



Breaking News—The IRS Gives FFEF a Clean Bill of Health!

Family Financial Education Foundation (FFEF) was one in a group of 65 consumer credit counseling agencies that were the first to be audited under a new initiative of the Internal Revenue Service. As this newsletter goes to press, only 3 of these 65 agencies were approved to retain their nonprofit tax-exempt status. We are proud to say that FFEF is one of those 3 agencies!

Some agencies take advantage of consumers

In an effort to improve their financial situation and relieve themselves of some of the stress caused by financial worries, many consumers in recent years have been tempted by advertisements that promise what sounds like a quick fix for overwhelming debt. What many unsuspecting consumers don't realize is that these advertisements are often really talking about bankruptcy.

Phrases like "consolidate your bills into one monthly payment without borrowing," "keep your property," and "wipe out your debts using the protection and assistance provided by federal law," have tempted many. Unfortunately, these consumers found out, often when it was too late, that such promises often involved filing for bankruptcy, which would not only hurt their credit but also cost money in legal fees.

These credit relief companies, some of them very large companies, market themselves with the goal of appealing to consumers who have poor credit histories. They promise, for a fee, to clean up a bad credit report so the consumer can get a car loan, a home mortgage, insurance, or even a job. These are empty promises. The truth is, only time, a conscious effort, and a personal debt repayment plan like the one you have worked out with FFEF will eliminate your financial woes.

In the late 1990s, early 2000s, the IRS became increasingly concerned about the activities of these consumer credit counseling organizations. Traditionally, credit counseling agencies were nonprofit organizations that

relied on contributions and small fees from consumers to cover the operating costs of providing advice, debt counseling, and limited debt management

plans to consumers who had trouble paying their credit card bills. Nonprofit status was granted to these organizations by the Internal Revenue Service because they promised to provide educational and counseling services to consumers struggling to get out of debt. But once this nonprofit status was achieved, many of these organizations changed dramatically.

The IRS found that many credit counseling organizations operating as tax-exempt charities became, instead, more interested in selling debt-reduction plans and were motivated largely by the prospect of making a profit, and offered little or no counseling or helpful education to their clients.

An IRS crackdown

As a result of these developments, the IRS initiated a comprehensive program to prevent such companies from maintaining their nonprofit status. This program includes a widespread outreach program to inform the credit industry and the general public about these problems. You may have seen some of the many articles published as a result of this program. These articles warn consumers about the pitfalls of relying on such organizations for getting out of debt.

The second part of the IRS program is a detailed compliance program, which demands that consumer credit counseling agencies undergo a detailed examination by IRS staff and auditors to halt abuses within the credit counseling industry and prevent abusive



Budgeting Is More Important Than Ever

Establishing and living by a budget is always necessary, but in difficult economic times it is by far the most important thing you can do to make sure you live within your means and avoid falling back into credit card debt. Your FFEF counselor is always ready to offer support and suggestions to help you allocate your money to your most important needs.

Establishing a Budget

Do you cringe when you hear the word “budget?” Do you resist the idea of recording expenses and tracking spending? Once you start, you will be surprised to find that it can be fun. You’ll know exactly where your money is going every month, and you’ll be surprised to find how taking charge of your money will help you be more disciplined in other areas of your life as well.

People who are in control of their finances are people who can plan ahead for needed cash and reserve money for foreseen as well as unforeseen circumstances. They organize their finances in much the same way that businesses do their financial planning. They stop living paycheck to paycheck. One of the greatest benefits of living by a budget is not financial. It is emotional. There is an enormous psychological lift given to those who think through their financial needs and establish a budget to get where they want to go.

A budget doesn’t mean you have to stop doing the things you like to do. It might for a little while, but as you manage your money better, you will find you have more money available to do the things you want.

