

MONEY SENSE

Genesis
FINANCIAL MANAGEMENT INC.

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NEW BEGINNINGS, DEBT FREE

Changing The Rules For Minimum Payments

Many credit card users used to paying only the minimum balance on their credit cards are soon going to be in for a rude awakening. Most of the major credit card issuers are set to begin raising the minimum payment required on credit cards. They're doing it to comply with new rules from the Comptroller of the Currency, or OCC, who was concerned that when credit card minimums were set too low, consumers' payments were barely covering the interest and fees on cards and not making a dent in the actual balances. By the end of this year, the credit industry will have made it impossible for a consumer to use a card for a purchase and extend the payments to the point where the principal is never paid off.

So the question is "how does this affect the average consumer?" If you were carrying a \$2000 balance on a card at 13% interest, making a 2.5% minimum payment of \$50, it would take you 14 years to pay that balance off (assuming no other purchases are made). Using the national average of \$10,000 in credit card debt, and applying the same multipliers, it would take the consumer 23 years to pay off the debt and they would have paid over \$7400 in interest. Using the new guidelines, the consumer's monthly payment would increase from \$250 to \$400, but the repayment time would drop to 13 years with \$3600 in interest being paid.

If you are currently paying your creditors through a debt manage-

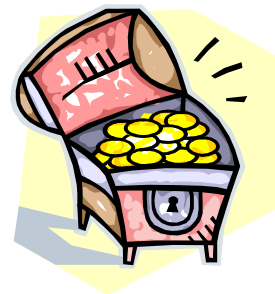
ment plan, don't fear; your payments will remain the same and will not be affected by this policy change.

However, consumers not on debt management plans or who haven't included all of their creditors in a plan and who are making only the monthly minimums now should stop and take a serious look at their spending habits, and if they haven't done so already, create a budget. Make sure your expenses are more in line with your expected income. With the new bankruptcy reform act coming in October, it will be more difficult for families that make more than median income in their states to have most of their debts erased through bankruptcy.

Article contributed by Mark Conner

Dollar \$aver\$: Household

- **Recycle.** Use old towels as car-washing rags and old socks as dusters
- **Use shaving cream as an upholstery cleaner.** It's usually cheaper than products made specifically for this purpose
- **Save receipts, warranties and owners manuals.** These records could help you get an appliance repaired at no charge.
- **Store partially full cans of paint upside down.** The paint will form an air-tight seal, extending the useful life
- **Buy unfinished furniture and learn to finish it yourself.** Purchase the supplies at a discount hardware store.
- **Buy sheets on sale, instead of yards of fabric.** They are usually cheaper and are perfect for making curtains, tablecloths, napkins and crafts.



Payment Address

Genesis Financial Management
P.O Box 758602
Baltimore, MD 21275-8602

Are you using this address?

As of July 1, our previous address is no longer in service. This is the only address to which Money Order payments should be made to ensure timely processing on your account.



Credit Fact:

Have you ever wondered how a credit score is calculated? Credit bureaus say they consider the following factors as part of their formula:

How you pay your bills (35%)
Amount you owe and amount of available credit (30%)
Length of credit history (15%)
Mix of credit (10%)
New credit applications (10%)

Credit cards can be a beneficial tool when you have a plan for using them and making payments. But always proceed with caution.

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Money Smart Topic of the Month: The Latte Factor

Have you ever heard about the power of the Latte Factor®? Chances are you have heard about the importance of “paying yourself first” and of incorporating savings into your budget every month, but many times we hear people say that they can’t save because they can’t find the money to do so. If you feel like that, we’d like you to consider the Latte Factor®.

The Latte Factor® (a term coined by David Bach, author of “The Automatic Millionaire,” and “Smart Women Finish Rich”) is

based on the simple idea that all you need to do to save money and ultimately build wealth is to focus on the small things you spend money on every day and see if you can redirect that money to yourself. Putting aside as little as a few dollars a day— or week— towards the future instead of spending them on little things like fancy coffees, bottled water, magazines, fast food, cigarettes, etc. can really make a difference between having a healthy savings cushion and living paycheck to paycheck.

As an example, consider this :

Typical fast food meal= \$6
 X 5 meals a week= \$30
 X 52 weeks a year= \$1560 saved.

And that’s just money in the bank. By investing all or a portion of this \$1560 into an account that earned interest, over time you could build a significant nest egg.

So start today. Track your spending and identify what your Latte Factor® is and then make a choice to “pay yourself first.” The results will be very rewarding!

Give Yourself Some Credit! Good Credit

Have you sworn off credit cards? If so, you’re not alone. They can be a very expensive way to use money and can all too easily result in debt trouble. However, they can have advantages, too, and we believe in offering a balanced perspective on them.

A credit card can be a very useful tool if used appropriately and within the limits of a household’s budget. They can:

- Allow you to take out an “interest free” loan provided your card has a grace period and you have a plan to pay the balance in full within one billing cycle
- Come in handy when renting cars, reserving hotel rooms, etc.
- Protect you, under the Fair Credit Billing Act, when you need to dispute a charge (i.e. for damaged merchandise

or goods you never received)

- Protect you when your card is lost or stolen (your liability is limited to \$50 of unauthorized charges in most cases)
 - Help you rebuild a positive credit history
- If you decide you want to test the waters of credit again, ask one of our counselors for tips and ideas about the best way to get started.

Please Note: Have You Taken Advantage of MBS?

Genesis offers all of its debt management plan participants the opportunity to take advantage of our Member Benefits Service.

Member Benefits (MBS) can help you save money on everyday purchases—like groceries, eyeglasses and medications- and it can help you enjoy restaurant meals,

traveling and going to the movies without breaking your budget by offering you great discounts and coupons.

Even more importantly, MBS includes unemployment insurance that can cover your creditor payments for up to \$400 for 3 months in the event of qualified unemployment, so you

don’t lose ground in your quest to be debt-free. And it includes \$10,000 in accidental death insurance.

MBS only costs \$10 per month and can easily save you much more than that. If you’re interested, ask your counselor how you can add MBS to your debt management plan.

Visit Us On The Web At: www.genesisfinancialmanagement.com