

CAAB's newsletter is designed to ensure that our IDA/MDA Savers are fully informed about relevant money management topics, effective savings strategies, financial education opportunities in the DC area and upcoming CAAB events. Every month, we will feature a different article focusing on strategies or products that can help you plan for and achieve your savings goals.

Getting Ahead of Debt

by Donna V.S. Ortega

It's easy to get carried away by the holidays. There are people to see and good things to eat and presents to buy. Spending money on others can make you feel good, too, but it's important to make sure that your good-natured giving doesn't come back to bite you after the wrapping paper is long gone and the batteries in the latest electronic gizmo you bought for your nephew have worn out.

In previous articles, CAAB has cautioned against holiday-induced debt, but if you missed that issue, or if you got a little out of control at holiday time and you're trying to figure out how to manage your holiday debts, there is still hope! Here's a 5-step plan to help you pay down what you owe and (hopefully) get far enough ahead that come this time next year, you won't be trapped under mountains of holiday debt.

Step 1: Get the facts

Take out all your credit card statements and give them a long hard look. Circle how much you owe on each and also how much interest you are being charged on any balance you aren't able to pay off each month. Your statement will usually include a section called 'Rate Information' that will show you what your finance charges are and any other fees charged by the credit card.

Step 2: Plan your attack

Create a chart with four columns: who you owe (the credit card

issuer), how much you owe (your outstanding balance), the minimum payment due to that card each month, and (most importantly) the finance charge on each account. Start with the credit card with the highest finance charge (NOT necessarily the one with the highest balance due) and then go on down the line listing each credit card and the information under each column.

Step 3: Start with the worst first

Add up the minimum amounts due on each card and (now comes the hard part) figure out how much MORE than that amount you can pay each month. Your goal should be to pay more than the minimum amount on each debt each month so that you can get out from under. (Quick fact: if you only paid off the minimum monthly payment of 2% due on credit card debt of \$1,500 with an interest rate of 19.8%, you'd be making payments for 35 years before you were done—in that time, you would have paid over \$5,000 in interest!).

Whatever amount you can pay over the total minimum amounts due each month should be put towards your worst debt—the debt with the highest finance charge—this is your “get ahead” payment. Make the minimum payments on all your other debts, too, and pay your bills on time so that you don't get hit with additional late fees or other charges. Try not to use your credit cards while you're paying

them off—the plan is to get ahead and it's harder to do so if you keep racking up more debt.

Step 4: Re-direct as needed

Keep paying off more than the minimum due each month and once you've completely paid off the debt with the highest interest rate, pat yourself on the back, and then take the money you were putting towards that debt (the minimum payment due on that debt, plus your extra “get ahead” payment) and put that entire amount towards the debt with the next highest finance charge. You've already been able to live with that amount of money going towards getting you out of debt and now is not the time to start slacking off. Keep checking your debts and interest rates on your statements—particularly if you had any cards with “low introductory rates”—it pays to be vigilant and stay on top of which debts are hitting you hardest.

Step 5: Lather, rinse, and don't repeat!

Once you pay off that debt, keep re-directing your payments (your “get ahead” payment, plus whatever minimum payments you were making in addition to that amount) to the debt with the next highest finance charge. Depending on how much debt you've accumulated, it can take some time to pay it all down, but once you do, you'll have set up a plan for staying on track and (hopefully) learned to live within a set budget.

CONGRATULATIONS!

The following savers have made asset purchases in the month of February. Will you be next?

Danielle Simmons

Education

Robert Sullivan

Education

James Sullivan

Education

Shonette Balton

Education

Antorinette Payden

Homeownership

Janet Obi-Rapu

Education

Andrea Howe

Education

Jose Mancía

Homeownership

Barbara Gray

Homeownership

Robert Harris

Education

Natasha Brown

Education

Pamela Massaquoi

Education

When your debts are paid, you can keep making “get ahead payments” but this time, instead of paying your creditors, you can “pay” yourself by putting that money into a savings account for a rainy day! And next holiday season, rein yourself in and maybe just get the batteries for your nephew, instead of a new toy.

