



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

*Knowing the difference can
make all the difference.*

NFCC PRESS RELEASE

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NFCC ENCOURAGES CONSUMERS TO SPEND WISELY

Recognized Leader in Financial Literacy Weighs in on Consumer Stimulus Debate

Silver Spring, MD – The National Foundation for Credit Counseling (NFCC), long recognized as a leader in the financial literacy field, encourages consumers to spend and help the American economy restart its growth engine.

“There has been much debate about how consumers should use any extra money that comes their way as a result of the recently signed stimulus package,” said Gail Cunningham, spokesperson for the NFCC. However, spending needs to be tempered with a strong dose of reality. In today’s economic environment, common sense practices must prevail or we run the risk of finding ourselves in even worse shape.”

The NFCC suggests that before consumers begin making plans to spend, they first put their financial house in order by considering the basics listed below:

- **Keep your home-life stable.** Make sure that you’re able to comfortably meet all of your monthly expenses. This is where it all starts. Your spending priorities begin with being able to pay your rent or mortgage on time; put food on the table; keep the utilities on; insurance premiums current; and not compromise on medicine. Next in line are any secured payments you may have, such as your vehicle payment or loans with significant collateral, followed by other debt obligations. Wondering how you’re going to meet your existing commitments puts stress on anyone and any relationship. Do what it takes to get these areas under control.
- **Prepare for an extended layoff.** No one, regardless of industry or pay grade, can guarantee that they won’t find a pink slip in the mailbox. Experts have long advised that having between three and six months income set aside is a must. Now that figure is creeping up, with some recommending a full year’s income saved. Finding a new job may take longer than ever, so you need to prepare for an extended time without income. Yes, you’re saving money you hope you’ll never need, but you’ll not regret having it to fall back on if you are laid-off.
- **Have a rainy day fund.** The economic weather forecast isn’t looking very good. In addition to the major savings suggested above, you also need money set aside for the everyday unexpected (and unbudgeted) things that happen in life. Without at least one month’s income in a separate, interest-bearing, liquid account, even the most minor emergency can catapult you over the edge and into financial distress. Remember, it’s not *if* the emergency is going to arise, but *when*. Be prepared by building your emergency fund.

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- **Go to war with the enemy (aka your debt).** First step: stop charging. Second step: pay off what you've already charged. Third step: pat yourself on the back. It only makes sense to put extra money toward the area that is doing you the most harm financially, and that is credit card debt. Whether you devote extra money to the card with the highest interest rate or choose to knock off small debts first, construct your battle plan and declare a war in debt.
- **Prepare for retirement.** Time is money's best friend. If you're young and have a long time horizon before retirement, you're in a wonderful place. It may not feel like it since you have other demands on your money, but with stock prices so depressed, you can land some real bargains. But, to do so you have to get in the game, and the best place to start is your retirement plan at work. Fully fund it if you can, but at least contribute the amount your employer matches or you're giving up free money. Next, if you can also contribute to an IRA, either traditional or Roth, take advantage of that tax-saving vehicle, too.
- **Plan for known future expenses.** Many people are caught off guard with major expenditures such as a college education, a family vacation, or replacing a vehicle, even though such costs should come as no surprise. Without saving for these items, you end up borrowing and paying interest. Look into the future and see what expenses you'll need to deal with and start planning for them today. You might even want to categorize your savings so that you can track your progress in each area, as that can serve as a motivation to keep going.

“Once you've satisfied the above financial basics, then you'll be in a better position to evaluate whether or not you should begin spending,” Cunningham continued. “As is true with most things in life, striking the proper balance is essential. Find your personal balance somewhere between frivolous and frugal and you'll be able to stimulate the American economy without risking your own.”

If you need help navigating these tough financial times, reach out to a trained and NFCC-certified credit counselor. To locate the office closest to you, dial toll-free (800) 388-2227. To find an agency online, go to www.DebtAdvice.org, or for assistance in Spanish call (800) 682-9832.

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The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC members annually help close to three million consumers through 850 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC member, call 1-800-388-2227, (en Español 1-800-682-9832) or visit www.nfcc.org.