

American Saver

You Can Build Wealth

America Saves Campaign Expands

America Saves continues to enroll new savers and expand into new communities. By the end of September, Kansas City Saves had signed up more than 200 savers, and Cleveland Saves was nearing the 1000 mark. Broad coalitions in Indianapolis, Charlotte, and Gadsen County, FL had begun planning campaigns in their communities. And organizers were beginning to build coalitions in Northern Wisconsin, Seattle, and Phoenix.

Like the programs already underway in Cleveland and Kansas City, these new campaigns are intended primarily to assist the financially vulnerable -- those who have lost jobs or suffered catastrophic expenses, those who are over-loaded with debt, and those with little or no savings.

The national program of America Saves is also taking off. Non-profit credit counseling agencies and Cooperative Extension offices each are developing campaigns for their members.

The program got a big boost in July, when Provident Financial announced a two-year, \$200,000 grant to support local and regional campaigns. All of the money from Provident will be passed on in grants to help in the organization of these campaigns.

Using funding from an earlier Bank of America Foundation grant, Consumer Federation of America, Consumer Credit Counseling Service of Northeast Ohio, and WECO have provided technical assistance, including many site visits, to the new campaigns. They have also developed an organizing manual that any community can use to plan and operate a campaign.

KANSAS CITY SAVER

Getting disciplined to save

Beth Mayes wasn't looking for financial help when she went to her local police station earlier this year. She needed to report her license plates stolen so her car wouldn't be ticketed.

But while she was waiting, a poster for Kansas City Saves caught her eye. "I thought, this is good for the neighborhood," she said. So she took down the information and started attending meetings.

Ms. Mayes was ready for the message Kansas City Saves had to offer. "Two years ago, the Lord put it on my heart to save," she said. At the time, she had been building up credit card debts, shopping first and worrying about how to pay for it later. "I had too many credit cards, and I used them more than I should." She carried over her debt, making minimum payments, and shifted debt from card to card. "It was like a dependency."

When she started attending Kansas City Saves meetings, she had already made a start toward paying off those debts. The meetings gave her useful tips on how to save money, like saving her extra change in a jar, cutting out the unneeded services on her telephone bill, and cutting down on pay tv.

Since joining Kansas City Saves, she has taken that message and run with it. Instead of eating her lunches out, she takes a brown bag lunch to work each day. She's also cut back on entertainment expenses, shops more carefully at the grocery store, and has decided she and her husband can get by without a second car. "I

always try to think about how I can save money. It's just a discipline thing. I think, where were you all these years that you didn't know to do this?"



I always try to think about how I can save money.

Beth Mayes

Kansas City Saves also helped her with budgeting, keeping better track of her check account balance, and making a monthly priority of setting money aside. Just as important, though, has been the support and encouragement she's gotten from the program. "It was a good feeling knowing I could call someone who said, 'yeah, you're doing the right thing.'" She also enjoys the sense of companionship it provides. "I want to be around people who are saving money and living within their means."

Last year, Ms. Mayes managed to pay off, and cut up, two of her credit cards, and her goal is to cut up another two by the end of the year. When she gets her debts paid off, she has no intention of going back to her old ways.

"Ten years down the road, when it comes time to retire, I don't want my children to have to take care of me. I want my money saved. I want my money invested. I want to be taking care of myself, with my own money."

Savings Strategies

Managing Consumer Debt

Can you only afford to make minimum payments on your credit cards? Do you worry constantly about finding the money to make monthly loan payments? Do you borrow more money to pay off old debts?

If so, your debts are out of control. But there is hope. With some discipline and some patience, almost anyone can reduce their debts and start to accumulate wealth.

WHY PAY OFF DEBTS?

Americans spend more than \$75 billion a year just on interest and fees on their credit cards. That's more than \$750 per family — \$750 that buys them nothing in the way of food or clothing or health care.

Those who make only minimum credit card payments or who roll over high cost payday loans fare far worse. They can end up paying much more just in interest than the amount they originally borrowed.

But the costs of debt are more than just financial. Debtors say they lack peace of mind. They feel financially insecure all the time. And debts put a strain on families. Money is the number one topic of family arguments. Large debts can turn those arguments into a family crisis.

