



WiseUp e-News...

www.wiseupwomen.org

Financial Planning for Generations X and Y

Summer 2009

Coming Events

September 12, 2009 – *Economic Recovery: What Women Need to Know.*

The U.S. Department of Labor – Women’s Bureau will host a conference at the Women’s Museum in Dallas, Texas. Representatives of six major federal agencies will discuss how the American Recovery and Reinvestment Act (ARRA) can assist women. The event is free, but registration is required. A registration form and flyer are posted at www.wiseupwomen.org.

September 30, 2009 – *WiseUp National Teleconference.* See www.wiseupwomen.org for more details about this free teleconference.

Rule of Thumb

Ideally, you should strive for a **debt-to-income ratio** of less than 15 percent of your take-home pay, excluding your home mortgage payment.

Good Debt – Bad Debt – Is There a Difference?

The current recession has had an impact on low- and middle-income Americans, experts say. According to a recent survey¹ conducted by the research and advocacy group, *Demos*, more than a third of survey respondents said they have used credit cards to cover basic living expenses (rent, mortgage payments, groceries, and utilities) for an average of 5 out of the previous 12 months. Study respondents reported carrying an average credit card debt of \$9,827 with an average Annual Percentage Rate (APR) of 14.8 percent. Almost a quarter of the study respondents had credit cards with APRs exceeding 20 percent. Half of the households in the survey said out-of-pocket medical expenses contributed an average of \$2,194 to their credit card debt.



Some people classify debt as “good” debt and “bad” debt. Debt used to buy homes, cars, and to pay for education generally falls in the “good” category. Homes tend to appreciate in value over time, although this year home values have fallen in many parts of the U.S. Mortgage interest and property taxes – because they are tax-deductible – reduce taxable income. Thus, the debt resulting from a home mortgage is seen as “good debt,” provided the homeowner is able to make regular payments on time. Cars represent transportation to get to work, and education loans are seen as an investment that will increase potential earning power. Both are forms of “good” debt.

Using credit to buy clothing, food, gasoline, and other things that are used up or have lost value by the time the bill comes due is generally put in the “bad” debt category. These types of purchases are particularly problematic if you don’t usually pay the balance in full each month and make only the minimum payment. Paying the minimum increases the *true cost* of the purchase when you add the amount of interest that is paid.

The current economic pressure felt by families has meant that they have used credit cards as a “plastic safety net” to cover their most basic living costs, as reported by the *Demos* survey. Using credit cards – the most expensive form of credit – can mean that future credit card debts, unless monthly payments exceed the minimum amount due, may seriously tax the capacity of consumers to pay off debt and may result in yet another type of credit crisis.

¹Demos. *The Plastic Safety Net, 2009, and “New Survey Report Reveals Truth behind Excessive Credit Card Debt in the United States.”* News Release from Demos, July 28, 2009, available at www.demos.org.



Women’s Bureau
U.S. Department of Labor
<http://www.dol.gov/wb>

AgriLIFE EXTENSION
Texas A&M System

For more information on WiseUp resources or to register for the online course, go to www.wiseupwomen.org.

The Wi\$eUp Network Welcomes New Groups & Experts

Organizations

- American Association of University Women (PA)
- Asian American Women's Coalition (PA)
- Brass Ring Productions Ltd (OH)
- Bright Hope Baptist Church (PA)
- Casey Solutions (IL)
- Chinese American Service League (IL)
- Hartford Job Corps Academy (CT)
- Interagency Planning Committee (PA)
- Kimberley Feeney Zollo, CFP® (MA)
- Northport Medical Center (NY)
- Northwest Indian College (WA)
- Rochelle Braunstein (NY)
- WIFS – Women in Insurance and Financial Services (CO)
- Texas Agrilife Extension Service, Texas A&M System (TX)
 - Jefferson County
 - Williamson County
 - Calhoun County
 - Cooke County
 - Polk County
- Wellstar Health System (GA)
- YWCA Boston (MA)

Experts

- Shawn Anderson (CO)
- Grayson Campbell (GA)
- Jana Castanon (KS)
- Rana Fields (MO)
- Beth Frazier (NY)
- Heather Green (CO)
- Martina Jimenez (GA)
- Joanne Kuster (IA)
- Martha O'Brien (GA)
- H. Whalen (MO)

How Much Debt Is Too Much?

