

## THE HARDEST PART ABOUT GETTING OUT OF DEBT



TONYA SHELTON –  
INDY SAVER

In 2004, Tonya Shelton was facing financial ruin. Barely making more than minimum wage and having lost her home to an unexpected family crisis, Shelton and her family were forced to live in a rundown hotel.

Their future seemed bleak. However, armed with a burning desire to make life better for her family, help from Purdue Extension's Making Your Money Work financial literacy program, the assistance of a local America Saves campaign Indy Saves, and a savings plan, she began her journey to becoming a good steward over the money she did have.

With the help of Indy Saves, Shelton set a goal – to save \$10 a week towards an emergency fund. It was money she felt she did not have at the time, but Indy Saves and Making Your Money Work helped her to commit to

a budget in order to start saving. She sealed the deal by enrolling in a direct deposit program. "Having a savings account helped me to understand the value of having a banking relationship," said Shelton.

At the end of the year, Shelton had saved \$520 – a huge accomplishment. That milestone fueled her desire to continue to save. When Shelton received a raise later on that year, she added that to her savings. She also saved money from her tax refund, as well as money freed up from debt repayment. Eventually, Shelton saved enough money that in 2007 she purchased a home, all new appliances, and still had money left in savings.

Today, Shelton has cleaned up her credit, started her own business, earned a BS in Management, and has been accepted to graduate school at Indiana University. In addition, she volunteers as a "money mentor," teaching the same principles she learned from Indy Saves and the Making Your

Money Work program. Shelton says, "Saving helped change my life in that I now have a plan for unexpected emergencies. It's good to know that if something major happens with the car, the house, or with my children we have money in the bank."

"The hardest part of getting out of debt was working with limited funds. In the beginning, I did not believe I would ever get out," said Shelton. Her story proves that nothing is further from the truth. ●●●

### facts

#### Family Wealth

##### What Most Consumers Don't Know About Credit Scores:

- A credit score mainly represents the risk of not repaying a loan.
- Age and marital status are NOT factors used to calculate a credit score.

Source: February 24, 2011 Consumer Federation of America (CFA) and VantageScore Solutions survey.

#### CAMPAIGN NEWS

### AmericaSaves.org Gets a New Look

With the help of the Capital One branding team, AmericaSaves.org recently re-launched with a new look. Don't worry. The website still has all the same information you have come to depend on. But the updated design will help you find information on how individuals and families can save and build wealth more easily than before.

The redesigned website will give you the tools you need to pay off debt and start saving. This includes information on how to save automatically to pay down debt, build an emergency fund, and save for a home, education, or retirement. The site also includes tips on budgeting and where you can find money to save. With your help, we can re-establish a culture of saving in the United States that will help support personal financial stability.

The website also features a revitalized blog with tips, guest advice, and stories from actual savers like you. Follow America Saves on Facebook and Twitter to receive the most up-to-date information and tips on how you can start small to save big.



# Lowering Debt Can Raise Your Credit Score

Credit scores affect everything from the interest rates you pay when you borrow money to whether you can rent an apartment or get a job. Obviously then, it is important to know how credit scores work and how high interest debt can affect your credit score. However, a recent survey by Consumer Federation of America and VantageScore Solutions found that most Americans do not know what a strong score is and do not understand the financial cost of a poor score.

## Credit Score Basics

Your credit score is a number lenders use to help them decide how likely it is that they will be repaid on time if they give you a loan or a credit card.

This credit score is built on your credit history. The score is based on several factors, including your total debt, the types of accounts you have, the number of late payments you have made, and the age of your accounts.

Having a lower credit score means you will end up paying higher interest rates on all your consumer and mortgage loans. For example, on a \$20,000, 60-month auto loan, you can pay up to \$5,000 more in interest with a bad score than a good one. A low credit score can also make it harder to rent an apartment, get utility services, and even get a job.

## Debt Can Affect Your Credit Score and Financial Health

Borrowing more money than you can afford, particularly through high-cost loans, is one of the quickest ways to lower your credit score. That makes the results of a recent national survey by America Saves and Experian particularly troubling. The survey revealed that a surprisingly high percentage of Americans (16 percent) have very expensive payday, car title, or pawnshop loans.