WHAT NOT TO DO

The solution to debt problems is not using commercial credit repair

services or shifting credit card debt from card to card. That can make your situation much worse.

Even refinancing consumer debt with a mortgage loan is often a mistake. While your loan rate may be lower, you are spending the savings you have accumulated in your home — savings that you will almost certainly need later in life. And, most people who refinance debts with a home equity loan continue to accumulate consumer debts — a sure recipe for financial disaster.

HOW TO REDUCE YOUR DEBTS

The first step in getting out of debt is to stop borrowing. That may mean cutting up your credit cards or, at least, locking them away in a safe place.

To stop borrowing, you have to stop spending more than you earn. So, make a budget and cut out any expenses you can. While you're at it, figure out the most you can afford to pay each month to reduce your consumer debts, and make those payments religiously.

If you have debts on more than one credit card, either pay off the card with the highest interest rate first and work your way down to the lowest rate card, or pay off the smallest loan first and work your way up to the largest.

Once you've paid off your debts, avoid the temptation to start spending again. Instead, take that monthly payment and begin to save it. That should give you a cushion the next time an emergency strikes.

Where to Get Help

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

In many communities, Cooperative Extension offices offer workshops, home-study courses, and other services to help people manage their money, including their consumer debts. Cooperative Extension offices are listed in the blue pages of the phone book under county government.

If your debts are too large, you may want to consider bankruptcy. Bankruptcy can give you a fresh start, but it is a serious step that can damage your ability to get credit for years. Call your Legal Aid or Legal Services office for advice. If you don't qualify for their services, ask them to refer you to a bankruptcy attorney.

Financial Market facts

October 2001

Money market

account	1.39%
1-year CD	2.52%
5-year CD	4.10%

U.S. Savings Bonds

EE Bond	4.50%
I Bond	5.92%

Mortgage Rates

30-year fixed rate mortgage	6.64%
15-year fixed rate mortgage	6.10%
1-year adjustable mortgage	5.57%

Sources: *The New York Times*, "Data Bank," pg. BU 13, October 21, 2001. U.S. Savings Bond rates from www.savingsbond.gov, October 22, 2001.

Family Wealth facts

Average Household Consumer Debt

All consumer debt* (6/2001 est.)	\$15,000
Credit card debt (6/2001 est.)	6,300

Households Seeking Relief from Debts

Bankruptcy filings (6/2000-6/2001)	1.4 million
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Credit counseling clients (2000)	1.1 million
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*Excludes mortgage debt.

Source: Federal Reserve Bulletins, American Bankruptcy Institute, National Foundation for Credit Counseling.

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 savings tips.

I repaid a loan with automatic payments deducted from my direct deposit paycheck. Instead of stopping the deductions when the loan was repaid, I have the amount directly deposited into a savings account. This is my emergency fund, and I don't miss the money as much as I would if I were making the deposits myself.

ESTER E. CRAWL-BEY,
CLEVELAND

When washing windows, use newspaper to wipe them clean. Newspaper eliminates streaks, leaves windows sparkling, and saves the money you would spend for expensive paper towels.

GAIL KEEGAN
MENTOR, OH

Take advantage of "90-day same as cash" deals, but only if you have the cash on hand to pay for the item. When you make the purchase, put money for the purchase in a 3-month CD and let it collect interest. At the end of the three months, you can use the cash plus the interest to pay off the item.

HAROMMA DICKERSON
KANSAS CITY

The best way to save money is to make sure that it starts in your savings account. Get your paychecks via direct deposit. It is too easy to ask for an "extra" twenty dollars cash when you deposit your own paychecks. If your employer doesn't have direct deposit, ask why. It may be for lack of interest.

JERRY MUNK
SILVER SPRING, MD

To save money, shop at thrift stores rather than department stores.

LITA PRESTAMO
CLEVELAND

Send your savings tips to:

American Saver, c/o Consumer Federation of America Foundation, P.O. Box 12099, Washington, D.C. 20005-0999.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

Save a couple of dollars (or more) per month by packing sandwiches and chips for lunch in reusable containers. Plastic sandwich bags cost about \$1.50 for 50 bags. If I use four per day (for two children), I would be buying two boxes per month — at a cost of about \$36 dollars per year. I can buy a four-pack of reusable containers for about \$3 total.

