

**Presented by:
Dana Berger**

NFCC Certified Consumer Credit
Counselor

NCLR Certified Foreclosure
Prevention Counselor



Debt Reduction Options

and Sound Budgeting
Practices for Gamblers

Who is FISC?



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Gambling Debt Statistics

- The average debt generated by a man addicted to gambling is between \$55,000 and \$90,000. Women gamblers average \$15,000 of debt.
- More than 20 percent of compulsive gamblers end up filing for bankruptcy because of gambling losses
- All-too-easy access to credit: 90 percent of those suffering from gambling addiction withdraw cash advances from their personal credit card accounts in order to gamble.
- The personal damage is also great: the divorce rate for problem gamblers is twice the rate of non-gamblers, and 1 in 5 addicted gamblers attempt suicide – 20 times the rate of non-gamblers

What does FISC See?

- Clients come in with a heavy load of credit card, personal loan and payday loan debt
- Clients are not paying for rent, mortgages or utilities because of the gambling addiction and debt
- Often forces them into a bankruptcy and foreclosure situation
- They hide or are scared to disclose how much they are actually spending on gambling

How does FISC help?

- Offer a daytime “counselor on call” service to answer questions for those in crisis
- Assess what the client’s needs are:
 - Gamblers Anonymous?
 - One on one counsel? – Phone counsel? – Online counsel?
 - Workshops?
 - Debt reduction options?
 - Budgeting help?

What is FISC's Process?





- Initial Assessment (1/2 hr phone call)
- FISC intake (can be mailed or completed online)
- One on one appointment (usually can get in within 1-2 weeks)
- Supporting workshops (Power of Money)
- Follow up appointments

Debt Reduction Options

- Debt Snowball
- Debt Management Plan (DMP)
- Negotiation Debt Settlements
- Section 128
- Bankruptcy

Debt Snowball

List debts from smallest balance to largest:

<u>CC</u>	<u>Balance</u>	<u>Min Pmt.</u>	
CC #1	\$500	\$25	
CC#2	\$1000	\$50	
		\$75	
CC#3	\$1500	\$75	
		\$150	
CC#4	\$2000	\$100	
		\$250	

Debt Management Plan (DMP)

- FISC can obtain much lower interest rates from creditors such as:
 - Credit cards
 - Payday Loans
 - Finance companies
 - Work with medical billing
 - Online loan sharks

SAMPLE CASE OF A DEBT MANAGEMENT PLAN

Creditor	Balance Owed	Current Payment	DMP Payment	Original % Rate	CCCS % Rate
Citibank	2,440	74	54	24.90%	9.90%
AT&T	2,820	85	63	23.00%	9.90%
American	745	30	22	22.50%	10.00%
Sears	1,550	47	35	24.00%	9.90%
Discover	5,200	208	104	21.00%	6.99%
JC Penney	410	17	12	24.00%	18.00%
Target	410	13	10	21.00%	8.00%
Chase	2,000	60	60	25.90%	6.00%
Kohl's	1,500	45	38	21.00%	10.00%
Kwik Trip	355	35	15	18.00%	0.00%
DMP fee			41		
Total	17,430	\$ 614	\$ 454	22.77%	8.54%

Sample DMP

Total Debt:	\$17,430
Current Minimum Payment:	\$614
Monthly Payment on DMP:	\$454
Payment Decreased by :	160
Average Interest rate currently:	22.53%
Average Interest rate on dmp	8.54%
Interest Rate Decreased by:	14.23%
Estimated time to pay in full:	50 months
TOTAL SAVINGS:	\$4,461

*Most creditors drop late and overlimit fees.
This may increase savings substantially.*

Negotiating Debt Settlements

- Need a lump sum of money
 - Bonus
 - Over time
 - Tax refund
 - Inheritance

Negotiating Debt Settlements

- Make an offer of 25-30% of debt (start low)
- Get any offer agreed on in **WRITING!**
- Make agreed payments on time or creditor may drop the settlement.
- Possible 1099 consequences
- Ask a tax advisor

Section 128

- Wisconsin State Statute
- Many don't know it exists
- Requires an attorney and trustee
- Can include all secured debt
 - Credit cards
 - Medical
 - Personal loans, etc.
 - Some taxes
 - Nothing can be tied to collateral
- 0% interest over 36 months
- Trustee Fees (avg. \$500-\$600) can be more

Bankruptcy

2 most common types:

- *Chapter 7 – complete liquidation
- *Chapter 13- repayment plan

Bankruptcy does not mean you have to lose your home and car

- *Reaffirmation

Bankruptcy

Bankruptcy is expensive:

Ch 7 avg \$1200 - \$1800

Ch 13 avg \$2500 - \$3000 (trustee involved)

Education Requirements:

Pre-filing Cert – about bankruptcy and your current budget/credit issues

Pre-discharge Cert – moving forward after bankruptcy (budgeting, smart use of credit, savings)

Bankruptcy

Once a Chapter 7 is filed...

- *You cannot file another Chapter 7 for 8 yrs
- *You can file a Chapter 13 within 4 yrs

Once a Chapter 13 is filed you can convert to a Chapter 7 if:

- *It has been 6 years
- *If you have paid all your Chp 13 debt or 70% and can prove hardship or “Best effort”

You cannot do another Chapter 13 for 2 years

Establishing A Sound Budget

Golden Rule: Don't spend more than you earn!
Easier said than done.

3 parts to a sound budget:

1. Cash Envelope System
2. Checking Account/Bill Paying System
3. Put & Take Savings

How To Calculate Monthly Income

Paid bi-weekly?

Avg. paycheck **x** 26 / 12

Paid 2 xs per month?

Avg. paycheck **x** 24 / 12

Paid weekly?

Avg. paycheck **x** 52 / 12

Cash Envelope System

Otherwise known as “Grandma’s Envelopes”

1. Take items you normally should spend cash on:

Groceries

Gas

Entertainment

Toiletries/Cleaning supplies

Lunches

2. Make an envelope for each item

3. Put aside the weekly or bi-weekly budgeted amount in each

4. When the money is gone, you must wait until next pay period

Cash Envelope Example:

Groceries: \$400 mo (budgeted)



- If paid bi-weekly, \$200 goes in the envelope each pay period.
- When shopping, only take the cash envelope!
- This forces you to stay within budgeted amount.

Monthly Bills (checking account)

These are bills that due every month, at the same time every month:

Rent/Mortgage

Utilities

Loans

Insurance

Cable

Monthly Bills

Reserve $\frac{1}{2}$ of each bill out of each paycheck
($\frac{1}{4}$ if paid weekly)

$\frac{1}{2}$ Payment		$\frac{1}{2}$ Payment	
Mortgage	\$400	Mortgage	\$400
Heat/Elec	\$75	Heat / Elec	\$75
Phone	\$65	Phone	\$65
Car Loan	\$150	Car Loan	\$150
Cable TV	\$70	Cable TV	\$70
Car Insurance	\$50	Car Insurance	\$50
Total	\$810	Total	\$810

Put & Take Savings

Reserved for expenses that are periodic and do not come up every month:

- Car Repair

- Home Repair

- Clothing

- Christmas & other gifts

- DMV renewal

- Real Estate taxes

- Quarterly water bill

- Doctor expense

Put & Take Savings Example

Description	\$
Car repair	\$50
Home repair	\$25
Clothing	\$30
Christmas shopping	\$20
DMV renewal	\$7
Real estate taxes	\$250
Quarterly Water Bill	\$45
Total	\$407

This amount gets put into a savings account each month!



Q&A

Thank you!