Not surprisingly, the survey found that individuals with these sorts of high-cost consumer debt were more likely to have difficulty saving. They also pay a high personal price. People with lots of debt often say they lack peace of mind. They worry constantly about paying off debts and making ends meet. The stress of these worries affects their family life, work performance, and other areas of their lives.

## Improve Your Score and Get Help

There are a few ways to improve your credit score:

- Minimize outstanding debt.
- Pay your bills on time.
- Keep balances low on credit cards and other “revolving credit.”
- Apply for and open new credit accounts only as needed.
- Pay off debt rather than moving it around.
- Regularly check your credit reports, which can be obtained for free, to make sure they are error-free. Federal law requires the three main credit bureaus – Experian, Equifax, and TransUnion – to make available to consumers, upon request and at no charge, one credit report per year at [www.annualcreditreport.com](http://www.annualcreditreport.com).

In most communities, there are agencies that can help you manage your debts. The most helpful and most widely available are non-profit Consumer Credit Counseling Services (CCCS). CCCS counselors can work with you privately to help you develop a budget, figure out your options, and negotiate with creditors to repay your debts. Call **1-800-388-2227** to locate the office nearest you.

Paying off debt helps you lower your credit score and will let you start saving.

Test your knowledge about the credit score market at [Creditscorequiz.org](http://Creditscorequiz.org). ••••



# A Quarter Saved... Is a Quarter Earned

No one knows better than Savers how to find the extra dollar here and quarter there that, over time, add up to substantial savings. Here are a few of their favorite savings tips.

Every payday I would get a roll of quarters (\$10) and put it in a jar at home. Now it's a roll of dollars (\$25) every payday to put in a jar that I don't touch. Every other month, I deposit the rolled coins into a side account that is outside of town. That way I'm less tempted to touch it.

*Linda Jones, Virginia*

I buy all of the clothes for my children during the off-season. While most are gearing up for school shopping (fall and winter clothes), I will be shopping for summer clothes for 2012. I will be picking up bathing suits, shorts, t-shirts and dresses at about a 75% markdown. All of their school clothes for 2011 were bought last year (off-season) and neatly stored in their closets to be brought out this September. With coupons and rewards points, I have found complete outfits that cost less than \$2. It can be challenging because I have to estimate future sizes, but so far I have been quite successful. My kids are only 4 and 7, so latest styles are not important to them. Beware; this method may not work with teens!

*Betsy Moore, Nashua, New Hampshire*



*Before going shopping at a chain store, check with an online gift card reseller, where you can buy gift*

*cards at a discount. I've used these in the past to buy wedding gifts. Combine the gift card with a coupon or discount code and you can save even more.*

*Marcia Turner, Penfield, New York*

I recycle. My county has a program where homeowners can get discounts on their trash bill for recycling. Check with your county to see if you can save money by recycling. That way you can be green and save money too.

*Nicolle Blackmon, Philadelphia, Pennsylvania*

See if your auto insurance provider has a "pay as you go" plan. You can save up to 30% with many large insurers if you drive less than 15,000 miles a year.

*Claudia Sotelo, Pel Air, Maryland*

## Send your savings tips to:

kbryan@consumerfed.org  
American Saver, c/o Consumer Federation of America  
1620 Eye St., NW, Suite 200,  
Washington, D.C. 20006

If we select your tip for publication, we will send you a check for \$25 (the initial purchase price of a \$50 EE Savings Bond) and an application for a \$50 EE Savings Bond. We recommend purchasing a savings bond at a local bank or credit union. Please include your name, address, and phone number so we can contact you.

American Saver is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from Bank of America Charitable Foundation supports the publication and distribution of the American Saver.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, 1620 Eye St., NW, Suite 200 Washington, D.C. 20006; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editors:  
Katie Bryan and Barbara Roper

## Kick Start Your Savings



2011 is half way through. Are you on track to meet your savings goals? It's not too late to reach your goals. The "Kick Start Your Savings" program can get you back on track with tips and articles providing easy ways for you to save. Visit [www.americasaves.org](http://www.americasaves.org) for more.

