

Extension Bulletin E-1499

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## *A Credit to Your Family*

# Smart Family Credit Management

Adapted from Extension Bulletin 488

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People once used credit only when they were in financial trouble. Now, going into debt is accepted as a normal money management practice. News articles tell us that use of consumer credit is necessary for a healthy U.S. economy. Advertisers promote credit sales in a way that tempts us. Public utility companies have trained us to buy telephone, electric and gas services under a use-now-and-pay-later plan. Retailers and lending agencies compete for our credit business. No wonder so many families use credit to buy many of the things they want or need. The problem is that many do not know how to use it wisely. This article brings together some ideas on how to manage credit to your family's advantage.

CREDIT IS.....a means of getting money, goods and services now and paying for them in the future--a temporary substitute for cash. Using credit always means borrowing money, whether you take out a cash loan or charge something you buy. When you charge something, the dealer is really lending you all of the money to buy the product or service, and letting you pay back what you borrowed, plus any finance charge or interest, in regular payments over a certain period of time.

*Consumer credit.....*the kind we talk about in the leaflet ..is what families and individuals use for buying consumer goods and services. It is shorter term than home mortgage credit, usually for 36 months or less, and includes both credit sales and cash loans.

### GOOD CREDIT MANAGEMENT PAYS OFF

It can help you reach some of your most important life goals and contribute to your community and the national economy. It can also help you avoid family crisis, badgering by creditors, loss of employment, and personal bankruptcy.

### STEP UP TO GOOD MANAGEMENT

Once you have promised your future income for credit payments, you can't change your mind about spending it, so before making any credit decision, you and your family should take certain steps to make sure your decision is wise.

### Can You Afford Credit?

Decide whether you can safely add credit payments to your family's regular spending at this time. If you are already struggling to get everyday expenses like groceries and rent out of the paycheck, skipping credit payments now and then to

leave enough for regular living expenses, or sometimes taking out new loans to pay for old ones, don't take on any new credit expense until you can pay off your present debts. The chart on P. 2 will help you figure how much credit your family can handle.

*How much credit can you handle?*

1. **FILL IN:**

The amount of take-home pay you can be sure of in the next year, not counting uncertain kinds of income like hoped-for raises or overtime pay. \$ \_\_\_\_\_

2. **SUBTRACT:**

The amount you will need to spend during the year for day-to-day living costs, payments you have already promised to make regularly, and large, occasional expenses you expect, like fuel or winter clothes. -\$ \_\_\_\_\_

THE ANSWER IS:

The amount you will have left to cover saving, emergencies, and possible credit payments. \$ \_\_\_\_\_

3. **SUBTRACT:**

The amount you plan to save during the year to meet your family's goals for the future, such as special kinds of training, a big vacation trip, a house, retirement. -\$ \_\_\_\_\_

THE ANSWER IS:

The amount you will have left for emergencies and possible credit payments. \$ \_\_\_\_\_

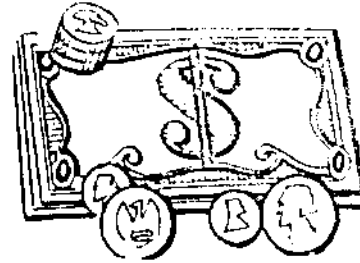
4. **SUBTRACT:**

The amount you need to save for an emergency fund amounting to not less than one month's income nor more than three months' income. -\$ \_\_\_\_\_

THE ANSWER IS:

The amount you have left for possible credit purchases. \$ \_\_\_\_\_

Item 4. was included because you really can't afford to be without an emergency cushion if you are a credit user. Without it, an emergency could force you to miss a credit payment, have the item repossessed, and maybe still have to pay for it.



**WARNING! Danger Ahead?**

- The "amount left for possible credit purchases" must cover not only your new credit purchases, but also the costs of using them (maintenance, insurance, operating expenses).
- If you already owe close to 20% of your take-home pay on nonmortgage debts, you are near the top limit of debt that most families can carry safely, and this may be a good cut-off point for any new credit.
- For some families, new debts may lead to arguments, constant worry about paying off the debt, and sometimes even break-up of the family. Other families may take the debt right in stride. Which way is your family likely to react?

## Beginning Your Credit Record

It may sound as though you can't get credit unless you already have proved your credit worthiness, but it's far from that difficult. The two most common ways of establishing a financial history are relatively simple.

