

## **LESSON THREE**

### **BUDGET WRECKERS AND FINANCIAL CRISIS**

#### **Budget Wreckers**

**Mathematical errors:** Use a calculator to add and subtract.

**Impulse buying:** Making a split decision to buy something. Control impulse buying by waiting a week before buying an item, waiting will reduce the desire to buy. Use a shopping list and set spending limits before shopping.

**Overspending:** Paying with cash will control spending and will help develop the discipline of setting spending limits.

**No budget for unexpected bills:** Your budget must set aside money for unexpected expenses such as car repair and medical care. Utility expenses should be averaged over the year since they fluctuate from season to season.

**Lack of agreement within a family:** This can cause uncontrolled spending, each family needs a bookkeeper to keep records and hand out cash.

**Credit Cards:** Spending increases about 40% when using a credit card.

**Rent-To-Own:** Increases the cost of an item, better to save for it.

**Buying for style rather than function:** Style adds cost to items like clothes, cars and furniture.

**Pawn Shops:** An expensive way to borrow money.

**Payday Loans:** High interest rates for sort term loans.

**Gambling:** the lure of quick riches usually leads to losing money.

#### **Dealing With a Financial Crisis**

A financial crisis can occur when income is lost due to layoff or illness, or a large expense such as car repair or medical needs takes up much of a families income making it impossible to pay other bills.

What should a family do in this kind of situation? If you cannot pay a bill or make a monthly payment contact the creditor and tell them your situation. Most creditors are willing to work out a payment plan and

some utilities have funds available to help customers unable to make payments. Contacting a creditor before missing a payment can help you maintain a good credit rating.

Use the Financial Records Form to keep track of creditor names, account and phone numbers.

### **FINANCIAL RECORDS**

<b>NAME</b>	<b>ACCOUNT NUMBER</b>	<b>PHONE NUMBER</b>

**The Power of Giving**

In the Bible, Proverbs 11; 24 says that a person who gives gets more in return. Include giving as a part of your budget.

**LESSON THREE REVIEW**

Answer the following questions from Lesson Three.

List four budget wreckers:

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

If you experience financial difficulty when do you want to contact a creditor?

\_\_\_\_\_

\_\_\_\_\_

List two reasons for contacting a creditor if you are going to miss a payment:

1 \_\_\_\_\_

2 \_\_\_\_\_