How do you know if you are carrying “too much” debt? The use of credit can make your money management system function smoothly or keep you awake with nightmares. People handle debt differently; some can handle more than others. In the current economy, many are struggling to make ends meet, as illustrated by the results of the Demos survey.

People with debt-to-income ratios between 15 and 20 percent of their take-home pay (excluding mortgage) may be experiencing problems making debt payments and still paying other bills on time. Once debt-to-income ratios exceed 20 percent, problems with repayment increase dramatically. **Chapter 4** of *Wi\$eUp – Financial Planning for Generation X & Y Women* will show you **how to find your debt-to-income ratio in two easy steps**. Sign up for the course now – registration is free at <http://wiseupwomen.org>!

Participant's Corner – Wi\$eUp Testimonials

“I have three adult daughters between 30 and 35, and each of them has participated in the Wi\$eUp program. They are living on their own in three states, and they are trying to manage their resources in these difficult economic times. The information they learned has been helpful as well as inspirational. The chapters on budgeting and investments have been especially insightful, and as a mother, I have a little more peace of mind knowing that there is good information available to help my children be independent and successful.”

Wanda Beuman, PhD, Wi\$eUp Chair
TLOD - Top Ladies of Distinction, Denver, CO



Left to Right: Shaunda Beuman, Shirelyn Beuman Iyoha, Wanda Beuman, Charlene Beuman

Shaunda Beuman, BS: *“I am single and enrolled in grad school, working on my MBA degree. In my opinion, women generally don't have as much financial information as men do because our American society has not put them in the role of formally managing households, paying taxes, and doing investments... Financial education is important, and every family should make sure that their girls are as well prepared as their boys are.”*

Shirelyn Beuman Iyoha, PhD: *“I am married with two young sons, and I believe that women need financial knowledge for their own mental and physical well-being as well as for that of their families... The Wi\$eUp program has allowed me to have easy access to a variety of financial programs and plans in budgeting, controlling spending, and long-term financial planning. We are building equity in our home and are aware of the importance of managing debt.”*

Charlene Beuman, MS: *“I am single and recently finished my master's degree in Forensic Science. I think a lot about my finances, and I try to make sensible decisions about spending money, such as living below my means and rarely splurging... I also try not to accrue a lot of debt, and when I do get a loan or buy on credit, I pay it off quickly.”*

Expert's Corner

Rebecca Schreiber is a CERTIFIED FINANCIAL PLANNER™ and Wi\$eUp Expert. After working with a multi-million dollar online retailer where she created and managed a \$90 million financial management and fraud detection program, Rebecca opened *Solid Ground* – a financial planning company – in 2005. She currently serves a local and international clientele from her office in Silver Spring, Maryland.

Wi\$eUp Teleconference

Health Insurance: A Key Component in Financial Planning (July 2009).

(<http://wiseupwomen.tamu.edu/teleconferences.php?date=2009-07-31>)

“When you’ve lost a job either through layoff or termination, or if you’ve just quit or become disabled...for many various reasons – these events trigger COBRA. You can find out information about this [and other] laws – HIPAA, ERISA, ARRA – if you look at our Website at www.dol.gov/ebsa for Employee Benefits Security Administration.”

Deborah Perry – Senior Technical Advisor for the Office of Participant Assistance – U.S. Department of Labor Employee Benefits Security Administration (EBSA).

Deborah was one of the speakers for the July 2009 teleconference. Listen to Deborah and other panelists by downloading the MP3 audio file from the Wi\$eUp website.

Managing Debt through Different Life Stages

Rebecca Schreiber, CFP®



Debt is a constant in most women's lives. Whether they are juggling credit card debt, student loans, personal loans, or mortgages, debt is always there. The way to get ahead of debt is to prioritize debt based on your living situation. For example, young, single women should focus on paying down high-interest credit card debt, then low-interest debt, leaving student loan debt for last. High-interest credit card debt compounds so quickly that unless you get ahead of it before you buy a home or start a family, it will never get paid off. Paying down the debt will increase your credit score, making you a better candidate for future jobs. If you're just starting out, focus your debt payment dollars on the credit cards.

