

Natural Disaster Financial Toolkit



Piecing your life back together? Trying to help a loved one? Lucky so far but concerned?

Few things can wreak havoc on your finances like a natural disaster, but financial stability is within reach.

Prepare for or recover from the financial impact of a catastrophe with these resources.



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After the Fact

Take a deep breath. You may be facing a variety of financial concerns, but these materials can help you plan your next moves and get on the road to recovery.

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Just in Case

Don't be caught off guard. No one is immune from Mother Nature. Brace your finances so they weather the storm with the information below.

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Post-Natural Disaster Money Tips

Floods, fires, earthquakes, and other natural disasters can wreck havoc with your personal life – including your finances. The following tips can help organize an action plan to tackle potential difficulties.

Insurance

- If it is safe to enter, assess your home's damage, and make a list and take pictures of damaged and destroyed property and possessions. Gather whatever receipts you have for affected items.
- If your home is uninhabitable, see if your insurance company covers the cost of a hotel or temporary lodging.
- Review your insurance coverage, and file claims as soon as possible. Respond promptly to any requests for additional information.
- When dealing with a claims adjuster, take notes during the conversation.
- If you disagree with the insurance company's settlement offer, be polite but firm in your request for reconsideration. You may want to hire an independent claims adjuster to help you determine a fair amount and build a case. If appealing is not effective, you may want to hire a lawyer to explore your legal options, but be sure to weigh the costs against the potential gains.

Credit

- Take inventory of your credit cards. If you cannot locate them, call the issuers immediately to report them missing.
- Use credit cards prudently. You may not have the means to repay a large balance in the future.
- Know your credit limits. If you find yourself at a limit, try to avoid costly penalties by requesting a higher limit rather than going over.
- Avoid using cash advances. The interest rate is typically higher than for purchases, and interest accrues immediately, making an advance a pricey way to acquire funds.

- Beware of scams. Pass on credit and loan offers that seem too easy to obtain, list a 900 number, or require you to pay something before receiving money. If you need a loan, contact a lender you know and trust. If you are in a declared disaster zone, you may be eligible for a Small Business Administration disaster loan, which can be used to repair your home and/or replace personal property. (See www.sba.gov/content/home-and-personal-property-loans for more information.)
- Do not reveal your Social Security number, credit card information, or checking account number over the telephone unless you made the initial phone call. Always beware of giving out sensitive information by email, as no email is completely secure.
- If you are unable to pay all of your creditors, communicate with them as soon as possible – you could save your credit history from future damage. Following these actions can help:
 - Explain your situation honestly and in detail.
 - Request specific solutions. Depending on your circumstances, ask for either reduced or suspended payments. Be realistic – never propose more than you can afford to pay.
 - Give a date that you will be able to resume normal payments.
 - Provide relevant documentation.
 - Keep copies of all correspondence.
 - Update your creditors regularly.

Income and expenses

- Develop a financial priority list. Your budget may be seriously affected by reduced income and increased expenses, so consider each line item carefully. What bills do you absolutely have

to pay, and what bills can wait or be eliminated for now? Also make a priority list for any replacement products that you need to buy.

- Keep the majority of your money in your financial institution. Cash in pocket is far riskier than cash in a checking or savings account. Even if your financial institution was affected by the disaster, you will likely still be able to access your money.
- Research tax breaks that you may qualify for due to your situation. You may be able to deduct causality-related losses on your federal income tax return and/or qualify for other special tax benefits. (See www.irs.gov or consult with a tax professional for more information.)

Reconstruction

- If needed, make immediate temporary repairs (e.g., board your windows) to secure your home and prevent further damage. But do not enter your property if it is not safe to do so.
- Be cautious of contractors who knock on your door asking for work or place a flyer in your mailbox or on the street. Con artists often come out of the woodwork to prey upon those left vulnerable after a disaster.
- Get estimates from at least three licensed, bonded contractors. Check their complaint history with the Better Business Bureau (www.bbb.org), and ask for and contact references.
- Always get a written contract, and don't pay the full amount up front. Generally, you should not have to pay more than 30% initially. The final payment should not be made until the job is done.
- Make sure that repairs are done in accordance with local building codes and that you get a permit for any work that requires a permit.

Beware of Predatory Lending

If you're in the market for a loan, you are probably aware that some products are better than others. However, a few have such poor terms, fees, and interest rates that they are considered predatory. You can avoid predatory lending by knowing which loans fall into this category, and by taking steps to qualify for a higher quality product.

Predatory mortgage lending

For mortgage loans, predatory lending is the practice of a lender or broker pushing unreasonably expensive loans or refinancing deals. For example, they may:

- Talk you into a loan with an interest rate higher than you deserve.
- Persuade you to borrow more than you can afford to repay.
- Falsify documents or ask you to lie on the application.
- Lie or neglect to tell you about the terms of the contract.
- Not give you enough time to review the contract.

Other types of predatory lending

There are other types of predatory lending as well, and they are promoted to people with no or damaged credit who need money for emergencies. These loans come with exceptionally high interest rates and can feature terms that make repayment difficult:

- Payday loans. It is possible to borrow against your future income from a payday lender. However, the APR (interest expressed as an annual percent rate) is usually over 200 percent, and can go much higher if you refinance the loan instead of paying it off as soon as it comes due.
- Expensive unsecured loans. You can have many thousands of dollars immediately deposited into your account, but these loans often have APRs of 40 to 95 percent. The repayment term is typically five to ten years, so the ultimate payout is

huge. A seven-year, \$5,000 loan at 60 percent interest will eventually cost over \$16,000 to repay!

- Car title loans. Your vehicle secures these short-term loans, so if you fail to pay, the lender can claim the property without having to sue you. While you have the option to roll the loan over, the interest rate is often 25 percent per month – which equals an annual rate of 300 percent.

How to avoid predatory lending

A primary defense against predatory lending is to become an informed consumer. Read all contracts carefully, paying close attention to interest rates and what can happen if you miss or are late on a payment. Look out for misleading marketing and high-pressure sales techniques too. Though these loans may be advertised as a way out of financial trouble, getting them often leads to higher and more expensive debt.

It is very important to know your financial limits, especially with mortgages. You can lose not just a lot of money but your home if you fall behind on your payments. A lender doesn't know how much you feel comfortable borrowing – you do. Never let someone talk you into taking out more than you can comfortably handle.

Building a positive credit history is also key. You can do this by paying all of your debt obligations on time, reducing balances, keeping older accounts active, only applying for necessary credit and having a mix of credit accounts (such as credit cards, charge cards, and installment loans). Once you've proven you can borrow responsibly, you increase your chances of being

How to Communicate with a Creditor

Have a feeling you won't be able to pay your bills? Are already behind on payments? Resist the urge to hide your head in the sand and hope it will all just go away. Unless you take action, the situation will deteriorate, and your available options will be reduced. Here is how to gain control of the situation, prevent problems from escalating, and possibly even reverse damage.

Don't wait

If you know you won't be able to meet your financial obligations before you actually miss a payment, contact your creditors immediately. You may be eligible for special programs that will keep your accounts in good standing. Waiting until you are behind will not only increase your balance because of hiked up interest rates and fees, but will damage your credit as well.

Be honest

Never be less than truthful with a creditor. Chances are they've heard every story and excuse. If you are unable to pay a debt, explain why, even if it's because you were "irresponsible."

Stay calm

Rather than succumbing to tears, threats, or panic, keep your cool. Getting overly emotional can cloud thinking and you could say something you later regret (e.g., "Go ahead and sue me then!").

Be conservative

Though it can be very tempting to offer more than you can realistically afford in a time frame you probably can't meet, don't do it. If you think you can send a payment in two months, ask for three. If you make a payment early, great, but if you fail to meet your self-imposed deadline, you may not get another chance for a break.

Offer specific solutions

Make your offer first. If you leave it up to the creditor to find a solution to debt that's owed, you probably won't like what you hear. You may ask for:

- A hardship plan (lesser or no payments for a specific period of time)

- Reduced or eliminated fees and interest
- Paying interest only on the debt until you can resume making monthly payments
- A settlement (a lump sum payment that is less than the balance due)

Negotiate

If a creditor makes an offer to settle on a debt, don't hesitate to ask for a further reduction. It doesn't hurt to try.

Communicate with the highest-ranking employee

Ask to speak with a manager or supervisor regarding your account. They usually have more authority to strike a deal or make payment arrangements than customer service representatives.

Keep a journal

Keeping track of people you spoke with and what was said can be very confusing, and information can be conflicting. In a notepad or on a spreadsheet, list names, dates, times of day, and what transpired.

Write letters

Corresponding by mail lets the creditor know you are serious and allows you to say what you want without getting flustered. It also provides proof of communication. Having hard copies of your letters can be a great asset if the circumstances becomes dire and you have to go to court. Letters should:

- Have your contact information and account number
- Be addressed to a specific person or department.
- Include a detailed explanation of what led to not being able to pay for the debt
- Include the specific solution you are seeking
- Provide documentation (e.g., unemployment or medical papers)

Don't send post-dated checks

Though creditors may ask you to send post-dated checks, don't do it. They can be cashed anytime. And if the checks bounce, your situation will become even worse.

Know what can happen if you can't pay

When communicating with creditors, it is important to know what they can really do if you cannot pay what you owe.

- If a debt is secured, the collateral (such as a car) may be repossessed
- If a debt is unsecured (such as a credit card, medical bill, or collection accounts), you may be sued for the amount owed

Know your rights.

The Fair Debt Collection Practices Act regulates third party collector's collection practices, and state law (which closely mimics the federal law) regulates original creditors collection practices. Become familiar with what creditors are legally able to say and do so you can stop them if they go beyond their legal parameters.

Maintain contact.

Even if you don't hear from your creditors, continue to provide updates with your situation. It puts you in control.

Early Delinquency Intervention

There are many circumstances in a homeowner's life that could result in missed mortgage payments: unexpected expenses, loss of overtime, unemployment, overspending, illness/injury, disability, death, marriage, childrearing, divorce, education, and relocation. Whatever the reason, if you're behind on your mortgage, it is important to be informed of all available options and to act quickly.

