



## Financial To-Do List to Help the Unemployed

While there are indications of the economy starting to make a comeback, there are still many people out of work in the New Year who may need direction and help with prioritizing their financial to-do list. Accel has put together a list for those who find themselves unemployed.

- 1. Build your budget.** The first step is to build your budget. As simple as it sounds, it is imperative that you sit down and list what income is coming into the household, be it from a spouse, severance pay, or unemployment.
- 2. Focus on your priority expenses.** List food, shelter, transportation costs (car payment, gas, bus fare, etc.), utilities, and secured loans (boat, camper, etc.). Pay these first and foremost.
- 3. Subtract all non-necessities.** These are expenses that you can live without for the time being, such as premium TV channels, Internet, second phone, etc.
- 4. Determine what expenses can be eliminated.** Have a family meeting. Make sure everyone understands that expenses need to be reduced until a new job is secured. Cut TV down to basic. Go to cell phone only and eliminate the landline. Pack school lunches. Sell the boat if you can live without it. This is not a “one size fits all” as each family has unique needs and wants.
- 5. Determine how much you have in savings.** Determine the monthly shortfall in your budget. If you have \$3,000 in a savings account and your budget is short \$250 per month, your savings will run out in 12 months.
- 6. Prepare your income taxes right away.** Take advantage of your time off and determine if you are entitled to a



refund. The sooner you file, the sooner you will have your refund check.

- 7. Call your secured loan companies.** These are your car, camper or boat loans. Tell them you lost your job and ask if they will allow you to put two months of payments at the back of the loan. Often they will charge the interest only or charge a small fee to do so.
- 8. Meet with a free HUD certified housing counselor** to help you contact your mortgage servicer to see if you can make a smaller monthly payment, until a new job is secured.
- 9. Call your student loan servicers** and explain that you have lost your job. They may offer to defer up to six months of payments as a hardship forbearance.
- 10. Determine how much you can afford to pay on your credit cards.** How much does your budget allow you to pay on your credit cards each month?
- 11. Contact your credit card companies.** Tell them you lost your job and ask if they will reduce the interest or lower the monthly payment. Be careful you do not commit to an amount you cannot afford.
- 12. Dip into retirement only as a last resort.** This is your financial future and times may be even tougher when it is time to retire.

## Using Your Tax Refund to Pay Down Credit Card Debt

Will you receive a tax refund this year? If so, would you consider putting the money in a savings account that guaranteed earnings of about 50 percent over two to three years?

Those are exactly the kinds of returns you could potentially enjoy by using your tax refund to make additional payments on your credit cards. Even if you are on a debt management program (DMP), the savings can be significant. The exact figures vary based on debt amount, interest rate and time on the program.

For example, let's say you have three years of DMP payments remaining on a credit card with a \$5,000 balance and a 15 percent interest rate. If you make a one-time payment of \$1,000 and then continue to make your regular DMP payment, the impact may surprise you. The account would be paid off about eight months sooner than expected, and you would avoid paying about \$493 in interest. In this example, you would have turned your \$1,000 into nearly \$1,500 in 28 months!

"Don't underestimate the power of compound interest," said Rus Halsey, Accel's director of counseling operations. "People like to buy things with tax refunds, but it's smart to pay down your debt as quickly as possible. The sooner you pay off the debt, the sooner you stop paying interest."

When the debt is finally paid off, you will not be paying any interest and will have more money to spend each month on whatever you want. At that point, the additional disposable income will be like getting a pay raise.

If you have some extra cash for your credit cards, you'll need to decide which account should receive the funds. In general, consider the accounts with the highest interest rates or the smallest balances. Depending on your specific circumstances, it may make more sense for you to use the refund for other purposes such as building emergency savings or paying another bill that is not on the DMP.

If you are on a debt management plan, consult your Accel counselor or account maintenance coordinator. They can review your situation and help you decide the best way to use the extra cash.

Balance	1-Time Payment	Remaining Balance	Interest Rate (APR)	Monthly Payment	Remaining Months to Pay Off	Interest Paid	Total Paid	Savings
\$5,000	None	\$5,000	15%	\$173	36	\$1,243	\$6,243	\$0
\$5,000	\$1,000	\$4,000	15%	\$173	28	\$750	\$5,750	\$493

## Happy Returns: Tips for Saving Money at Tax Time

Accel offers the following tips to keep in mind as you prepare to file your taxes:

**Avoid tax refund anticipations loans.** Although it may be tempting to get your refund early, interest rates on these types of loans typically equate to annual percentage rates of between 50 and 500 percent. These loans are also unnecessary. If you file electronically, you can expect your tax refund direct deposited into your checking or savings account within about 10 days.

**Watch out for tax-related frauds.** For example, be wary of e-mails claiming to come from the IRS. Even though they may

have the IRS logo, these fraudulent e-mails will try to trick recipients into revealing personal or financial information, such as checking or savings account and routing numbers.

**Look for programs offering free tax help.** Taxpayers eligible for the Earned Income Tax Credit can seek free tax preparation at their local tax assistance site. Visit [www.irs.gov](http://www.irs.gov) and type in EITC to learn more and find locations nationwide. Another IRS program, Free File, allows taxpayers who earn \$58,000 or less to file their federal taxes for free through the IRS Web site.

As a member of First Energy Family Credit Union, you can take advantage of the *Accel* program, a free financial education and counseling program. To use this service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at [www.accelservices.org](http://www.accelservices.org).