Money will not manage itself. A commitment must be made to establish and live by your budget. Here are the basics for getting your budget in place:

- Record everything you spend. It can be in a pocket-size notebook or on a computer. The important thing is that it’s in the place that works best for your lifestyle.
- Use budget forms. These can be found at your local office supply store or even at the library.
- Pay your bills all at once or at every pay period. Having a regular time set aside for sitting down and paying bills helps you avoid late payments and costly additional interest.
- Keep your check register current, and balance your checking account monthly. Forgetting to write down what you spend and deducting it from your account balance can result in costly overdraft fees.
- Include something you like to do in your budget as a reward. All work and no play really does make Jack a dull boy so include an economic reward in your spending plan. It can be as simple as a movie rental once a month.
- Involve family members. Living within a budget is the responsibility of everyone in the household. If one person is sticking to the budget and another is not, the benefits of budgeting are greatly diminished.
- Ask for help. Learning to control your finances is not an easy task. It gets more complicated all the time. Don’t be afraid to ask your FFEF counselor or someone else you trust to help you put this critical habit into practice. ■

Let’s Review—the Price of a Treat

Make a list of your favorite treats in the worksheet below. Each time you shop for the next six months, jot down the price of the treats and note when the lowest price appears. Grocery stores often rotate their special deals throughout the year so if you track the sales you’ll know when to stock up and when to wait.

Date	Favorite Treat	Price	Location

Creative Ways to Reduce Spending

Whether the country is in a recession or not, rising prices are certainly making it harder for people to live within their means. It may take a little more creative thinking to find ways to keep expenses under control. Sometimes it's the little amounts we save here and there that add up to the difference we are looking for.

Here are a few ways to make cuts in spending that could add up to \$100 or more in savings. We hope they will motivate you to spend a little time finding other ways you can trim down costs. A few hours spent brainstorming ways to save is time well spent.

1. Water Is a Perfect Drink

Have you convinced yourself that you have to have flavor in your drink? While drinking nothing but "cool, clear water" right from your kitchen tap would be the ideal way to save the most money, that's probably not going to happen. But if you reduce the amount of flavored drinks you consume, it can save you quite a bit of money over a year.

Try making a point of drinking three glasses of water a day. It will reduce the need to drink as many purchased drinks by making you feel less thirsty during the day. If you can reduce the amount of purchased drinks that cost \$1 by just three drinks a week, you have saved more than \$150 a year. Plus, if you're used to running to the convenience store when you need a soda, you'll save on gas as well.

Here's a Tip—Do the Worst First

To defeat procrastination learn to tackle your most unpleasant task first thing in the morning instead of delaying it until later in the day. This small victory will set the tone for a very productive day.

2. Compare, Compare, Compare

This one takes a little extra time but when you have a few extra minutes a day but not a few extra dollars, the time spent is worth it. The Internet has helped people a lot when shopping for the best prices on things like auto insurance and interest rates. But you can also use it for everyday items. There are many sites that have done the price research for you and display it in a comparison chart. This can be especially helpful if you have over-the-counter needs like allergy medicines or other

medical supplies. You can often get free shipping on your purchases if you spend \$25 or more so you save on gas as well and the time you save going to the store makes up for the time you spend doing the research. Once you find the sites you like, your weekly time spent researching quickly reduces. If you don't have the Internet at home, make a visit to your local library.

3. Check Out the Coupons

Many people don't want to spend the time it takes to gather and organize coupons, but it only takes a short time to check out the ones that come in the newspaper or in the mail, and the truth is you only have to use \$2 a week in coupons to save more than \$100 a year. Make sure you only save the coupons for items you already use and will purchase again. Don't be tempted by coupons for things you don't need. And don't forget about coupons for things that go beyond the grocery store, for example, pizza, oil change, and haircuts. You'll soon become a pro, and it won't take much time at all to save a lot for little effort.

4. Cheap Treats

Just because you're trying to spend less money doesn't mean your need for a treat now and then is going to go away. Besides, a little treat is a great morale booster. You don't want to spend a lot of time in the recession doldrums. Look around for ways to enjoy a treat—on a budget. For example, an ice cream cone at the fast-food window is a lot cheaper than at the ice cream specialty store. Grocery stores often put candy bars on at special prices. If you're careful, you'll never have to pay more than 33¢ for a candy bar if you only buy them when they're 3 for a \$1.00. Merchants are feeling the economic pinch as well so keep your eyes out for the good deals, and if you have budgeted carefully, you'll be ready to take advantage of the savings.