What is Early Delinquency Intervention?

Early Delinquency Intervention (EDI) involves addressing the financial crisis in the earliest possible stages in order to maximize the relief available from your lender. For EDI to be effective, it must include a clear Statement of the Problem, a thorough Personal Financial Assessment, and a realistic Plan of Action, spelling out for the lender the relief you are seeking and how you plan to meet your current and future financial obligations.

You may have the misconception that the lender wants to take your home back through foreclosure. This is not true. The vast majority of lenders are only interested in seeing that payments are made each month as agreed in the mortgage terms. As a general rule, lenders only begin foreclosure when all else fails. They look for ways to assist you when you are having financial difficulty, but their ability to help declines with each missed payment. Therefore, it is extremely important to address the crisis as soon as it occurs and to keep the lender informed at all times.

Your lender wants to help you

Before you contact the lender, however, you need to be prepared to provide accurate, up-to-date, and documented information. Remember, you are not in this alone. Our counselors are here to assist you with your efforts to resolve the delinquency. Contact us with any questions or to make an appointment to speak with a counselor. Complete the following three steps to aid in your preparations.



Step #1: Statement of the Problem

The first step is to develop a Statement of the Problem. This should be very clear so the lender understands exactly why you are now, or will be, delinquent.

A. Identify the problem: Briefly summarize the overall situation and be specific as to how it happened. In other words, clearly explain what caused you to fall behind on your mortgage payments. Provide any and all documentation you can to back up your statement.

B. Prioritize: Using the table below, list your specific financial problems starting with the most serious need first. For example, if you are late on your mortgage, list this first. Then list other needs, e.g., car, phone, credit cards, etc.

	Creditor	Months Delinquent	Amount
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Your statement of the problem is one of the most important factors in obtaining the help you need from your lender and other creditors. Always be honest and realistic, and provide documentation.

Step #2: Personal Financial Assessment

Completing a personal financial assessment will help you determine exactly what your financial circumstances are and enable you to make a realistic determination of what payment arrangements are feasible for you. The following worksheet will help you make this assessment.

Housing Expenses	Rent/Mortgage	\$
	2nd Mortgage	\$
	Property Taxes (if not included in mortgage payment)	\$
	Renters/Homeowners Insurance	\$
	Utilities: Phone/Water/Gas/Electric	\$
	Association Dues	\$
	Subtotal (add the amounts for section 1)	\$ (a)
Living Expenses	Food	\$
	Clothing (including laundry/cleaning)	\$
	Transportation (gas, maintenance, bus)	\$
	Insurance (auto, life & medical not deducted from pay)	\$
	Daycare	\$
	Medical Expenses	\$
	Subtotal (add the amounts for section 2)	\$ (b)
Monthly Installment Debt	Car Loan	\$
	Child Support/Alimony	\$
	Credit Card Debt (list all cards)	\$
	Credit Card Debt	\$
	Credit Card Debt	\$
	Other	\$
	Subtotal (add the amounts for section 3)	\$ (c)
Monthly Expenses	Expenses Total (add the subtotals for a, b, & c)	\$ (d)
Monthly Income	Wage Earner #1 (take home pay)	\$
	Wage Earner #2 (take home pay)	\$
	Other Income	\$
	Income Total (add the amounts for section 5)	\$ (e)
What's Left	Income Total (total from line e)	\$
	Monthly Expenses Total (total from line d)	\$
	Cash Flow Total (subtract monthly expenses total from the income total)	\$

Step #3: Equity Calculation

In addition to completing your Statement of the Problem and your Personal Financial Assessment, determine how much equity you have in your home. This may help you decide whether you intend to keep your home at all costs.

Current Market Value of Property	\$	(a)
Outstanding Loan Balance	\$	
Second Loan Balance	\$	
Unpaid Property Taxes	\$	
Other Other Debts Secured by the Home	\$	
Total Indebtedness	\$	(b)
Total Equity Position (a minus b)	\$	

The equity calculation is necessary to help you analyze all of your options. It will also be important to the lender depending upon the type of relief you seek. You are now in a position to examine the various types of assistance that might be available to you from the lender.

Primary Options for Consideration

Depending on the results of Steps 1, 2, & 3, there are many things the lenders can do to help you resolve the delinquency.

Reinstatement (Cure): The easiest way to cure a delinquency is to pay the lender everything that is owed. This includes missed payments, any late fees associated with these payments, and any other fees the lender charges as a result of your delinquency. The reinstatement period varies from state to state.

Repayment Plan: This is a written agreement between you and the lender to help you make up missed payments. Generally, these agreements require higher payments than the regular monthly mortgage amount for a short period of time, until the loan is brought up-to-date. You must not agree to a payment plan you cannot honor; but you must be willing to pay what you can realistically afford. If you fail to meet the terms of this agreement, you will probably receive no additional help from the lender.

Modification: A loan modification involves changing one or more terms of a mortgage. Modifications can be considered to reduce the interest rate of the mortgage, change the mortgage product (from an adjustable rate to a fixed rate, for example), extend the term of the mortgage or capitalize delinquent payments (add delinquent payments to the mortgage balance — only available in extreme hardship situations). Modifications are not easily granted and there must be strong, justifiable reasons for the request.

Forbearance Agreement: The lender may allow you a period of time (3 to 6 months generally) during which to make lower payments or no payments at all. Unless the loan term is extended, later payments generally will have to be higher than the original monthly mortgage payments until the loan is up-to-date again.

Special Forbearance (Applicable to FHA-insured loans only): The lender may allow partial payments for up to 18 months to allow the borrower to get back on track. The lender may also offer “partial claim”, or advance funds, to help you become current.

Refinance: If you have paid off a good chunk of your mortgage or can get a lower interest rate on a new

mortgage than your current rate, refinancing may be able to give you a lower, more affordable payment. However, getting a new loan can be difficult if you are delinquent on your current mortgage and/or have a low credit score. Also, it may be difficult to refinance if you have no equity.

Second Mortgage (Equity Loan): A second mortgage gives you cash to cure your mortgage delinquency, but it is generally only feasible if you fell behind on your first mortgage due to a temporary problem. Another mortgage payment will only compound long-term payment issues. In order to get a home equity loan, you usually need to have equity in the home and a good credit score.

Bankruptcy: While this may seem to be the most unpleasant option, it may allow you to save the property. A Chapter 13 bankruptcy may help you save your home from foreclosure if all other options have failed. You will need to consult a bankruptcy attorney. Legal advice is always recommended prior to filing.

Secondary Options for Consideration

It is important and realistic to consider other options if you cannot afford to or don't really want to keep your home. This could occur when your situation changes so much that you cannot make the payments that you have been making. It can also occur when there is no equity in the property. Suppose you bought your home several years ago for \$158,000 and today your mortgage balance is \$148,000. If a realtor informs you that the value of your home has declined to \$140,000, you might decide not to keep it.

Foreclosure: You may decide not to, or may not be able to, make any more payments. When this happens, the lender will foreclose and take your home. The amount of time this takes varies from state to state.

NOTE: Some states allow the lender a deficiency judgment for the difference in value between the mortgage balance and any loss the lender might suffer where property values have declined. Deficiency judgments are not common.

Deed in Lieu of Foreclosure: This option, which must be done with the lender's permission, means you deed your home back to the lender. This saves the lender money and time and you avoid having a foreclosure on your credit report.

Short Sale (Pre-Foreclosure Sale for FHA-insured loans): A short sale is the sale of a home for less than the amount owed on the mortgage. A lender may agree to a short sale because if the property is foreclosed upon, the lender will have to sell the house anyway. If you have a first and second mortgage, both lenders must agree to the short sale.

How you handle your delinquency will affect your credit report. Negative information, including late payments, foreclosures, deed-in-lieus, and short sales, can stay on your report for 7 years. However, if you do a deed-in-lieu or short sale, you may be able to negotiate with your lender to remove late payment information and simply mark your mortgage as paid off. You may also be able to have late payments removed if you do a repayment plan or modification. The lender may say no to your request, but it does not hurt to ask.

NOTE: Be sure to research the tax implications of whatever option you pursue. If any of your mortgage balance is forgiven by your lender, you may be responsible for paying ordinary income taxes on that amount. Consult with a tax specialist or the IRS (www.irs.gov) for more information.

Delinquent Mortgage: Plan of Action

You probably have talked by telephone to the lender or servicer and now you are in a position to make a formal request for assistance in writing. To submit your Plan of Action you should:

- Gather all of the documentation you need to provide the lender explaining why you are seeking relief.
- Write a letter to the lender asking for specific relief. If you have made your request verbally, always be sure to follow it up with a written request.

- Keep a telephone log of all calls made to and received from the lender. Indicate time called, the person you spoke with and results of the conversation.
- Be sure to meet any deadline given to you by the lender. Failure to provide information on time can jeopardize your request.

Step 1: Contact the lender.

Remember it is always best to contact the lender at the earliest date (hopefully while you are still current) or as soon as you have missed your first payment. You can contact the lender by calling the 800 number on your most recent statement. Your call should always be followed by a written summary of what you discussed.

Step 2: Draft a written summary.

(See the sample lender letter on page 15.) Include your loan number, which you will find at the top of any correspondence sent by you to the lender, as well as the property address. Include the following items in your letter:

- Paragraph 1 – Statement of the Problem. Refer to your Statement of the Problem Worksheet and restate very clearly why you are delinquent (or will be delinquent). Be very honest and be prepared to furnish documentation to support your statement.
- Paragraph 2 – Summarize your efforts to resolve the problem. Again, remember to be specific and be ready to furnish documentation to back up your efforts. Tell the lender that you will do whatever it takes to save your home from foreclosure.

Step 3: Include any documentation that will support your claim.

For instance, if you were laid off, send a copy of official notice or unemployment benefits notice, which will verify the layoff. If under a doctor's supervision, send a letter from the doctor specifying what happened and when you might return to work. Also, be sure to include a copy of your Personal Financial Assessment worksheet.

Step 4: Send this request Certified Mail, Return Receipt Requested

Be sure to send your letters certified mail and keep copies of everything you send to the lender. It is very

important that you keep accurate documentation of this entire process.

