

Getting Back to Financial Basics

With the recession, job loss, and the foreclosure crisis continuing to make headlines, here are some tips to help you strengthen your finances during these troubling times:

- **Create a budget.** Examine your most recent bank statement. Create a budget spreadsheet armed with information about your wage(s) and how much you spend each month. Categorize your spending. Expense categories can include: Rent or Mortgage, Gas, Groceries, Utilities, Insurance, Car Payment, Credit Card Payment, and more. After you see how much you are making, how much you are spending and where your money is going, you will be better able to create a budget that works for you.
- **Cut expenses.** Daily expenses like going out for lunch or dinner and frequent trips to the coffee shop add up. After creating a budget and examining your spending over the last month, you will likely see expenses that can be cut, which may add up to monthly savings in your bank account. Instead of buying a daily cup of coffee, make a cup at home. Bring your lunch instead of buying it every day.

And, cook dinner at home with your family or friends instead of meeting up a few times a week. The combination of making coffee at home and a bringing a bag lunch a couple of days a week has the potential to save more than \$50 each month.
- **Tackle debt.** Once you cut unnecessary expenses, you may find a little extra money that can be used to tackle any debt you may have. To be truly financially fit, work on paying down and eventually eliminating your debt by paying more than the monthly minimum payment. Paying the minimum each month could take more than a dozen years to pay off the debt. By paying even a little more than the minimum each month, you are working your way toward financial fitness.
- **Build an emergency fund.** With each paycheck, make an effort to contribute to a savings account separate from your checking account. Each contribution, no matter the amount, builds a cushion for emergencies down the road.

- **Enroll in a financial fitness course at a nonprofit NeighborWorks organization in your community.**

Financial fitness courses can teach you money management skills that can help put you on the path to decreasing debt and increasing resources. Financial literacy can also help you become more aware of common financial pitfalls – including loan modification scams and predatory lending schemes – and how to avoid them. To find a NeighborWorks organization near you that offers financial fitness courses, visit www.nw.org/network/nwdata/financialfitness.asp.

- **Avoid being scammed.** If you are facing foreclosure and aren't sure where to turn for guidance, seek help from a nonprofit HUD-approved housing counseling organization. Avoid companies or people that promise to stop foreclosure or get your loan modified. Avoid companies or people that ask for fees in advance to work with your lender to modify, refinance, or reinstate your mortgage. And avoid companies or people that advise you to stop paying your mortgage company and pay them instead. Nonprofit organizations have your best interest at heart and will work with you one-on-one to remedy your situation. The old adage, "You get what you pay for," does not apply with reputable nonprofits. To find a NeighborWorks organization or

other nonprofit HUD-approved housing counseling organization near you, visit www.findaforeclosurecounselor.org. To learn more about loan modification scams and how to avoid them, visit <http://www.loanscamalert.org/>.