**Central Iowa Saves** participated in Money Smart Week Iowa in April and continues to offer classes and sign up savers. They are currently working on a collaboration with BankOn Des Moines, a volunteer initiative to help the unbanked and under banked start to save and begin using bank products or credit unions.

**Cleveland Saves** is now a project of Policy Matters Ohio, a research and advocacy group in Cleveland and a new Consumer Federation of America member. Led by David Rothstein, the Saves work has been reinvigorated. Presentations are slated for the Ohio Benefit Bank conference and Ohio CDC Association conference this fall.

**Coral Springs Saves** recently instituted a monthly Women's Financial Forum. Participants are given referrals to community resources to help them increase their earning potential and to show them how to make their families more financially aware. In addition, Coral Springs Saves continues to work with individuals one-on-one to help them take a look at their current spending trends and create a budget.

**Hancock County Saves** has been busy with events throughout the county. This Spring, they taught financial education to area seventh graders and participated in the "Restoring Homeowner Stability" program, which was a part of "A Save the Dream Ohio Initiative." They also offered homeownership classes and organized a 4-H Money Management Workshop this summer.

The **Young Illinois Saves** coalition participated in the Federal Reserve Bank of Chicago's

Money Smart Week initiative during April 2011. At the event, hundreds of students made a commitment to save as the result of a savings drive run by the teens-for-teens financial magazine On the Money. Additionally, Young Illinois Saves, working in partnership with the Office of the City Treasurer of Chicago, helped teens begin to save during their first job through the youth employment initiative. Hundreds of students made a commitment to save through this initiative, and many opened new savings accounts or arranged for direct deposit into existing savings accounts.

**The Kentucky Saves** campaign is in the process of planning for Kentucky Saves 2012. They will soon be hosting their second annual piggy bank design contest, available to youth age nine to 18. Four youth winners from the state will be recognized in a ceremony.

**Somerset Saves** Center for Financial Growth will be launching personal Financial Stability Coach services this coming fall. Volunteers with financial backgrounds have been trained in financial assessment and planning and will assist clients who are mid- to -low income earners in Somerset County, NJ. Somerset Saves is also planning a Financial Family Fitness Day for Saturday, November 5, 2011. They are partnering with Financial Planning Association of NJ & PA to facilitate workshops on topics including: Youth Financial Literacy and Budgeting, Saving for College or Home, Credit Repair and Management, Budget Practices, and Financial Practices for Women. Recently, United Way working in con-

junction with the IRS, trained volunteers to prepare taxes for mid- to low-wage earners, free of charge.

**Virginia Saves** recently organized an advisory board to help them with strategic direction, promotion, messaging, and marketing. The board includes representatives from several banks, the Federal Reserve Board of Richmond, IRS, State Corporation Commission, Financial Planning Association, Money Management International, Virginia Credit Union League, Virginia Tech Extension, as well as other Saves campaigns located in the state. The campaign also has two new resources for savers: a Vacation Savings Planner and strategies for Christmas in July. Visit [www.virginiaves.org](http://www.virginiaves.org) to learn more about these resources.

**West Virginia Saves** recently enrolled its 5,200th Saver. Campaign representatives attended a local senior picnic where they enrolled over 90 Savers. Everyone who enrolled received a WV Saves piggy bank. Also, in July they participated in the Marshall County Back-to-school Fun Fair and registered approximately 200 new Savers.

**Wisconsin Saves** has been working with local nonprofits, Boys and Girls Club of Greater Milwaukee and GreenPath Debt Solutions, to sign up people as Savers as part of their mission of being Financially Fit in 2011. Boys and Girls Club will also be including Wisconsin Saves information in their New Employee Orientation packet. ●●●●

Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at [www.americasaves.org](http://www.americasaves.org).

[www.AmericaSaves.org](http://www.AmericaSaves.org)

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