By following a reasonable and realistic Plan of Action, there is a good chance your lender will offer some assistance. It is essential that you follow through with your part of the bargain. Never agree to something that you know will be impossible for you to complete. Most lenders will only give you one chance to resolve your delinquency. If you fail to keep the terms of your loan workout agreement, you probably won't get a second chance.

However, if your financial situation changes due to circumstances beyond your control and you can't meet the terms of your loan workout, let the lender know right away. There is a good chance they will work with you.

You can use the techniques above for your other creditors as well. (See the sample creditor letter on page 15.) Notification to everyone is the surest way to receive the assistance you need.

Foreclosure

If you miss mortgage payments, the lender can decide to begin the foreclosure process. This typically occurs between the 60th and 90th day of delinquency. First a document called a Notice of Default will be recorded with the County Recorder's Office and a copy of the notice will be sent to you. This notice actually starts the foreclosure process, which generally takes several months.

You may bring your loan current by making all the missed payments, late fees, and any other charges accrued. Bringing the loan payments current will cure the default and the loan will continue as if the payments had never been late. If the default is not cured by paying all back payments plus costs, or by making some other agreement with the lender, your home will be sold at auction to the highest bidder, usually the lender.

In most states, after foreclosure sale occurs, you will have no further options and will have lost all rights of possession and ownership to the new owner. The lender (new owner) can then proceed to evict you following normal eviction procedures just as if you were a tenant who had not paid rent. This process can be completed in just a few weeks.

Sample Lender Letter

February 18, 20X0

Friendly Mortgage Company
123 Main Street
San Francisco, CA 94108

RE: Loan Number 14365-3324
345 Anywhere Street
San Francisco, CA 94115

Dear Lender:

I am writing to ask for your assistance. On November 15th of last year, while at work on my job with Heavy Construction Company, I fell and broke my leg. Since that date I have been unable to work and have incurred additional medical bills not covered by insurance. It is for this reason that I have not made my December and January payments. I have enclosed an accident report from my company verifying the date of my injury. I've also attached a letter from my doctor indicating that I will be able to return to work on May 1st.

I need your help in order to keep my home from foreclosure. I would like to make 1/2 payments for the next 4 months. Beginning with June, I would like to make a full payment and 1/4 of the missed payments until such time as I am completely current. This should take me about 8 months to get back on track. I do not anticipate having any difficulty returning to work in May. I have been with this company for 11 years and anticipate retiring with them in the future.

I am working with a financial counselor from the BALANCE Housing Education Program. I have prepared a budget, which I've enclosed for your review. You can see that with your assistance, I will be able to make it financially until I return to work full-time.

My telephone number is (555) 123-4567 and the best time of the day to reach me is between 2pm and 5pm each afternoon. If there is any additional information that I might provide, please let me know immediately.

Thank you very much for your consideration and assistance in helping me save my home from foreclosure.

Respectfully,
John Q. Public

Enclosures

Sample Creditor Letter

February 18, 20X0
XYZ Credit Corporation
Central City, CA 94123

Dear Creditor:

Due to a lay-off, I am temporarily out of work and as a result, am experiencing financial difficulty. I have analyzed my current situation with the help of a BALANCE counselor.

After making a strict budget for my expenses (budget enclosed) I find it necessary to ask each creditor to accept a reduced payment for the next three months. By then, I anticipate being back to work and earning as usual.

I would appreciate your cooperation in making the payment plan work. In place of the regular payment of \$50, I request that you accept payments of \$30 per month during this emergency. I will pay before the 30th of the month.

You can be sure that I will resume normal payments as soon as possible. I feel very bad about having to ask for the consideration and hope you understand. If there are any changes in my situation, I will notify you of them as soon as possible.

Sincerely,

John Q. Public
345 Anywhere Street, San Francisco, CA 94115
Account Number 1234 5679 1011 1213

Identity Theft Solutions

Your wallet is missing. Thousands of dollars have been charged to your credit cards, your checking account is empty, and loans you never took out appear on your credit report. What happened? You've been a victim of identity theft – an increasingly common and inventive crime.

Identity theft occurs when someone uses your personal information to commit fraud or other crimes. It may also involve computer fraud, mail fraud, wire fraud, and financial institution fraud.

Fortunately, there are preventative measures you can take to substantially reduce the chance of identity theft occurring, as well as steps to recover from any damage if you are a victim.



Identity Theft Risk Assessment

How secure is your personal information against identity theft? To find out, answer Yes or No to the following questions.

1. I shred all pre-approved credit offers, account statements, and financial documents before disposing of them.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. I never carry my Social Security card.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. I have a locked, secured mailbox.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. My Social Security and driver license numbers are not printed on my checks.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5. I review each of my credit reports annually.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6. I only carry those credit cards that I use.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
7. I carefully review my monthly credit card statements before paying them.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
8. When shopping on the Internet, I buy only from secure websites.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9. I am aware of all my creditor due dates, and know immediately if a bill is missing.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10. I know the security procedures at my place of work.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
11. I never reveal personal information unless I initiated the contact and know exactly who I'm dealing with.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12. I have up-to-date virus protection software installed on my computer.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
13. I never store personal and financial information on my laptop.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
14. I know exactly what to do and who to contact in case my wallet is stolen.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
15. I have complete copies of all my credit cards stored in a safe place.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16. All of my account passwords are too complicated for anyone to guess.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

(For maximum identity theft prevention, all of the answers should be Yes. Have a few (or more) No's? Review the Identity Theft Prevention section for safety measures.)

Common Practices

How Your Information is Obtained

Thieves use a variety of illegal techniques to obtain identity information. They may:

- Take mail from a mailbox
- Divert mail to another location by filling out a change of address form
- Go through trash to find identification and financial documents
- Access credit reports by posing as landlords or employers
- Hack into personal computers
- Pose as legitimate companies or government agencies to request personal information via email (called phishing) or text message (called smishing)
- Steal hard copy or electronic files from your workplace
- Stand close to you at the ATM to learn your Personal Identification Number
- Attach a skimmer to an ATM to capture your card number and PIN

How Your Information May Be Used

Once identity thieves have your personal information, they may use it to:

- Charge on existing credit accounts
- Open new credit accounts in your name
- Use existing or open new checking accounts in your name and write bad checks
- Establish phone or wireless service in your name
- Use your debit cards or counterfeit checks to drain your checking account
- Take out loans to buy cars or other big ticket items

Preventing Identity Theft

There are many ways to protect your private information from fraud. Though some tasks take a bit of effort, be aware that cleaning up the mess identity thieves leave behind is far more difficult and time-consuming.

Credit Reports

- Periodically check your credit report from each of the three major credit bureaus. You can obtain a copy of each report free once a year from the Annual Credit Report Request Service
- Dispute inaccurate information immediately

Personal Identity Information

- Keep all identification and financial documents in a safe and private place
- Provide personal information only when:
 - You know how it will be used
 - You are certain it won't be shared
 - You initiated contact and know who you're dealing with
- Make all passwords hard to guess by using a complex combination of numbers and upper and lower case letters
- Request a vacation hold if you can't pick up your mail
- Deposit outgoing mail in post office collection boxes or at your local post office
- Remove mail from your mailbox promptly
- Keep your purse or wallet in a safe place at work
- Be aware of your workplace's security procedures
- Memorize your Social Security number rather than carrying your Social Security card
- Do not have your Social Security or driver's license number printed on your checks
- Review your Social Security annual statement for accuracy
- Provide your Social Security number only when necessary and to those you absolutely trust

- Before revealing your Social Security number, ask:
 - Why your number is needed
 - How your number will be used
 - What happens if you refuse

Credit Card and ATM/Debit Cards

- Carry only those cards you really need
- Shred all statements and pre-approved credit card offers with a crosscut shredder
- Opt out of receiving pre-approved credit offers (*see Resources on page 23*)
- Photocopy both sides of your credit cards so you have all the account numbers, expiration dates and phone numbers, and keep the copies in a safe place
- Cancel unused credit card accounts
- Be aware of people behind you at the ATM, or anywhere else you swipe your card
- If you give your credit or debit card to someone for a transaction, watch them swipe it and inspect the receipt for accuracy
- Know your billing cycles and contact creditors if bills don't arrive on time
- Examine the charges on your credit card statements every month

Checking Accounts

- Know where your checkbook is at all times
- Print firmly and use indelible ink when writing checks
- Check your account statement for fraudulent activity
- Do not give out your checking account number unless you know the company requesting the information and understand why the information is necessary

Computer

- Update virus protection software periodically, and after every new virus alert is announced
- Do not download files or open hyperlinks sent from people you don't know

- Use a firewall program to prevent your computer from being accessible to hackers
- Use a secure browser to guard the security of your online transactions
- Enter personal and financial information only when there is a “lock” icon (🔒) on the browser's status bar and look for the URL to read “https” versus “http”
- If you must store personal and financial information on your laptop:
 - Use a strong password – one that is a hard-to-guess combination of upper and lower case letters and numbers
 - Don't use an automatic log-in feature
 - Always log off when you're finished
- Before disposing of a computer, delete personal information using a “wipe” utility program to overwrite the entire hard drive

Credit Monitoring & Protection

If you are especially concerned about the possibility of identity theft, you may consider paying for added protection or a monitoring service – but do so only after carefully reading the fine print and weighing the cost against the benefits. Some of these businesses are scams themselves. Research the company's history and check the Better Business Bureau's complaint log before signing an agreement.

- Each of the three major credit bureaus offers a fee-based credit monitoring service. They typically provide regular credit report updates about fraudulent activity, new inquiries, new accounts, late payments, and sudden changes in your credit card balances. These plans often include a specific number of credit reports being mailed to you automatically or at your request, and access to specialized customer service.
- Credit protection is offered by private companies and some financial institutions, and the price and service varies considerably. Most will reimburse victims of identity theft for out-of-pocket expenses (up to a certain dollar amount) and help you through the process of contacting creditors, writing affidavits, and filing reports.

