\* For minimum balances, the average credit union requires \$446 to avoid a monthly fee; banks require \$537.

\* For interest checking, the average credit union charges \$2.05; banks average \$7.42.

\* For regular checking, the average credit union charges \$4.26; banks average \$6.72.

\* For late credit payments, the average credit union charges \$7.88; banks average \$27.45.

"Credit unions are not-for-profit consumer cooperatives," explains Stephen Brobeck, executive director of the Consumer Federation of America.

For further information about credit unions and to locate a credit union near you, visit [www.mcul.org](http://www.mcul.org).

## Catch Our Spirit on International Credit Union Day

October 18, 2001 will mark the 53rd year credit unions have set aside the third Thursday in October to celebrate International Credit Union Day. It's a time for credit union professionals, volunteers and the more than 100 million members worldwide to reflect upon the history and philosophy of the credit union movement and its contribution to the financial services industry.

The credit union idea is a simple one: People should be able to pool their money and make loans to each other. It's an idea that evolved from cooperative activities in 19th century Europe.

Since that time, the idea's guiding principles have remained the same: (1) Only people who are credit union members should borrow there; (2) loans are made for "prudent and productive" purposes; (3) a person's desire to repay (character) is considered more important than the ability (income) to repay. Members are, after all, borrowing their own money and that of their friends. These principles still govern most of the world's credit unions.

As the 20th century began, the

credit union idea surfaced in Canada. Canada's successful efforts profoundly influenced two Americans: Pierre Jay, the Massachusetts banking commissioner, and Edward A. Filene, a Boston merchant.

The twins men helped organize public hearings on credit union legislation in Massachusetts, leading to passage of the first state credit union act in 1909.

Today, more than 100 million people - over 4 million in Michigan - belong to 37,759 credit unions around the world. Member service is the foundation of the credit union movement. Whether a credit union is providing a loan to help a member whose company closed its doors, or simply offering a better deal on a used car loan, the credit union is making a difference for its members and the community as a whole.

"This International Credit Union Day, we are excited to witness how many people have caught our spirit," said Robert Huston, chairman of the Michigan Credit Union League Board of Directors, which represents more than 80 percent of the state's credit unions.

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