The first is to apply to a local department store or retailer for a charge

account in your name. Make small purchases that you are sure you can afford, and pay your bill each month promptly. This method has the advantage of being inexpensive in that there are no finance charges if you pay your bill in full by the due date.

## ***Open Accounts***

You also can help to develop a credit record by opening a checking and/or savings account in your own name (Mary Smith, not Mrs. John Smith). It is important to open accounts in your own name because "Mrs. John Edward Smith" is a social title, and it could refer to a succession of women. You, yourself, are "Mary Robinson Smith" and should use this name when establishing your own credit.

## ***Don't Overdraw***

Make sure that you do not overdraw this checking account since the most important part of a credit history is to have a blemish-free record. When you have established your reliability, you may want to apply for a loan. And, again, repay it on time. This second method takes longer and is more costly, but it is a more solid recommendation for future credit.

It takes time to build a good credit rating, because lending institutions look for a pattern of responsible borrowing which can only be established by prompt payment of your obligations over a period of time.

Equally important is maintaining credit activity, once your credit rating is established. Lenders and credit bureaus do not keep inactive accounts on their books indefinitely and you might find that your credit has lapsed, just when you need it most.

## ***How Much Debt Is Too Much***

Every family is different. A good rule to follow is not to have more debt than

10 percent of your spendable income could pay in a 12-to 24-month period.

(-Veronica D. Carmack, Assoc. Prof., HE)  
Clemson University  
Clemson, S.C.

## ***Let Record Keeping***

### ***Become Habit Forming***

How far would you have to look to find out how much money you spent last year for doctor bills? Who knows where the title to your car is or the deed to your house? When did the children last have their shots?

Keeping records is not fun for most people, but it is something that must be done. We need some records to prove we have paid for certain things. Other records show money we have paid out and may claim as income tax deductions. Still other records tell us about ourselves and family members.

Important family records and papers should be kept in some type of order so they are easy to find. They should also be put in a safe place that is fireproof and theftproof.

What records and papers should you keep?

\*General Family Records, such as birth or adoption papers, citizenship papers, marriage certificates, military service records, and copies of wills.

\*Health Records that show a record of shots, diseases, and allergies of individuals.

\*Other important papers, such as car title, registration and bill of sales, insurance policies, deeds to homes and land, banking records, debt records, and income tax records.

Keep all important papers and records in a place known both to husband and wife. It is also a good idea to share this information with your lawyer, a trusted friend, or an older child.

## ***After Keeping Records Take Time To Relax***

In the rush of everyday living, have you been neglecting yourself?

It's time you paused and gave some thought to your mind and body. Before another day passes, get started on a back-to-normal health and beauty routine. It will take just a few minutes each day and will be well worth the time spent.

Learn to relax. This can be done ~~while taking a bath or shower.~~ While soaking in a bath, lean back, close your eyes, and let the tensions fall away. After soaking awhile, wash away grime and dried skin cells.

If you are the shower type, let the hottest water you can take run up and down your spine. A massage type shower head is helpful in easing the spine and nervous system. However, if you have forceful water, a plain shower head can have a soothing effect. When the shower is running, close the drain and you can be soaking your calloused feet.

Use a well lathered pumice to tackle calluses and heel bumps while these areas are soft from the soaking.

Look in a woman's magazine for a few easy exercises to limber up. Plan just ten minutes each day to exercise

your muscles. This will relax you and at the same time "limber" your joints, particularly if your age is 30 years or older. Walking rapidly is another good exercise. Breathing deeply and forcing your breath through your mouth is an excellent daily routine to get rid of tension and stale air in your body. This can be done while walking, or even driving to work and from work. Yoga is another effective tension reliever.

Sufficient sleep time should have high priorities in your daily routine. When you are overtired, it shows in your appearance and your behavior. Lack of sleep produces an ineffective worker.

Feeling relaxed and looking attractive makes you a better person to yourself mentally, to your family, and on the job. Relax, take some for yourself.

-Ursula A. Holahan, Assoc. Prof., HE

Oops oversight!

In Vol. 1, No. 3 issue of the Employed Mother's Newsletter, Rose J. Davis, Assoc. Prof., Home Economics, Clemson University, Clemson, S.C., was author of Creative Casserole Cookery. Thanks, Rose for those good tips.

*Jeanne Brown*  
Jeanne Brown  
Family Life Specialist

## **EMPLOYED MOTHERS' NEWSLETTER**

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