Consumer Rights & Responsibilities

Since thieves prey on those who have not taken preventative measures, it is up to you to be careful with all of your identification and financial information. For maximum security, make safety a family affair. Limit and monitor children's access to the Internet and online transactions, have a designated person collect the mail, and establish guidelines for when telemarketers call and ask for information.

If you have children, you can – and should – safeguard their identity as well as your own. Some companies have mistakenly sent pre-approved offers for credit to those too young to actually have a credit card. Once your child has received one offer, he or she may very well receive others. Monitor the mail carefully and check your child's credit report. Unfortunately, even when you have done all the right things, you may still be a victim of identity theft. While consumer protection laws give you rights, it is your responsibility to take action if fraudulent activity occurs. If someone has used your identity or financial information, it is imperative that you act swiftly and treat the matter seriously. This means, in many cases, dedicating time to letter writing, telephone calls, credit report monitoring, follow-up, and log keeping. Turning from victim to victor takes effort. However, as frustrating as it may be to have to spend the time and energy fixing damage, no one but you can do it.

There are many federal laws that help in the fight against identity theft, both before and after the law is broken.

The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) ensures that the financial data contained in your credit report is not only correct, but private. Only those with a need recognized by the FCRA may access your credit report – usually a creditor, insurer, landlord or other business.

It is the credit reporting agency's responsibility to report only accurate information, so if you discover a false item, file a dispute. The credit reporting agency has 30 days to investigate your claim (45 days if you obtained your report from the Annual Credit Report Request Service).

Fair and Accurate Credit Transactions Act

The Fair and Accurate Credit Transactions Act (FACT Act) amends the FCRA and provides increased protection against identity theft. This law guarantees consumers the right to access their reports at no charge once every 12 months. The credit bureaus only provide the free reports via Annual Credit Report Request Service, not through their individual websites, telephone numbers, or addresses.

Additional protections under the FACT Act include:

- Consumers may receive additional free reports if identity theft is suspected
- Identity theft victims who file police reports may block fraudulent information from appearing on their credit reports
- Active duty military personnel may place special alerts on their files when they are deployed overseas
- Only the last five digits of a credit card number may be listed on receipts

The Fair Credit Billing Act

The Fair Credit Billing Act provides consumers with a legal dispute process to help with fraud committed on open end credit accounts. It limits your responsibility for unauthorized charges to \$50 and stipulates that you won't be charged for goods and services you didn't accept or weren't delivered.

To take advantage of the law's consumer protections:

- Write to the creditor at the address given for billing inquiries and include your name, address, account number and a description of the billing error.
- Send your letter so that it reaches the creditor within 60 days after the first bill containing the error was mailed to you.
- Send your letter by certified mail, return receipt requested. Keep a copy of your dispute letter.

The Fair Debt Collection Practices Act

If you have been a victim of identity theft, and a debt that you did not incur has gone to a collection agency, you have rights under the Fair Debt Collection Practices Act.

Write to the collector within 30 days of receiving notice of the fraudulent debt. The collection agency will conduct an investigation, during which time the collector must cease communication. Only if the debt is determined to be accurate, will collection activity resume.

The Electronic Fund Transfer Act

The Electronic Fund Transfer Act provides consumer protections for ATM, debit card, and other electronic account transactions, including fund transfers.

Report lost or stolen ATM and debit cards immediately to the financial institution, since the amount you can be held responsible for is time sensitive:

- If you report loss or theft within two business days, your liability is limited to \$50
- If you report loss or theft after two business days, but within 60 days after a statement showing an unauthorized electronic fund transfer, you can be liable for up to \$500
- If you wait more than 60 days, you could lose all the stolen money

Note: You may have additional protection if your ATM/debit card has the VISA or MasterCard logo on it. In most instances your liability for unauthorized use is \$50 per card, no matter how much time has elapsed since the discovery of the loss or theft.

If you discover a fraudulent transaction, call your financial institution immediately, then follow up with a letter that explains your dispute. Send it certified mail, return receipt requested, and keep a copy of the letter for your records.

Recovery Guide

If you are a victim of identity theft, understand that minimizing damage will take patience and a systematic approach. However, the sooner and more aggressively you deal with the problem, the faster you will see results.

To start, commit yourself to becoming and remaining organized. Since you will be communicating with a

lot of people and have many tasks to complete, use the Action Logs (*pages 24-27*) to keep track. Keep copies of all letters, file paperwork promptly, and store everything in a safe and accessible place.

Creditors and Financial Institutions

- If accounts have been used or opened illegally, contact your creditors immediately. Ask for fraudulent transaction documentation. You may use a uniform affidavit form, available on the Federal Trade Commission's website (*see Resources on page 23*), as you may need it to file a police report. Add "non-guessable" passwords to replacement cards and all existing accounts.
- If a collection agency attempts to collect on a fraudulent account, explain (in writing) that you are a victim of identity theft and not responsible for the debt. Ask that they confirm in writing that you do not owe the balance and that the account has been closed.
- For checking account fraud, contact your financial institution to cancel your debit card and place stop payments on any outstanding checks that you did not write. Report the crime to check reporting agencies (*page 23*). Close current checking and savings accounts and obtain new account numbers and passwords. Monitor all future account statements carefully for evidence of new fraud.

Legal and Government Agencies

- Report the crime and file a police report. Request a copy of the report and keep the phone number of your investigator handy. For additional documentation, you may also report the crime to the Federal Trade Commission.
- If your mail was stolen or your address was used fraudulently, contact the U.S. Postal Inspection Service (*see Resources on page 23*).

Credit Reporting Bureaus

- It is very important that your credit report lists only factual information. To know what is being reported, you will need to obtain a credit report from each of the three major credit bureaus. If you are married, your spouse should also check his or her report.

- Even if the fraudulent information hasn't yet appeared on your reports, be proactive and report the crime now. Call any one of the three credit bureaus to place a fraud alert on your credit report. The company you contact will notify the other two, who will then place alerts on their reports as well. If you have proof that identity theft has occurred and you have filed a police report, you may request that the fraud alert be placed for seven years instead of the initial time frame of 90 -180 days. While fraud alerts are in effect, no new credit should be granted without your explicit approval.
- If you feel like a fraud alert will not provide you with enough protection, you can place a security freeze on your credit report. When a freeze is placed on your report, no creditor or other business that does not have a pre-existing relationship with you can access your report.
- You may also write a victim's report – a brief statement describing the details of the crime – and send it to all three bureaus to be added to your reports.
- The first reports with the fraud alert are free and will be sent to you automatically. Check your credit report for accuracy every three months for a year, then at least annually after that.

Resources

Credit Reporting Bureaus/Accessing Credit Reports

- **Equifax**
To order a credit report call: (800) 685-1111
To report fraud call: (888) 766-0008
Equifax Credit Information Services, Inc.
P.O. Box 740241, Atlanta, GA 30374
www.equifax.com
- **Experian**
To order a credit report and report fraud, call:
(888) 397-3742
Experian, P.O. Box 2104, Allen, TX 75013-2104
www.experian.com
- **TransUnion**
To order credit report call: (800) 888-4213
To report fraud call: (800) 680-7289
TransUnion, 2 Baldwin Pl, P.O. Box 2000
Chester, PA 19022
www.transunion.com
- **Annual Credit Report Request Service**
To order a credit report call: (877) 322-8228
Annual Credit Report Request Service
P.O. Box 105281, Atlanta, GA 30348-5281
www.annualcreditreport.com

Government Agencies

- **U.S. Federal Trade Commission**
The FTC oversees the operation of credit bureaus and maintains a database of identity theft cases used by law enforcement agencies for investigations.
Consumer Response Center: (877) 382-4357
or online at www.ftc.gov
ID Theft hotline: (877) 438-4338, or online at www.ftc.gov/idtheft

FTC Identity Theft Affidavit Instructions and Form:
www.ftc.gov/bcp/edu/resources/forms/affidavit.pdf

- **U.S. Postal Inspection Service**
(877) 876-2455
Criminal Investigations Service Center
Attn: Mail Fraud
222 S Riverside Plaza, Suite 1250
Chicago, IL 60606
<http://postalinspectors.uspis.gov>

Checking Account Fraud

In addition to reporting checking account fraud to your financial institution, you can report it to these agencies that monitor checking account transactions:

- **ChexSystems**
(800) 428-9623
ChexSystems, Inc., Attn: Consumer Relations
7805 Hudson Rd Ste 100, Woodbury, MN 55125
www.consumerdebit.com
- **TeleCheck**
(800) 710-9898
TeleCheck Services, Inc.
Attn: Forgery Department
P.O. Box 4451, Houston, TX 77210
www.telecheck.com

Miscellaneous

- To opt out of receiving pre-approved credit offers:
(888) 567-8688
www.optoutprescreen.com

Action Log: Financial Institutions

Financial Institution	Action	Yes/No	Date	Contact Person	Notes (phone, email, extension, etc.)
	Stop payments				
	Report check fraud				
	Cancel accounts				
	Change account #s and passwords				
	Stop payments				
	Report check fraud				
	Cancel accounts				
	Change account #s and passwords				
	Stop payments				
	Report check fraud				
	Cancel accounts				
	Change account #s and passwords				

Action Log: Credit Accounts

Creditor	Action	Yes/ No	Date	Contact Person	Notes (phone, email, extension, etc.)
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				
	Report fraud				
	Send affidavit				
	Change account #s and passwords				

Action Log: Bureaus & Agencies

Bureau	Action	Yes/No	Date	Contact Person	Notes (phone, email, extension, etc.)
Equifax	Obtain report				
	Fraud alert				
Experian	Obtain report				
	Fraud alert				
Trans Union	Obtain report				
	Fraud alert				

Agency	Action	Yes/No	Date	Report #	Notes (phone, email, extension, etc.)
FTC	Report crime				
	File Report				
Police Dept.	Report crime				
	File Report				
USPIS	Report crime				
	File Report				
DMV	Report crime				
	File Report				

Action Log: Other Contacts

Glossary

Account takeover – When an identity thief uses your personal information to convince a financial institution to give him or her full control of your account.

Affidavit of factual innocence – A legal document issued by a court, stating that you're innocent. You may need one of these if you've been wrongfully arrested as a result of identity theft.

