

INSTITUTE FOR
FINANCIAL LITERACY®



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FRESH START™ TIMES

LETTER FROM THE EXECUTIVE DIRECTOR

Greetings from Portland, ME:

Winter has arrived, although we are still waiting for the blanket of white that we are accustomed to here in the northeast. It has been warmer than usual which is good for those worried about higher heating and energy costs. Eventually though the mercury will drop and those bills will rise.

This issue of *Fresh Start™ Times* provides tips for helping you find ways to pay those higher utility bills including budget plans and energy assistance. There are federal, state and municipal programs to help with higher energy costs as well as sources outside of the government sector for assistance.

In this issue we also introduce readers to another of our stellar counseling staff members with whom many of you have probably worked to complete your credit counseling or debtor education. We talk about Christmas Clubs as a way to plan for next year's holiday season, a timely topic as many of you may have just received the holiday credit card bills. Finally we discuss tax returns and why it is important not to spend them before you get them.

In closing, please remember that we are available to answer questions and respond to any comments you may have. Let us know what you'd like to read in this newsletter! You may contact us at newsletter@financiallit.org.

Sincerely,

Leslie E. Linfield, Esq.
Executive Director/Founder
Institute for Financial Literacy®

TAX TIME AGAIN
BY
WILLIAM LAIDLEY AND DEBORAH TINGLEY

Spring is a time for flowers blooming, grass growing, and taxes to be filed. This is a good time to re-assess how you did budgeting for your tax obligation. Did you pay too much and have receive a substantial refund on the way, or did you pay too little and owe the government some money? Paying taxes is part of the budgeting process. It is a necessary expense that must be paid, but not overpaid.

Take a look at your 2005 1040, 1040EZ, or whatever IRS form you filed. If you had to pay more, then you may want to increase your withholdings. If you received a refund, you may want to decrease your withholdings. The goal is to budget enough of your hard earned money to cover your responsibility, but not give the government an interest-free loan.

There are several factors that effect whether you need to change the amount of taxes withheld from your paycheck. Has the number of dependents changed over the past year? Did you have a lot of non-reimbursed medical expenses? Did you go from a one-income household to a two-income household—or the reverse? Or did you income drop do to a change in employment? These are just a few examples of things that can change your tax burden.

If you think you may need to adjust your withholdings, ask your employer for a copy of form W-4. There is a worksheet attached to the form that gives you step-by-step instructions on how to figure out the correct amount of withholdings. The IRS website (www.irs.gov) also has a withholding calculator under the Individual section of the website that will give you an accurate idea of your tax burden. You don't want to overpay and just give your money away. Yet, you don't want to owe anything at the end of the year either. Ideally, you want to break-even. It's all about budgeting.



BANKING ON WHAT WE DO NOT HAVE
BY STEVEN BENTZ

Someone once told me, "If someone owes you money, you're never broke". That may be well and good, though don't bank on it.

Too often we bank on money we expect to receive and far too often we spend it before we get it on purchases made, bills incurred, or something we want. With tax time around the corner, many of us are counting on refunds to make up the difference on our spending.

It is very important as we reform and rework our budgets that we pay careful attention to what we have and not what we expect. Why you ask? The answers are simple.

- 1: Our budgets are based on our regular monthly income, i.e. from our jobs or other sources.
- 2: Our basic living expenses and the opportunity to rebuild our credit depend on us following this budget.

Refunds are not guaranteed income and frequently if you expect a certain amount, you may be disappointed.

The key is to stay within the guidelines of your budget based upon the money that you know you earn, not what you expect from any source. Banking on money you don't have frequently leads to financial hardship. It's important that follow your individual budgetary guidelines. It's also important to keep in mind that loans against your refunds will cost you a sizable portion of your refund for the quick return

Always remember that while you may be able to put money in the bank, don't bank on what is not there.

ENERGY ASSISTANCE

BY STEVEN BENTZ

We are entering the heart of the winter. At this time of year heating and electricity bills can be overwhelming. There is help available for individuals and families who struggle to pay these bills.



Energy assistance is set up for those who cannot afford the high costs of utilities during peak seasons. You will need to contact organizations who provide these services. Often you may need to have an in person interview. Be prepared. Have a statement of your income per month and have copies of your bills. They may also require a list of your assets, (things you own that have monetary value). Make sure you are completely honest about your situation. These organizations want to help you and by providing them the most accurate information that you can allows them to do this more efficiently.

Department of Social Services or a similar department in your state may offer energy assistance. Also, your city or town may offer local services. The contact information for these departments will be in your white pages. Many non governmental agencies such as CAP agencies, church groups and the Salvation Army offer assistance as well. The Salvation Army's website is www.salarmy.org. LIHEAP, is a national program their phone number is 406.494.8662, their website is: www.ncat.org/liheap/

If you do not meet the income requirements for energy assistance there are still ways that you may be able to make paying these high bills easier. Plan ahead, average out your costs for the year and divide them by 12. This is what you should be putting aside in an account so the money is there when you need it. Putting funds aside prevents the crunch of paying the high costs all at once. Almost all electric and natural gas companies have budget plans which they base on your suggested use. Budget plans may save you money and, they give you another fixed expense that you can plan on, so, you know what you will owe each month. To find out about these call your electric and gas companies.

There are ways to make the increased energy costs during the winter months more manageable. Look into programs that may help you as well as ways to use your budget to make these expenses less of burden.

MEET THE COUNSELOR: RACHAEL S.

"My name is Rachael and I am a trained credit counselor and financial educator with the Institute for Financial Literacy." I've been with IFL for about five months now and I love it here. The people here are great but the best part of working at IFL is the feeling I get when I've actually gotten through to someone. When a client learns something new that might help them during the session is very satisfying.

"You're attorney should have that within fifteen minutes... Thank you and have a great day." When the counseling is done for the day you can find me either curled up with a good book or out with friends. I am the "baby" of our little IFL family.

DRAWING QUESTION

In every newsletter we will be presenting a question related to financial literacy education to give our readers the opportunity to win one of our financial literacy education programs. This newsletter's question is as follows:

How many steps are there in financial goal setting?

Answers must be received no later than March 15, 2007. This newsletter's drawing winner will receive a copy of the **Guide to Budgeting**. Void where prohibited. Please mail your answer along with your name, address and email address to:

Drawing Question
Institute for Financial Literacy
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Portland, ME 04104

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CHRISTMAS CLUBS- LET'S START THE NEW YEAR OFF RIGHT

BY DAWN GAGNE

The Christmas season has come and gone, and you're may be wondering where all your hard earned money went. Then the December credit card bills start rolling in. Why not start off the New Year right by having a special account just for your Christmas spending? Christmas Club accounts are a great way to start saving for the holidays this year.

Some Christmas Clubs require no minimum balance; others require a small one to ten dollar deposit to start. The club accounts allow you to put away a percentage of your paycheck each week in hopes of having a merry Christmas without the credit card debt. The interest that a Christmas club earns is modest, similar to a traditional savings account. Some clubs will also impose a penalty for early withdrawal, so be careful, Santa's watching.

The main advantage of the Christmas Club account is that it helps you stay focused on your savings goal throughout the year. That makes the club a rather painless way for people to save.

The best part of the whole process is that in late October to early November the bank or credit union automatically closes the account and sends you a check for the amount you've saved. You can finally reap the rewards and look forward to your holiday shopping without the guilt of incurring any debt.