LISA PIERCEFIELD
COLUMBUS, IN

Savings**Quiz**

Q. What do most experts consider to be a risky level of consumer debt for a family with an income of \$50,000?

- (a) More than \$5,000 (b) More than \$10,000
(c) More than \$20,000 (d) More than \$30,000

A. More than \$10,000. Most experts think that a consumer debt to income ratio of 20 percent is risky. That debt would include credit card debt and installment loans, but not mortgage debt.

Q. If you made only the two percent minimum payment on a \$2,000 credit card debt (at a 15.04% interest rate), how many months would it take to pay off this debt completely?

- (a) 13 months (b) 38 months (c) 84 months (d) 169 months

A. 169 months, and you would end up paying more than \$2,200 in interest on top of the \$2,000 borrowed.

Q. If someone rolls over a \$100 payday loan for a year, how much interest are they likely to owe?

- (a) \$30 (b) \$60 (c) \$120 (d) More than \$300

A. Since payday loan rates typically range between 300% and 400% (and are as high as 1000%), a borrower would be likely to owe more than \$300 in interest.

American **Saver**

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 Foundation (CFAF), supported by the Bank of America Foundation and other funders, and advised by dozens of non-profit, government, and business groups.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFAF, P.O. Box 12099, Washington, D.C. 20005-0999; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editor: Barbara Roper

Cleveland**Saves**

In the six months since its official kick-off, the Cleveland campaign has really taken off. By the end of September, the campaign had held 56 workshops, attended by 1,133 people, and signed up 900 Savers.

Both the Inter-Continental Hotel and the Counsel for Economic Opportunities of Greater Cleveland include Cleveland Saves workshops in their new hire orientation programs. Cleveland Savers have been featured in the local media. And Savers at three area employers have organized themselves into Savers Clubs.

Many Savers have taken advantage of popular free services offered to by the campaign, including a 30-minute phone fiscal fitness check-up with volunteer financial advisers and the opportunity to participate in free technical office software training classes offered by the Cuyahoga County's Workforce Investment Board.

All this activity is building toward recognition of the Cleveland Saves 1000th Saver at a community savings celebration scheduled for November 17. At that event, several savings bonds will be given away, as will game tickets donated by the Cleveland Indians.

KansasCity**Saves**

Kansas City Saves continues to expand its outreach efforts with new partners and programs.

The Local INvestment Commission (LINC) — an area-wide community organization — has begun promoting Kansas City Saves in the many neighborhoods where it has Caring Community sites and has incorporated the program into its training for people who want to offer at-home child care services.

In October, the Church Community Organization (CCO) invited Kansas City Saves to make its brochure available at an event that brought together 700 individuals from different denominations.

Central Bank has run a promotional campaign in local newspapers encouraging area residents to deposit their federal tax rebate checks rather than spend them. The bank offers \$50 to those who enroll as Savers, attend a seminar, deposit the check in a Savers account, and leave the money there for six months.

As a result of its efforts, Kansas City Saves had enrolled 217 Savers by the end of September.

Other**Savings**Campaigns

Dozens of organizations are participating in monthly working group meetings in Indianapolis, and task forces have been set up for detailed planning in such areas as education and organizational recruiting. The campaign will begin program testing this fall in preparation for a spring 2002 launch.

Since beginning planning meetings in May, Gadsen Saves has drafted a service plan, developed a brochure to use with potential partners and members of the public, and received early publicity in the local newspaper.

Charlotte Saves has organized a broad coalition of non-profits, government agencies, and businesses to plan a savings campaign. The president of Bank of America of the Carolinas is a key leader of this effort, which plans to test services next spring and launch the campaign that summer.

Initial planning meetings have been held in Phoenix, Seattle, and northern Wisconsin. In addition, Louisville, Reno, Las Vegas, and Jacksonville are exploring developing campaigns.

B u i l d W e a l t h N o t D e b t



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