Affidavit of forgery – A legal document that states that a certain signature is not yours, but a forgery.

Check washing – A method identity thieves use to commit check fraud. They dip a check in acetone, which washes the ink off so they can write it for a higher amount.

Credit repair agency – A company that offers “cleanup” services to remove accurate information from your credit report. Often illegal and expensive, they are sometimes called credit clinics.

Credit reporting agency (CRA) – Commonly known as credit bureaus, they keep track of credit records, and issue credit reports to those who have a legitimate reason for accessing your credit history.

DL stop (driver license stop) – A DL stop is a system that puts a flag on your driver license in the Department of Motor Vehicle's database, to show that your license has been lost or stolen.

Fraud alert – A fraud alert is put on your credit report at the CRAs if you become an identity theft victim. It lets potential creditors know that someone may be trying to obtain new credit in your name, so the process will be very closely scrutinized.

Permissible purposes – Guidelines set out in the FCRA that outline the allowable reasons for requesting a copy of a credit report. One of those reasons is if you're a victim of identity theft.

Truncated credit card number – When all the digits of your credit or debit card number, except for the last four or five, are “x'd” out on a receipt or other document. This is done to protect you from identity theft.

Victim's statement – A statement that is attached to your credit report when you think you may be a victim of identity theft. It asks creditors to contact you before opening any new credit accounts, or making any changes to existing ones.

Fight Fraud with Credit Freeze

Identity theft can catch even the most vigilant off guard. Once a thief has possession of your personal information, s/he has the ability to open accounts and borrow in your name – leaving you with the bill and credit damage. In consumers' interest, states have enabled consumers to “freeze” their credit file. Attaching a credit file freeze, also called a security freeze, prevents the credit bureaus from releasing your credit report and score to new lenders and other businesses, which can stop a thief from getting new credit in your name. However, it does not prevent businesses that already have a relationship with you from accessing your report.

How it works

In most cases, financial institutions will need to see your credit report or score when you apply for credit. If your credit file is frozen, they can't access it and won't be able to approve a new loan or credit line. Insurance companies, employers, and landlords that you don't already have a connection with will also be prevented from checking your file. Thus, thieves will have a very hard time opening fraudulent accounts as long as the credit file freeze is in place.

When they work

Credit file freezes are only effective against the type of fraud where a thief tries to open new accounts. If s/he has possession of your existing credit cards or account information, s/he may be able to use them. (This is why you should notify your financial institutions immediately if you believe you were the victim of identity theft.) Additionally, while it is the norm to check your credit report, some businesses don't check credit reports at all. These businesses may grant a loan or provide a service in your name if the thief can provide them with your identifying data.

How to add and remove a freeze

To place a freeze on your report, contact each credit bureau. The cost of this service varies by state. Generally, you do not have to pay a fee if you were the victim of identity theft. As proof, you may have to provide the bureaus with a police report or another affidavit.

Once the request is received and processed, the credit bureaus will send you a private personal identification number that you can use to lift the freeze. You will need to lift it before applying for credit or if you want a potential employer, landlord, or other business to check your credit. Depending on your state, there may be a fee to lift the freeze as well as a fee to add it again.

Credit bureau contact information

TransUnion
Attn. Fraud Department
P.O. Box 6790
Fullerton, CA 92834
800-916-8800
www.transunion.com

Equifax
Attn. Fraud Department
P.O. Box 105788
Atlanta, Georgia 30348
800-685-1111
www.equifax.com

Experian
Attn. Fraud Department
P.O. Box 9554
Allen, TX 75013
888-397-3742
www.experian.com

Financial First Aid

Many circumstances in life can derail even the best money management plan. If you have found yourself in a situation where you can't keep up with your bills, you'll need to take an inventory of your resources and prioritize your financial obligations.

With limited funds available it may not be possible to pay all your bills in full every month, but by prioritizing your expenses and taking a proactive approach to your finances, you may be able to minimize the consequences until you get back on your feet.



Step 1: Take Inventory of Income and Assets

Record all sources of income, including realistic expectations of income that you will be receiving soon.

Liquidating Assets

Liquidating assets is one way to pay for immediate expenses. However, be aware that it may come at a cost. For example, withdrawing money from a 401(k) can result in taxes and penalties of up to 45% of the amount withdrawn. You are also leaving yourself less money for the future. Still, the consequences of liquidating assets may be reasonable when compared with the possibility of losing your home or car. The important thing is that you not make these decisions lightly. Consider consulting with a financial professional who can help you look objectively at your options.

Liquidation is not necessarily the only way to utilize assets. Some retirement plans and cash-value life insurance policies let you borrow against their value. You do not have to pay penalties or taxes when you borrow against a retirement plan as long as you do not default on the loan. Similarly, if you have equity in your house, you may be able to get money to pay the bills from a home equity line or loan or cash-out refinance. However, keep in mind that if you cannot afford the payments, you could lose your home.

Ways to Increase Income

- If you live near a college or other type of school and you have a spare room, you could rent it out on a month-to-month basis. Some schools even have housing coordinators who handle the arrangements.
- Have a garage sale.
- Can older children or an unemployed spouse find work?
- If you are getting a tax refund each year, consider increasing the number of exemptions you are claiming on your W-4 form at work. This will give you more take-home pay. (Consult with a tax advisor to make sure this will not result in an end-of-year tax debt.)
- Make sure you apply for all benefits you may be eligible for, such as unemployment insurance, food stamps, Social Security, and TANF (Temporary Assistance for Needy Families).

MONTHLY INCOME

Item	Amount
Net income (your job)	\$
Net income (spouse's job)	\$
Government benefits	\$
Other	\$
Other	\$
Total Monthly Income	\$

ASSETS

Item	Amount
Checking/savings accounts	\$
Money market accounts/CDs	\$
Stocks/bonds	\$
Retirement plans	\$
Equity in house (market value – loan amount)	\$
Equity in cars	\$
Cash value of life insurance policies	\$
Other	\$
Total Assets	\$

Step 2: Review Your Expenses

Getting a part-time job or renting out a room is not a practical option for many people. However, almost everyone can reduce their spending in some way.

First, use the worksheets on pages 32-33 to list your expenses. Then, look over them carefully and consider what you can cut. Discretionary expenses, such as clothing, dining out, and vacations, are often the easiest to trim, but you may be able to cut spending in other places too.

For example, if you have a cell phone, can you cut your land-line or at least extra features (e.g. call waiting and caller ID)? Can you carpool, walk, or take public transportation more often to save money on gasoline? Can you reduce energy consumption (by turning off lights when you are not in the room, wearing a sweater instead of turning on the heater, etc.) to lower your utility bills?

ESSENTIAL EXPENSES

Category	Item	Current	Proposed
Housing	Rent/mortgage		
	2nd mortgage		
	Property taxes		
	Homeowner's/renter's insurance		
	Condo fees/HOA dues		
	Gas/electric		
	Water/sewer/garbage		
	Telephone		
Food	Groceries/household items		
	At work/school		
Insurance (exclude payroll deducted amounts)	Health/dental/vision		
	Life		
	Disability		
Medical Care (exclude payroll deducted amounts)	Doctor/chiropractor		
	Optometrist/lenses		
	Dentist/orthodontist		
	Prescriptions/medications		
	Counseling/therapy		
Transportation	Car payment #1		
	Car payment #2		
	Auto insurance		
	Gasoline/oil		
	Maintenance/repairs		
	DMV/smog		
	Tolls/parking		
	Public transportation/taxis		
Childcare (exclude payroll deducted amounts)	Daycare/sitting		
	Alimony/child support		
Miscellaneous	Banking fees		
	Laundry		
	Pet care		
	Union dues		
	Storage		
	Other		
Income Taxes	Prior year		
	Estimated tax payments (self-employed)		
Total Monthly Essential Expenses			

DISCRETIONARY EXPENSES

Category	Item	Current	Proposed
Personal	Beauty/barber		
	Clothing/jewelry		
	Cosmetics		
	Manicure		
Entertainment	Cable/satellite		
	Movie/video		
	Dining out		
	Sports/hobbies/clubs		
	Vacation/travel		
	Books/magazines		
	CDs/tapes		
Miscellaneous	Gifts (holidays & birthdays)		
	Home maintenance		
	Cell phone/pager		
	Postage		
	Cigarettes/alcohol		
	Contributions to church or charity		
	Online service/computer expenses		
	Other		
Total Monthly Discretionary Expenses			

Step 3: Take an Inventory of Your Debts

List all of your debts, including past due child and spousal support, back taxes, secured loans, student loans, and unsecured debt (credit cards and personal loans).

	Creditor	Balance	Payment
1			
2			
3			
4			
5			
6			
7			
8			
9			
Total Monthly Debt Payments			

Financial Summary: Once you have determined your total monthly income, expenses, and debt you are ready for your financial summary. Subtract the total of all monthly expenses and debts from your monthly income. If the result is a positive number, you can add the extra money to your savings to reach your goals sooner. If your expenses exceed your income, you'll need to make some adjustments to bring your finances back into balance.

Total Monthly Income (from page 31)	Total Monthly Essential Expenses (from page 32)	Total Monthly Discretionary Expenses (from page 33)	Total Monthly Debt Payments (from page 33)	Monthly Income Surplus or Shortfall
	–	–	–	=

Step 4: Prioritize Your Bills and Communicate With Creditors

Not all of your debts impact your family equally. Those that enable you to maintain the health and well-being of yourself and your family are most important.

Delinquent Mortgage

Maintaining your housing payments should be your first priority. Mortgage delinquency, if not remedied, can ultimately result in the lender foreclosing on the home. Don't wait to act. The longer you wait, the more difficult it becomes to reach a resolution.

Think carefully about whether you want to stay in your home. If not, selling the house is a logical choice. What if you are having difficulties attracting a buyer? If the lender agrees, you may be able to do a deed-in-lieu of foreclosure (where the house is given back to the lender) or a short sale (where the house is sold for less than the amount owed on the mortgage).

