Debt Management

Aspire
FEDERAL CREDIT UNION

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Debt is a problem for many American households. Fortunately, there are ways to combat debt and we're here to help you with that.

First, Ways to Stay OUT of Debt

Of course, the best way to stay out of debt is to not even get *into* debt in the first place. Here are some suggestions on how to do that:

1. Don't spend more than you earn

You can never maintain a debt free lifestyle if you spend more than you earn. If we examine why and how people fall into debt, we will find that this is the root problem.

2. Take care of yourself

A quick way for you to fall into debt is by not taking care of your health. People tend to take their health for granted. They work round the clock and extend hours just to get more money, but one hospitalization can ruin everything that you've worked so hard for.

3. Live a simple life

To cut to the chase, live a simple life. Unless we learn to be content in the simple things, we will always find reasons to spend. You cannot enjoy what you don't have, so focus on getting the best out of what you do have. Here's some wisdom from Lao Tzu, "Be content with what you have; rejoice in the way things are. When you realize there is nothing lacking, the whole world belongs to you."

Staying out of debt requires a personal commitment to change your lifestyle. Unless you do so, incurring debt will just be a vicious cycle that will haunt you. Managing your finances is not rocket science; it's as simple as simplicity itself.

Bring Your Spending Under Control

A budget is the only practical way to get a grip on your spending. Creating a budget requires that you:

• Identify how your money is spent today.

• Evaluate your spending.

• Set goals that take into account your financial objective.

• Track your ongoing spending to make sure it stays within your established guidelines.

Here's how to put a dam on your uncontrolled cash flow:

Watch out for cash leakage. If withdrawals from the ATM evaporate from your pocket without apparent explanation, keep a careful record of petty cash expenses to find out where that money is going. In general, any time cash expenses exceed 5 percent of your total spending, they need to be checked.

Beware of luxuries dressed as necessities. If your income doesn't cover your costs, then some of your spending is probably for luxuries, even if you've been considering them to be filling a real need.

Tithe yourself. Aim to spend no more than 90 percent of your income. That way, you'll have the other 10 percent left to save for your big-picture items. Put those savings to use at Aspire.

Don't count on windfalls. When projecting the amount of money you can live on, don't include dollars that you can't be sure you'll receive, such as year-end bonuses, tax refunds, or investment gains.

Beware of spending creep. As your annual income climbs from raises, promotions, and smart investments, don't start spending for luxuries until you're sure that you're staying ahead of inflation.

Carry a little notebook around with you for one month and write down everything you spend. Everything—from the home mortgage payment to the pack of gum—must be written down. Small things can add up. Even a low-cost $5 lunch each working day will cost $1,250 over a year. You can't start trimming costs until you actually know what you're spending.

Based on your savings goals and the spending patterns you've tracked, establish a spending plan. Then follow it. The plan doesn't have to be brilliant; it just has to be followed.

Give yourself a reason to say "no." Promise yourself that if you reduce your debt burden by a certain amount or percentage, something good will happen: taking a vacation, quitting a second job, or buying something you have wanted for a while.

Already Stuck? Tips on How to Get Out of Debt

Understand that credit is not more money. If your credit card has a $5,000 limit, you don't have $5,000. You only have the right to rent $5,000 and you may have to pay a very high price for that right.

If you're going to use a credit card, make sure it doesn't have a high interest rate. Aspire and other credit unions tend to have better rates than other lenders.

Stop using credit. People find it easier to spend when they pull that plastic out of their wallet, but in the long run, it's cheaper to pay cash. If you crave the convenience, try a debit card. It offers all the immediate access of a credit card along with immediate reduction of your checking account.

Sit down and make a list of your debts. Include how much you owe and what rate of interest you are being charged on each debt. Pay off the one with the most expensive interest rate first, not necessarily the largest amount owed. Update the list each month and total the amount owed to make sure that it is getting smaller each month.

Establish a savings plan. You should have both short-term and long-term savings goals. The short term goals are for things like insurance, auto repairs, holiday gifts, and other regular, predictable costs. The long-term goals are for house down payments, kids' college, and retirement. Keep the two funds separate and set a specific amount to go into each fund out of every paycheck.

Save first. Don't try to save out of whatever money is left over after other bills have been paid. There won't be any. You have probably already been living beyond your means but credit has disguised it. Making your savings payments first forces you to see what you really have to live on.

Involve your family in your budget planning. A successful budget isn't imposed on family members; it emerges from consensus. If everyone in the family doesn't feel their interests have been considered, they won't be motivated to make the spending plan a success.

Compare fees and services at various financial institutions. Credit unions typically offer lower fees on everything from checking accounts to credit cards. Credit unions also generally offer higher interest rates on both checking and savings accounts. Get a clear picture of what you owe, the interest rate each creditor is charging and how you are spending your money.

Plan, prioritize, and be patient. Some people prefer to start paying off their largest or highest-interest-rate debts first. Others might opt to start by paying off smaller debts in their entirety, while chipping away at the larger, more imposing ones. Regardless of how you approach it, you need a debt reduction plan, and patience. It takes real, focused attention to get out of debt and it takes time to make progress.

Be resourceful. Use free counseling resources such as the National Foundation for Credit Counseling or talk to a certified financial planner.

About Aspire FCU

Aspire Federal Credit Union, originally known as FAA Eastern Region Federal Credit Union, was founded in 1948 to serve a small group of Civil Aeronautics Administration employees (currently the Federal Aviation Administration). Our Credit Union has come a long way since those humble beginnings, which included seven people who pooled together shares of $5.00 each to initiate the original charter.

Today, Aspire FCU is a $178 million dollar credit union, serving over 20,000 members within many diverse employee groups throughout the northeastern United States. Aspire FCU is a not-for-profit financial cooperative, which means all earnings at the end of the year are returned to our members in the form of better, low-cost financial services.

The decision to change our name to Aspire Federal Credit Union was made because we serve more than just the employees of the Federal Aviation Administration. The name Aspire means to "soar," which is a reflection of our heritage, while at the same time represents our members' dreams and aspirations.

As our tag line states, "***Your Dream. Our Purpose,***" the employees at Aspire FCU are dedicated to helping make your financial goals and dreams a reality. The cornerstone of our existence continues to be our "member first" philosophy. Whatever it is that you aspire for, we want you to believe you can get there and we're going to help you along the way.