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Majority of Americans Do Not Have Money Available to Meet an Unplanned Expense

The National Foundation for Credit Counseling's (NFCC's) July online poll revealed that 64 percent of Americans would utilize a source other than their savings account to satisfy a \$1,000 unplanned expense.

The largest number of respondents (36 percent) said they would be able to tap their savings account to fund the unplanned expense. Utilizing rainy day funds for an emergency is exactly why a person saves, to protect them against the unknown. However, the remaining 64 percent are in a much different situation.

"Without adequate savings, consumers have poor resolution choices when an emergency arises," said Gail Cunningham, NFCC spokesperson. "People often say they can't afford to save, but the truth is that they can't afford not to."

The survey revealed that to resolve the problem, 17 percent of respondents indicated they would borrow the money from friends or family. Asking those close to you for a loan can be awkward, and potentially negatively impact the relationship. Further, it can lead to "serial borrowing," with the borrower always leaning on someone else to solve his or her financial problems.

Perhaps even more troubling is that another 17 percent said they would neglect existing obligations in order to satisfy the emergency need. This option can easily snowball out of control and have serious consequences. Skipping the rent or mortgage payment, and neglecting to pay credit cards or loans will cause penalty fees and interest to be added to the debt. Neglecting debt payments will also add negative marks on the credit report, resulting in a lower credit score.

The next highest number of responses was in the category of selling or pawning assets, with 12 percent choosing this option. Disposing of unwanted or unused items can be a positive way to raise funds.

Taking out a loan or obtaining a cash advance from a credit card were each selected by nine percent of respondents. The low number of individuals choosing these categories could indicate a lack of access to credit, which might be a good thing. Taking on new debt would put stress on existing obligations, the last thing someone in a financial crisis needs to do.

"Selecting any option other than taking the money from savings should be a red flag," continued Cunningham. "If saving money has always seemed out of reach, there is no better time than now to get to the root of the problem and protect yourself, your family and your financial future."

What To Do?

Dorothy Barrick, GreenPath group manager and counselor, provided a list of topics and questions to ask about an unplanned expense:

Determine if it is really an emergency.

- If you need your car repaired, will they allow you to pay the bill in installments?
- Will your doctor or dentist work with you to repay a procedure?
- Will your utility accept a payment plan?

Trim the budget shortfall for the emergency.

- Can you buy the car part or tire at an auto salvage yard instead of a repair shop?
- Can you trim other areas in your budget so that you can generate funds for the emergency?
- Eliminate a land phone if you have a cell phone? Use free television and eliminate cable?

Generate funds.

- Look at your payroll deductions. If your next paycheck will not cover the emergency, can you stop contributing to your pension for a while?
- Consider having a garage sale or selling unwanted items on the internet.
- Consider a second job. Childcare or dog sitting? Tutoring? House cleaning?

Ask friends first.

- Ask your employer if they can lend you money that can be later deducted from your paycheck.
- Talk to friends or family to see if they will lend you money. You may be more successful if you offer to put the terms of the loan in writing.

Greenpath Reviews Pros and Cons of Medical Credit Cards



GreenPath Debt Solutions was recently quoted in the Detroit Free Press about the pros and cons of medical credit cards. As a definition, major issuers have special credit cards or special lines of credit that are designed to cover a medical procedure: including ChaseHealthAdvance, the Citi Health Card, and General Electric's GE Money's CareCredit.

GreenPath counselor and group manager Dorothy Barrick remarked that if money is owed directly to a doctor or hospital -- and not on a medical-related credit card — the debt is typically interest-free.

"The disadvantage of owing the debt directly to the hospital or doctor is that they often are sold to an outside collection agency," she said.

The article stated that owing a collection agency and having it reported to a credit bureau can bring down a credit score. In addition, signing up for a credit card that can climb to rates of 25% or higher can hurt your pocketbook, too. So pay attention to how long a seemingly ultra-low rate lasts.

Here are some things to consider before acquiring a medical credit card:

- Before you sign up for a card, check out the terms online and compare terms of medical cards that can be used to cover a medical visit or a pet visit to the veterinarian. Pay close attention to interest rates and penalty fees.
- Check out the health care provider or veterinarian service online to see whether other patients had complaints. Search the name of the provider or credit card and the word "complaints." You may also go to the Better Business Bureau site at www.bbb.org.
- Before signing up for a medical-related credit card, see whether you can negotiate your medical bills if you're not covered by insurance or not covered for a specific service.
- If you're on a limited budget or have a lower income, find out whether there are any public programs or programs through a medical provider to offer help with hearing aids, glasses or other procedures and expenses.
- Work out a payment plan directly with your provider, if possible, before signing up for any credit cards. Often such direct arrangements with the medical provider are interest-free.
- Find out how much you'd be billed and if you'd be charged the full price at once. Will you pay for more medical services than you might need now because it will be charged to a credit card?

- Source: Detroit Free Press

From the blogosphere...

GreenPath's Cutting Costs Tutorial Featured in Financial Blog

The financial blog, Monroe on a Budget, recently featured our new GreenPath University.

The blog, written by Monroe (MI) Evening News writer Paula Wethington, highlighted GreenPath University's Cutting Costs Tutorials. She remarked, "There are useful tips in that collection on a variety of topics such as grocery shopping, buying clothes, church and charity and avoiding utility shutoffs."

To visit the Cost Cutting Tutorial at GreenPath University:

<http://www.greenpath.com/university/cutting-costs.htm>

To learn more, visit Monroe on a Budget at:

<http://www.blogsmoer.com/budget>

Background: GreenPath University, a new, comprehensive educational website that includes over 250 personal finance articles, educational videos, interactive calculators, fun games, interactive e-courses, and useful worksheets.

GreenPath University was created to provide high-quality, friendly, and free financial information. All content is provided by GreenPath financial counselors, and the site contains our best advice and links to resources

Come learn more about credit scoring, budgeting, buying a car, refinancing, and much more! Log on to www.greenpath.com/university.

GREENPATH NOW OFFERS AN EXPANDED VERSION OF PATHWAYS

Want to read more in-depth coverage? Log on to www.greenpathref.com/university/newsletters.htm