If you do want to stay in the house, there are options for dealing with a delinquent or soon to be delinquent mortgage. Refinancing is one way to bring your mortgage current and/or get better terms, but it can be difficult to get a new mortgage if you have a low credit score or little equity in the home. If refinancing is not possible, your best bet is to contact your lender. Request an arrangement, ideally in writing, and provide a summary of your situation. The lender may allow you to send reduced payments for a specified period of time and pay the remainder later or modify your loan – reducing the interest rate or extending the repayment period to lower the monthly payment. When communicating with the lender, remember to never promise to make payments you can't afford, as you may not get a second chance.

Delinquent Rent

If you are delinquent on your rent, be sure to speak with or write to your landlord, giving them a reason for your hardship and concrete plan for the future. The landlord may accept partial payments for one or two months. Leaving is another option if the rent is not affordable, but if you have a lease, you are responsible for the remaining months' rent. However, if you explain your hardship, the landlord may voluntarily release you from the lease. You can also be let off the hook if the landlord finds a suitable replacement tenant. If you stay and do not reach an agreement with the landlord, he or she can start eviction proceedings against you if you do not resume paying your rent.

Car Payments

Missed car payments can quickly result in serious consequences, including repossession. Repossessed cars are typically sold at auctions for very little. You are responsible for paying the difference between what you owe (plus repossession and storage costs) and what the car is sold for. This amount is called the deficiency balance.

If you are delinquent on your car payments, or think you may become delinquent, contact your lender right away. Lenders are sometimes willing to modify loans to cover missed payments or set up repayment plans. Other possible options include refinancing or selling the car. Some people choose to give the car back to the lender instead of waiting for the lender to take it. This is called a voluntary repossession. You are still responsible for the deficiency balance (and it can still be reported as a repossession on your credit report), but the lender may be willing to offer a concession or two if you save them the hassle of having to repossess the car themselves.

Insurance

If you can't make your insurance payments, call your insurer(s). Explain your circumstances, offer documentation, and ask about the length of your grace period (period past the due date in which you can make a payment to avoid cancelation). If you allow your insurance to lapse, you may have difficulties getting new coverage or have to pay a large amount when reinstating the policy.

- **Auto:** For auto insurance, see if your insurer will agree to increase the deductible on your collision and comprehensive coverage. This will lower your premiums. If your car is older, you may be able to save a bundle of money by going with a liability-coverage-only policy.
- **Life:** Missing payments on term life insurance can cause you to lose your policy. If you are making payments into a cash value policy, speak to your agent about suspending or reducing them temporarily. While you may be able to borrow money from a cash value policy, weigh this decision carefully as there may be penalties and loss of potential capital appreciation.
- **Health:** If you are no longer employed, check to see if the health insurance from your former employer is continued and for how long. Compare this to the cost of adding yourself to a family member's insurance policy, if possible. If coverage is not available or if you can't afford the premium, see if you qualify for public medical insurance or look into catastrophic insurance that would pay for major hospitalization only. With a high deductible, these policies can be relatively inexpensive. There are low-cost medical services in most communities for basic health needs.

Utilities

Delinquent utility payments can cause your service to be suspended or terminated. Aside from the obvious problems this causes, many utility companies require you to catch up delinquent payments and put down a deposit in order to reinstate the service. If you have fallen behind, call the utility company and ask about payment arrangements. Many companies will let you repay your past due balance over a six month period. Also, speak to the company about reduced rates for people in hardship, or any emergency funds that you can apply for.

Student Loans

With many loans, you can get a temporary suspension of payments through a deferment or forbearance. Some borrowers also qualify for lower payments through an alternative repayment plan, such as the income-sensitive repayment plan. If you are behind, you may be able to become current by consolidating your loans. (Of course, you do not have to be behind to consolidate.) Defaulted borrowers with public student loans also have a one-time right to get out of default with a reasonable and affordable repayment plan. Allowing your student loans to go into default and not doing anything to cure it can result in credit report damage, wage garnishment, and interception of tax returns.

Taxes

The IRS has many methods at their disposal to collect unpaid taxes, including wage garnishment, liens, and seizure of property. However, contrary to what you may believe, the IRS is generally willing to work with taxpayers who want to get back on track. If you haven't filed in years past, do so right away. If you cannot pay the amount owed in full, you may be able to set up a monthly repayment plan or establish an offer in compromise – a settlement of the debt for less than amount owed. In cases of extreme hardship, the IRS may be willing to temporarily suspend collection activity. The IRS can be contacted at (800) TAX-1040.

Child and Spousal Support

Child or spousal support is not an expense that can easily be reduced. You must go to court to have your amount reduced or modified. It is likely that you will need the assistance of a lawyer. Even if your ex-spouse or child's other parent agrees to the reduction, it must be handled through the court. Remember, the modification is not retroactive – you are responsible for the full amount, and all past due payments, until the court agrees to a reduction. Also, you cannot discharge past due support in bankruptcy. Neglecting this obligation can result in very aggressive collection action, including garnishment and criminal prosecution.

Unsecured Debt

There often is some flexibility in arranging payment plans for credit cards and personal loans. Many creditors offer hardship programs – short-term payment arrangements allowing you to make smaller payments. When requesting these kinds of arrangements, be sure to stress that your situation is

due to circumstances beyond your control. Also offer a timeline and your plan for improving the situation. Remember never to promise to make payments that you can't afford. Generally, if you miss payments during your hardship program, the creditor will revoke the arrangements. Make your offer only after developing a realistic budget. Follow up with a letter like the sample shown below.

The consequences of not paying unsecured debt are less severe than not paying a mortgage or car loan. Still, neglecting your debt, especially if it is done for a long period of time, can result in collection and legal actions, as well as credit report damage. If a creditor obtains a judgment against you, they may be able to garnish your wages, place liens on your property, or seize your belongings.

Miscellaneous Bills

Miscellaneous bills may include medical bills, auto repair bills, legal bills, health club dues, or any other unsecured debt besides credit cards or student loans. The process for arranging payment is similar to handling unsecured debt. Keep in touch with your creditors, update them as your situation changes, and don't promise to send more than you can afford to pay.

Tips for Communication

It is best to contact your creditors in writing, keeping copies of all correspondence for your records. Before you write your letters, you will need to clarify the following facts:

- How did you come to be in financial difficulty? Creditors will want to know what specific hardship caused you to miss payments, whether the hardship was beyond your control and whether the situation is likely to happen again.
- What steps can you realistically take to remedy the situation right now? It is important that you understand how much, if any, money you can offer your creditors. It's better to be honest and tell the creditor you are temporarily unable to make any payment than to promise to send money you don't have.
- What are your plans for future income? Creditors want to know exactly how you are going to resolve the situation and when. Be realistic in your projections.

After you have written your letters:

- Mail a letter to each creditor and keep a copy for yourself.
- Write up a summary list of your spending plan and repayment plan and keep it by the telephone. Creditors may call with additional questions. If they do, refer to your plan and don't promise payments you cannot make. Be honest and courteous.

Your Credit Report

If you are having trouble paying your bills on time, you may be concerned about developing a negative credit history. If you make payments late, it is likely that the creditors will report that to the credit bureaus. Having late payments on your credit report can significantly lower your credit score.

While it is important to maintain a good credit history whenever possible, it is also important to have a clear understanding of where your credit report fits among all of your other priorities. In other words, given a limited income that does not enable you to pay all of your expenses and bills, it is more important to keep a roof over your head and feed yourself and your family than it is to have immaculate credit. Keep in mind too that although future creditors and others who look at credit reports will see a negative mark, the older a delinquent payment is, the less of an effect it has on your credit score, especially if your recent payment history is positive. Furthermore, the negative mark will drop off your credit report completely after seven years.

Sample Letter to a Creditor

January 18, 20X0
ABC Credit Company
Central City, USA 17171

Dear Creditor:

Due to a layoff, I am temporarily unemployed and, as a result, am experiencing financial difficulties. I have analyzed my current situation with the help of BALANCE (if applicable).

After making a strict budget for my expenses, I find it necessary that I ask each creditor to accept a reduced payment for the next three months. By then, I expect to be back at work full-time.

I would appreciate your cooperation in making this payment plan work. In place of the regular payment of \$80, I request that you accept payments of \$30 per month during this emergency. I will pay before the 30th of the month.

You can be sure that I will resume normal payments as soon as possible. Thank you for your consideration. If there are any changes in my situation, I will notify you of them as soon as possible.

Sincerely,

Name

Address

Account number

How to PLAN for Financial Emergencies

Wouldn't it be nice to adapt to change easily and gracefully? To offset the wallet-shock an unexpected life change can bring? You can. Whether you have one year or one week to adjust to such monetary upheavals as marriage, divorce, a growing family, or military deployment, you can sail through financial foul weather – as long as you PLAN for it.

Prepare: This first step will help you understand how much money you have to work with. It is vital to putting together a practical strategy for the future. If you don't already have your financial documents in one place, it may require a little hunting and gathering (and once you do, keep them accessible, be it on your computer or in a folder in a corner of the kitchen. Be and remain organized for the next inevitable change). You will need recent bank and credit card statements for account balances, current loan papers, pay stubs with income, tax, and deduction information, and your checkbook register for household bill information.

Have it all together? Good. Now carefully examine and notate your current income, expenses, assets and liabilities. You will need all this data for the next step in your PLAN...

Learn: Ignorance is not bliss! Learn how this event will alter the way you currently spend and save. If there will be additional or increased expenses, you will need to be acutely aware of their type and cost. More gas for a longer commute? Diapers or daycare for a baby? The last thing you want is to be hit with a big, unexpected expenditure after you worked out a feasible money management plan.

To know how the change will affect the numbers in your financial picture, you may need to conduct some research. Thankfully, there is an abundance of free to cheap (yet high-quality) information available. Websites, books, magazines, friends and family members who have experienced what you are about to go through are all useful sources to tap. Contact your financial institution for ideas and options. If you are in the military and are facing deployment, be sure to investigate the plethora of programs that are specific to your needs and situation.

Often a life change will inspire new goals. You may want to start an educational IRA to fund your child's college tuition, or save for a down payment on a home. Take the time to assess long-term objectives and figure out how much it will take to achieve them. They too will have to be factored in to your newfangled budget.