5. Cold Water Cleans as Well as Hot Water

Contrary to what some people think, it is no longer necessary to wash everything in hot water to really get it clean. Soap and detergent do the sterilizing for us that could only be achieved by hot water in days gone by. Unfortunately, many people don't realize that and continue to spend unnecessary money on heating hot water for their washing machine. The biggest cost of running a washing machine is heating the water—up to 90% of the cost.

The advances in washing machines and detergents mean that only the dirtiest and greasiest clothes now need hot water to get clean. Setting your washing machine to a cold wash/cold rinse cycle instead of hot wash/cold rinse will have little impact on how clean your clothes get, but it will save you as much as \$100 to \$150 a year. It can be even more than that if you have children. ■

FFEF Certified by Department of Justice across the Country

Implementation of the most recent Bankruptcy Abuse Prevention and Consumer Protection Act (2005) requires nonprofit budget and credit counseling organizations to receive certification through the U.S. Trustee Program under the U.S. Department of Justice before providing bankruptcy counseling. Also, consumers now cannot qualify for bankruptcy unless, within 180 days of filing, they receive credit counseling from a certified, nonprofit credit counseling agency.

We are pleased to announce that Family Financial Education Foundation has been approved by the Executive Office for United States Trustees under the U.S. Department of Justice as a Nonprofit Budget and Credit Counseling Agency to provide budget and credit counseling services to those individuals who are applying for bankruptcy.

FFEF is authorized to provide this service in the following locations:

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| Alaska | Montana |
| Arizona | Nebraska |
| Arkansas: Eastern, Western | Nevada |
| California: Northern, Southern, Central, Eastern | New Jersey |
| Delaware | New Mexico |
| District of Columbia | New York: Eastern, Northern, Southern, Western |
| Florida: Middle, Northern, Southern | North Dakota |
| Georgia: Middle, Northern, Southern | South Carolina |
| Hawaii | South Dakota |
| Idaho | Tennessee: Eastern, Middle, Western |
| Illinois: Central, Northern, Southern | Texas: Eastern, Northern, Southern, Western |
| Iowa: Northern, Southern | Utah |
| Kansas | Virginia: Eastern, Western |
| Louisiana: Eastern, Middle, Western | Washington: Eastern, Western |
| Maine | West Virginia: Northern, Southern |
| Massachusetts | Wisconsin: Eastern, Western |
| Minnesota | Wyoming ■ |
| Mississippi: Northern, Southern | |

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organizations from receiving nonprofit tax exemption. Qualification for exemption is determined by the way a credit counseling organization advertises its services, interviews its clients and develops recommendations for them, and trains its counselors. The organization must demonstrate that its objective is to improve a consumer's knowledge and ability to manage his or her personal debts, rather than advertising counseling as a way to get consumers to enroll in debt management plans in order to make a profit and without having the consumer's best interest at heart. The IRS created a list of characteristics that must be met for an organization to meet the necessary requirements for nonprofit tax exemption.

FFEF receives approval in all areas

On March 13, 2008, FFEF received a letter from the IRS stating that we qualify as a 501(c)(3) and that the IRS accepted our return as filed. Dozens of other consumer credit counseling agencies continue to be audited by the IRS, and it will be some time before these audits are completed. To bypass the restrictions initiated by the IRS, many of these agencies have become "for profit," which means they will have fewer regulations and restrictions. ■

Make the Most of Our FFEF Education Materials

One of the reasons FFEF was able to retain a 501(c)(3) status is the excellent education newsletters and booklets we provide to our clients. We hope you will take full advantage of the valuable information that is contained in them. We also hope you will pass these materials along to any family and friends who you believe would find them of assistance in managing their own financial affairs.

Family Financial Education Foundation

ACCESS EDUCATION SYSTEMS

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If you know of someone who would benefit from this information, please pass it along.

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