UPCOMING EVENTS

- HOMEOWNERSHIP -

Workshops on Home Buying

Every Wednesday at 10:00 AM and Friday at 11:30 AM

Home Resource Center
815 Florida Avenue NW

-For more info, call (202) 777-1600.

Pre-Purchase Orientation

Every Thursday
11:00 AM - 1:00 PM

Housing Counseling Services Training
Center, 2410 17th Street, NW Suite 100

-For more info, call Elsa Zambrano at (202) 667-7006 or e-mail

elsazambrano@housingetc.org.

- JOB TRAINING -

Training and job placement services

Ongoing

Goodwill of Greater Washington

-To participate in training and job placement services program, contact Ms. Gladney at (202) 715-2627 to schedule a date to complete an application for services and orientation/interview.

- SMALL BUSINESS -

Learn How You Can Write Your Own Business Plan

On business days except for holidays
9:00 AM - 4:00 PM

Department of Employment Services
64 New York Avenue, NE

-Register by calling Ralphine P. Beaton at (202) 671-2144 or e-mailing

Ralphine.Beaton@dc.gov

If you are a Low Income Female Entrepreneur . . .

(or a woman that would like to start a business or that already has a business)

residing in Ward 7, Ward 8 or Prince George's County- we need your help!

Southeastern University is organizing a **Focus Group session** to examine your perceptions about the challenges facing low income females when operating a small business. We will also want to know how Technical Assistance (TA) providers can increase their chances of success when working with female headed businesses.

Where: Southeastern University ,
501 I Street, SW
Washington DC 20024

Dates: Friday, March 23rd from 12– 2pm

Where: Southeastern University Center for Allied Health Education, located at Greater Southeast Community Hospital

1310 Southern Ave SE, 2nd floor
Annex (rear) Washington, 20032

Dates: Friday, March 31st from 11am- 1pm

Transportation stipend, free parking, childcare, and food will be provided!

Please RSVP at: (202) 478-8231

Join us! Your ideas can change your life and your community!

Website Development Short Course

Thursdays, April 5 - April 26

6:00 PM - 9:00 PM

Cost: \$399.00

Enterprise Development Group,

901 South Highland Street, Arlington, VA 22204

-This course is designed to take a student from zero presence on the internet to a profit making site in just four short weeks. You will receive hands on instruction and assistance in setting up a website. Practical instruction is quickly turned into application. Performance is evaluated in a positive learning environment. The course will discuss the following:

- **Week 1 (4/5/07)** : How to build a profit generating website
- **Week 2 (4/12/07)**: How to drive customer traffic to your website
- **Week 3 (4/19/07)**: How to build an online commercial business
- **Week 4 (4/26/07)**: How to increase profitability using the Internet

Need help filing your tax returns?

The DC EITC Campaign provides free tax preparation and electronic filing services to low-income residents at twenty locations throughout DC.

Visit www.dceitc.org or call 202-463-6211 to find a free service near you. Tax sites are open afternoon, evening and weekend hours from late January through mid-April. This year, file smart and save more.

CAAB CORNER

IT'S OKAY TO CHANGE YOUR ASSET TYPE!

If you enrolled in matched savings program to use the funds for a specific asset and then decide that you'd rather use the money for another asset type - that's allowed. Just remember to take the required asset training. Look below for an example.

Mary joined the IDA program last year to use the funds for a home purchase. While taking her home-buying classes, she realizes that she's not ready to buy a house. Instead, Mary decides that she'd much rather focus her time and energy on starting a small business. She enrolls for some small business courses in her local university. Mary calls CAAB to inform them of her change and submits an educational plan showing the classes she'll be taking. She uses part of her funds for the business classes. When she's done with the classes and develops her business plan, she is ready to use the rest of her funds. She submits her plan, her fund request and quickly gets a check to pay for her business start up costs.

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