Act: Now you need to put your PLAN into action. Because you have completed the first two steps, you should have everything necessary to smoothly transition from old to new. Plug the revised numbers into your budget. Are you over or under? You may have to modify spending habits, reduce expenses, or even sell assets to meet the needs of the pending change in circumstance. Other action items may include opening a savings or investment account, adjusting tax deductions or exemptions, obtaining or modifying insurance coverage, or meeting with a financial professional for long-term planning.

Resist inertia – sitting around hoping things get done is tempting but self-destructive. All the knowledge and assistance in the world won't help if you don't do what you need to do.

Network: Finally, reach out and connect with those who are, or have been, in the same position as you will be. The impending financial predicament may be new to you, but there are scores of people out there who have weathered the storm and come out dry. They can provide you with not just information, tools, and ideas, but also the support you need to be successful with even the most challenging of changes. Ask people in your familial and social circle for suggestions and connections, contact your employee assistance program for free programs and services, log onto online forums and chat rooms. You may be surprised by how enthusiastic others are to share their wisdom and encouragement.

Remember, change isn't a matter of if – it's when and how. Think of it as an opportunity to grow and be self-sufficient under even the most daunting of financial conditions. You can do it. It just takes a good PLAN.

Emergency Savings Accounts

What if your income stream suddenly stopped? Would paying for the essentials be difficult? What if an unexpected expense, such as a medical bill, popped up? Would you be able to pay it? Many people turn to credit to help them make ends meet in difficult times. While it may provide temporary relief, it could cost you, as interest accumulates on your balance if you cannot pay it in full. Not to mention, it may be a struggle to make the payments each month.

An emergency savings fund will help you be self-reliant and take care of bills if you have an unexpected expense or your income is reduced or eliminated without relying on credit. The size of the fund should be based on your family size, expenses, and personal comfort level. Most financial planners recommend three to six months worth of living expenses be set aside.

Keeping savings in your checking account is usually not a good idea because you may be tempted to spend it prematurely. So where can you put it? Minimal investment risk and easy access are the most important aspects for an emergency fund – while a high return is nice, it is not a priority. Here are some recommendations for keeping your stash safe (and under the bed is not one of them).

Savings account

You deposit your cash and make withdrawals at any time without paying a penalty. (However you are restricted in the number of withdrawals you can make.) Savings accounts are insured by the FDIC (for banks) or NCUA (for credit unions), so you won't lose your money even if your financial institution goes out of business. In exchange for total liquidity and stability, savings accounts usually provide a very low investment return.

Money market deposit account

Money market deposit accounts are similar to savings accounts, but the interest rate is variable, not fixed, and usually higher as well. They are insured and may come with limited check-writing privileges.

Money market mutual fund: Money market mutual funds are mutual funds that invest in short-term debt obligations, such as Treasury bills and CDs. While generally safe, money market mutual funds are not insured and provide no guarantee against loss.

Certificate of deposit (CD)

CDs are insured and typically offer a higher interest rate than savings accounts or money market deposit accounts. The catch – if you withdraw money from the CD before it matures, you usually have to pay an early withdrawal penalty. This can be problematic for an emergency fund because you don't know when you will need the money. Still, it may be a good choice if the additional interest you earn compared to other options is greater than the penalty.

Treasury bill (T-bill)

T-bills are debt obligations of the U.S. government with a maturity of a year or less. T-bills are sold at auction, and your return is dependent on how much under the face value you purchase them for. Although T-bills are not insured, they are a fairly safe investment. After all, the government can always print more money to meet their obligations! If you need to cash them in before the maturity date, you have the option of selling them, but it's best not to depend entirely on T-bills for your emergency fund, since you won't necessarily get your money immediately.

Whether you decide to go with only one of the above option or diversify, an emergency savings account is a safety net that everybody should have. Saving three to six months of living expenses may seem like a daunting task, but by setting aside just a little every month, you can get there in less time than you might think.

Why You Should Have Renters Insurance

You come home one day and discover that your apartment has been gutted by a fire. All of your possessions are destroyed. Your landlord's homeowners insurance policy will cover your loss, right? Wrong. Many renters, believing they are covered by their landlord's policy, fail to purchase their own insurance and only discover the truth once it is too late. Unless the damage is the result of the landlord's negligence (such as your place being burglarized after the landlord ignored your repeated request to fix a broken window), landlords' insurance policies typically only cover the physical structure of the building, not tenants' personal property. To protect yourself, you need renters insurance.

What is renters insurance?

Renters insurance is just like homeowners insurance – only it is for renters. If your property is destroyed, you get money to replace it. You may feel that your ratty old futon and television are not worth much, but if you add up the value of everything you have, it is probably worth at least a few thousand dollars. However, even if the value of your personal property only totals a few hundred dollars, renters insurance could still be beneficial. It may only cost you \$200 to replace your futon, but your personal liability is virtually limitless. A friend could trip on your rug and sue you for \$100,000. Or your barbecue could get out of hand and destroy your neighbor's apartment. If you have renters insurance, your insurance company will cover at least some of your costs.

Another benefit of renters insurance is that you do not have to worry about collecting money from someone else if they cause the damage to your apartment. Let's say your apartment flooded after your upstairs neighbor left the shower on all day. Legally, he is responsible for the losses you incurred, but that does not mean he will be willing to pay you. If you do not have renters insurance, you may have to hound him to pony up. However, if you do have renters insurance, all you have to do is file a claim with the insurance company. They will pay you (not only for the damaged property but also costs incurred for alternative accommodations if your apartment was temporarily uninhabitable) and then seek reimbursement from your neighbor.

Getting proper coverage

In order for renters insurance to be useful, you need

to have the proper level of coverage. You probably do not want a policy with a \$15,000 personal property coverage limit if your property is worth \$30,000. Nor does it make sense to have a \$45,000 policy since you will have to pay higher premiums. (However, many insurers will not issue policies with less than a \$30,000 limit, so having extra coverage may be unavoidable if your possessions are worth less than that.) To know the right amount of coverage to get, total up the cost of everything you have. Making a written inventory can not only help you determine what level of coverage to get, but it will also come in handy if you ever need to submit a claim and detail what was destroyed.

Determining your level of coverage is the primary decision that needs to be made with a standard renters insurance policy, but depending on your situation, a standard policy may not be enough to meet your needs. There are many extras you can get (for an additional cost, of course), including:

- **Full replacement cost coverage.** Standard insurance policies pay you the actual cash value of your loss – the price you paid minus depreciation. However, even though your television may only be worth \$300, it could cost \$1,000 to buy a new one. That is why many people buy replacement cost coverage, which compensates you for what it actually costs to replace damaged items.
- **Personal property endorsement.** Standard insurance policies limit the amount they will pay out for specific items, like jewelry, artwork, and other collectibles. If you have, for example, a \$500,000 Van Gogh painting, you may want to get additional coverage through a personal property endorsement.
- **Flood or earthquake insurance.** Standard homeowners and renters insurance policies do not coverage damages that result from floods or earthquakes. If you are in a flood or earthquake zone, you may want to purchase an additional policy.

Perhaps the best part of renters' insurance? It is dirt cheap, usually costing no more than a few hundred dollars a year. Why not give yourself peace of mind for something that costs less than a daily cup of coffee?

Life Insurance: What Type is Right for You?

Are you wondering if you should purchase life insurance? If there is someone who is dependent on you for financial support, it is a beneficial thing to have. It can ensure that your loved ones are not struggling to pay the bills if you pass away. It can also help them replace the services that you provide. For example, if you are a stay-at-home parent, having life insurance can allow the other parent to pay for daycare. There are many types of life insurance products available, so before you contact an insurance agent, make sure you have a basic knowledge of the options that are available.

Term Insurance

As the name implies, you buy term insurance for a specific period of time, usually between 1-30 years. If you die within that timeframe, your beneficiary will receive a preset amount of money - the death benefit. If you fail to pay your premiums, cancel the policy, or die after the term ends, neither you nor the beneficiary receive anything.

The major advantage of a term life insurance policy is that if you are young, you generally pay extremely low premiums for a substantial death benefit. However, as you get older, your premiums will increase when you renew or purchase a new policy. Term insurance is usually the best option for someone who anticipates only needing insurance for a limited period of time (e.g., until the mortgage is paid off or the kids are grown). If you plan on have life insurance for the rest of your life, long term, cash-value insurance may provide a better deal.

If you have life insurance through your employer, it is probably a term policy. The death benefit for employer-provided life insurance policies is often equal to one year's salary. Having insurance through work does not mean that it is not beneficial to purchase a policy on your own. While a work policy may be enough to cover funeral costs, it is probably insufficient to cover outstanding debts or support dependent family members. Additionally, you may lose the policy when you leave your job.

Cash-Value Insurance

With a cash-value life insurance policy, part of your premium pays for the life insurance (which, like with term insurance, pays a death benefit if you die), and part of it goes into a savings plan. The insurance is

permanent – you can keep it as long as you make the payments. If you decide to cancel the plan early, you get back what is in the savings plan.

The downside of cash-value insurance policies is that the premiums tend to be considerably more expensive than for term plans. Before you buy this type of insurance, think about if your situation justifies paying the extra cost.

There are three basic types of cash-value life insurance:

- *Whole life insurance* is the standard cash-value policy. The premiums are fixed for the duration of the policy, and the life insurance company chooses where to invest the funds in your savings plan.
- *Universal life insurance* offers payment flexibility. You choose what premium to pay and can increase or decrease your payments anytime. You can also change the death benefit amount. The payment is broken down into three components: the mortality charge for the death benefit, administrative costs, and the savings plan. If your payment is lower than the mortality charge and administrative costs, the shortage is subtracted from your savings plan. If there is not enough in the savings plan to cover it, your policy lapses.
- *Variable life insurance* gives you the ability to choose where to invest the funds in your savings plan. There are two basic forms of variable life insurance - one with fixed premiums, called straight variable life, and the other with flexible premiums, called variable universal life. In either form, this type of policy is risky. If your investments perform well, the cash value portion of your savings does well. If they fail, your savings suffer.