If you're a couple or married and not supporting any children, take the opportunity to focus on budgeting. Women spend a lot more money on decorating their homes and entertaining as a couple, and with two incomes slipping through your fingers, that's a lot of money that could pay down debt. If you're married or run up credit card debt while living together, both spouses could be on the hook for the debt even if the card is only in one person's name. That is all the more reason to take a look at the couple's total debt load, prioritize the debts by interest rate, and pay more towards the balances with the highest rates. Then focus on building up your savings and retirement accounts.

As a parent, paying the bills every month is an uphill battle. Between education, child care, food, and clothing, it seems there is always more you need. While this is the hardest time to pay down debt, consider paying the highest-interest debts down first and then focusing on retirement. Many parents are waiting to pay down credit card debt until their children graduate and become self-sufficient. As the recession has shown us, this day may be a long way off. Pay off the high-interest credit card first, and if the remaining balances are locked-in at low interest rates, then focus on retirement. Contributing 5 percent to an employer's retirement account (and getting any available match) will go much farther than using the money to pay down a 5 percent interest rate, especially if you have 20 years until retirement. Once the 30 percent credit card balances are gone, save for retirement, then knock out the low-interest-rate debt.

Debt in some form will always be a part of women's lives. Knowing which debt is toxic and which debt you can string along will help you build a strong and healthy financial future.

“Once the 30 percent credit card balances are gone, save for retirement, then knock out the low-interest-rate debt.”

Economic Stress

Respondents (n = 203) in Wi\$eUp's latest online poll say they are most stressed about:

- 35% paying bills
- 20% finding a job
- 15% juggling work and family responsibilities
- 13% funding retirement
- 10% paying back school loans
- 6% feeling OK – things are under control

Depression in Tough Economic Times: Emotional and Mental Well-being

See the Texas AgriLife Extension Service *HealthHints* newsletter for August 2009 at <http://fcs.tamu.edu/health/healthhints/2009/aug/depression.pdf>.

Tell Us What You Think

Wi\$eUp would like to hear from you! Send us your ideas for future issues of e-News. Or share your ideas by submitting an item for *Wi\$eUp – Ideas that Work*. Send your comments to: wiseupwomen@wiseupwomen.org; put "e-News Idea" in the subject line.

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Paying Down Debt the Wi\$eUp Way

Is your income falling short of meeting all of your monthly expenses because of too much debt? One of the biggest disadvantages of using credit is that the money you pay in interest and finance charges is money you don't have available to use for reaching your financial goals. Read on if you are looking for ways to begin paying off your debts – especially credit card debt!

The first step is to stop taking on additional debt!

- Stop using your credit cards.
- Leave credit cards at home so you are less tempted to use them.

Next, make a list of all your debts. Include:

- the name of the creditor,
- the amount you owe,
- the monthly payment,
- the interest rate, and
- how many more payments you have (for installment loans).



Examine your total household spending, and look for ways to cut back in other areas so you can increase the payments you are making, particularly on credit cards.

*Think in terms of making "power payments." What's a power payment? Check out Wi\$eUp's **Chapter 4**, *Credit in a Money World*, to find out more about this and other great ways to help you get out of debt faster!*

Saving for Retirement? According to the Employee Benefit Research Institute (EBRI), about half of workers say they have saved for retirement, and 20 percent have not. The number of workers who say they plan to work after retirement is up almost 10 percent (72 percent) in 2009 from last year's 63 percent.

2009 RCS Fact Sheet. "Saving for Retirement in America." EBRI. June 2009. http://www.ebri.org/files/FS-03_RCS-09_Saving.FINAL.pdf. August 5, 2009.

About Wi\$eUp



Wi\$eUp is a financial education program designed for Generation X and Y women. The Wi\$eUp curriculum was developed by Texas AgriLife Extension Service, Texas A&M System, under contract with the Women's Bureau. The Wi\$eUp program is offered online (www.wiseupwomen.org) and in group settings in all 10 Women's Bureau regions. Wi\$eUp's online course and website are managed by Texas AgriLife Extension Service.

Educational programs of the Texas AgriLife Extension Service are open to all people without regard to race, color, sex, disability, religion, age, or national origin. The Texas A&M University System, U.S. Department of Agriculture, and the County Commissioners Courts of Texas Cooperating