Life insurance protects loved ones who depend on you for financial security and is a sound part of many long-term financial plans. However, as with all purchases, you want to make an informed choice. Most insurance agents make their living through commissions, so look for and resist high-pressure sales techniques. Before purchasing a policy, check out how the company is rated by a rating agency, such as A.M. Best, Moody's Investors Service, and Standard & Poor's, to make sure the life insurance company will be around when you need them to be.

How Not to Lose Everything

Whether due to fire or flood, earthquake or hurricane, powerful forces of nature can lead to financial devastation if you or your home is in its path. But while you can't stop a catastrophe from happening, you can take preventative measures. Doing so will cushion the blow that such a disaster can have on your personal finances.

Be adequately insured

Paying for insurance can feel like a waste of money during the good times - but if a disaster strikes, you'll be grateful you have it. Having the right insurance will enable you to recoup and rebuild at the lowest cost.

Homeowners: A minimum level of insurance is required if you have a mortgage, but to ensure that you are fully covered, you may need to add to it. A guaranteed replacement cost policy allows you to rebuild your house at today's prices. If your current policy does not cover the cost of meeting current building codes, consider paying a little extra for it. Homeowners insurance does not include flood damage, so if this is a concern for you, look into purchasing flood insurance. If your home is in an earthquake-prone area, you may want to pay for earthquake insurance.

Renters: Insurance is usually not required for renters, but it is still beneficial to have. Renters insurance provides liability protection and pays for damaged, destroyed, or stolen property. It also covers the cost of a hotel if your home becomes uninhabitable. Best of all, renters insurance is cheap, usually not costing more than a few hundred dollars a year.

Life: Life insurance can ensure that your loved ones are taken care of if the unthinkable happens. There are two basic types of life insurance: term and cash-value. Term insurance is pure life insurance. You pay the premiums for a specific period of time, and the policy will only pay out if you die during the policy term. With cash-value life insurance, part of your premium pays for the policy and part of it goes into a savings plan. You can keep the policy as long as you pay the premiums. You can also borrow against the money in the savings plan or cancel the plan and get the cash back. However, the premiums are generally

higher for cash-value life insurance, and it may not be worth the extra cost if you don't anticipate needing life insurance for the rest of your life.

Establish an emergency fund

One of the reasons it is a good idea to establish an emergency fund is so that money will be readily available in the event of a disaster. So if you haven't started saving, do it now.

Have a set sum deducted monthly from your checking account and automatically deposited into a savings account. Try to save at least ten percent of your net income until three to six months of essential expenses is built up (and after that, keep saving, with the surplus going toward other goals). Though the amount may seem high at first, chances are you will quickly adjust to living on the remaining income. But if you can't do at least 10%, save whatever you can – every little bit helps.

While most of your emergency fund should be held in a low-risk account where there are no penalties for early withdrawals, such as a savings account or money market deposit account, keep a small amount of cash in your home. You may not be able to get to your financial institution or an ATM machine for a while.

Keep your credit card balances down

While credit cards are not intended to take the place of an emergency fund, they can be very useful if you need to check into a hotel or rent a car during a crisis. And if you absolutely have to use them as a cash source, you don't want to build a bigger balance than you can reasonably pay off when the dust settles. If you currently have credit card debt, concentrate on repaying what you owe. Once the balances are low or nil, commit yourself to living within your means so you don't run them up.

Plan your estate

Nobody likes to think of their own mortality, but if you have loved ones who depend on you for financial support, it is important to plan your estate.

Will: A will allows you to leave property to who you want. Dying "intestate" (without a will) can lead to

court battles that can dramatically erode the value of your estate and assets being transferred to those who may not be your preference. Be sure to update your will after major life events, such as marriage, divorce, or the birth of a child.

Power of attorney: A power of attorney document allows you to appoint a trusted individual to make financial or medical decisions on your behalf if you become unable to do so. It can give you peace of mind that your affairs will be conducted according to your wishes - even in the most dire of circumstances.

Trust: A trust is a legal entity in which your property is held for the benefit of another person. It can be either living, in which the assets are placed in the trust while you are still alive, or testamentary, which is created by a will and only becomes active after death. Assets in a trust avoid the probate process, but a trust can be costly and time-consuming to set up and maintain. It is generally used by people with a significant amount of assets or who do not want the benefactor to have total control of the asset. E.g., a parent of a special-needs child may set up a trust so that the trustee can oversee the distribution of the funds.

Safeguard your financial information

A disaster can force you to leave your home in a hurry and destroy items that are not well protected, so it is important to gather and safeguard important documents now.

In a home safe or firebox, keep:

- Enough cash for a few days worth of food and shelter
- Insurance policy documents
- Copies of deeds/titles for your home, car, and other real property
- Copy of last year's income tax return
- Originals of wills, powers of attorney, and/or trust agreements, if not with your attorney
- Backup of computerized financial records
- Checking and savings account, loan, credit card, and investment account information
- Key to your safe deposit box

In a safe deposit box, keep:

- Deeds/titles to your home, car, and other real property
- Appraisals of expensive jewelry and heirlooms
- Certificates for stocks, bonds, and other investments
- Copies of wills, powers of attorney, and/or trust agreements
- Inventory of possessions

When the skies are clear and the forecast balmy, the desire to put off planning can be very strong. However, nobody knows when and to what degree a catastrophic event will occur - which is why being prepared is so crucial. And once you have done it, you will be confident that even if the earth shakes, your financial foundation will remain firm.

Property Inventory Checklist

LIVING ROOM

Item	Description	Date purchased	Purchase amount*	Estimated replacement cost
Sofa				
Chairs				
Coffee table				
Side tables				
Bookcase				
Rug				
Lamps				
Television				
Video player				
Stereo/speaker				
Gaming system				
Phone				
Toys				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				
Other:				
Other:				

**Standard insurance policies will typically pay you the current value of the items you submit a claim for, not the purchase amount. Due to depreciation (wear and tear), the current value can be significantly less. For an additional fee, you can purchase full replacement cost coverage, which pays you what it costs to purchase new items.*

FAMILY ROOM/DEN

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Sofa				
Chairs				
Coffee table				
Side tables				
Bookcase				
Rug				
Lamps				
Television				
Video player				
Stereo/speaker				
Gaming system				
Phone				
Toys				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				
Other:				
Other:				
Other:				

KITCHEN

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Refrigerator				
Stove				
Dishwasher				
Microwave				
Toaster				
Blender				
Pots and pans				
Dishes				
Glasses				
Linens				
Silverware				
Table				
Chairs				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				
Other:				
Other:				
Other:				

DINING ROOM

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Table				
Chairs				
Chandelier				
China cabinet				
China				
Crystal/glassware				
Linens				
Silverware				
Rug				
Decorations				
Curtains				
Other:				
Other:				
Other:				

OFFICE

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Desk				
Chair				
Bookcase				
Computer				
Monitor				
Printer				
Speakers				
Fax machine				
Rug				
Artwork/decorations				
Curtains				
Other:				
Other:				

MASTER BEDROOM

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Bed				
Mattress				
Comforter/quilt				
Sheets				
Pillows				
Dressers				
Lamps				
Side tables				
Rug				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				

BEDROOM #2

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Bed				
Mattress				
Comforter/quilt				
Sheets				
Pillows				
Dressers				
Lamps				
Side tables				
Rug				
Artwork/decorations				
Curtains				
Other:				
Other:				

BEDROOM #3

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Bed				
Mattress				
Comforter/quilt				
Sheets				
Pillows				
Dressers				
Lamps				
Side tables				
Rug				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				

BEDROOM #4

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Bed				
Mattress				
Comforter/quilt				
Sheets				
Pillows				
Dressers				
Lamps				
Side tables				
Rug				
Artwork/decorations				
Curtains				
Other:				
Other:				

MASTER BATHROOM

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Medicine				
Toiletries				
Hair dryer				
Curling iron				
Razor				
Shower curtain				
Mirror				
Scale				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				
Other:				

BATHROOM #2

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Medicine				
Toiletries				
Hair dryer				
Curling iron				
Razor				
Shower curtain				
Mirror				
Scale				
Artwork/decorations				
Curtains				
Other:				
Other:				
Other:				

BATHROOM #3

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Medicine				
Toiletries				
Hair dryer				
Curling iron				
Razor				
Shower curtain				
Mirror				
Scale				
Artwork/decorations				
Curtains				
Other:				
Other:				

LAUNDRY ROOM

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Washer				
Dryer				
Iron				
Vacuum				
Other:				
Other:				

OUTDOORS

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Patio furniture				
Barbecue				
Lawn mower				
Garden tools				
Hot tub				
Other:				
Other:				

PERSONAL PROPERTY*

Item	Description	Date purchased	Purchase amount	Estimated replacement cost
Clothing				
Coats				
Shoes				
Jewelry				
Purses				
Cosmetics				
Belts				
Musical instruments				
Power tools				
Collections (coins, etc.)				
Other:				
Other:				
Other:				

**You may want to get a personal property endorsement to fully cover expensive items.*

Personal Financial Information Organizer

Name: _____

Date: _____

Address: _____

Social Security # _____

City, State, Zip: _____

Phone: _____

BANK ACCOUNTS

Name of Financial Institution	Address	Phone Number	Account Number	Type of Account	Location of Statements

INVESTMENTS

Name of Company	Address	Phone Number	Account/Serial Number	Type of Investment	Location of Statements

RETIREMENT PLANS

Name of Plan Administrator	Address	Phone Number	Account Number	Type of Plan	Location of Statements

INSURANCE

Name of Insurer	Address	Phone Number	Policy Number	Type of Insurance	Payment & Due Date	Location of Statements

UTILITIES

Name of Service Provider	Address	Phone Number	Account Number	Type of Utility	Payment & Due Date	Location of Statements

LOANS & CREDIT CARDS

Name of Creditor	Address	Phone Number	Account Number	Type of Account	Payment & Due Date	Location of Statements

PROFESSIONAL ADVISORS

Name	Address	Phone	Occupation

ONLINE LOGIN INFORMATION

Account	Website Address	Username	Password

OTHER
