

UNDERSTANDING DEBT

Presentation by the
Allegheny County Financial
Empowerment Center





We are the FEC

We provide financial counseling
as a public service at no cost to
the residents of Allegheny
County who are 18 or older
Professionally trained
counselors work with you for as
long as it takes to reach your
financial goals.



**THIS SERVICE IS ALWAYS AT
NO COST TO THE CLIENTS.**

WE FOCUS ON THE 5 BIG TOPICS OF FINANCE

- ◆ Debt
- ◆ Credit
- ◆ Savings
- ◆ Banking
- ◆ Legacy Planning (New)

**Translation
services
available**



EVERYONE IS WELCOME HERE

OUR COLLECTIVE EXPERTISE CAN PREPARE YOU FOR ANY OF LIFE'S CHOICES

- ◆ Advice on public benefits & other resources
- ◆ Get ready for homeownership
- ◆ Small business finances
- ◆ Get ready for investing
- ◆ Talk about the emotions that you feel with money
- ◆ Someone you can check in with and share your money successes





DEBT IS OWING ANYONE ANYTHING FOR ANY REASON

- The average American has about \$105,000 in debt per person.
- 77% of the population has at least 1 form of debt
- The majority of people who carry debt have mostly mortgage debt
- Average credit card debt is about \$6,000 per person
- With focused effort, the average person can pay off their debt in 18-24 months





STEP 1

Access your credit reports

www.annualcreditreport.com

- One free credit report per week from each of the 3 credit bureaus
- Will NOT affect your credit
- Credit companies(ex. Credit Karma) don't always give an accurate score
- Credit scores do not always have to be perfect
- You can get your credit score at every session with the FEC



STEP 2

Get organized

Make a list. Be sure to include:

- Creditors name
- Balances
- Minimum payments
- Annual Percentage Rates
- Due Dates
- Remaining terms

MONEY TRACKER CHECK

STOP! **Have you tracked your spending?**

Have you tracked your spending for at least a month and created a budget? Skipping this step may lead you to make a decision that could set you back.

Tracking your spending is the first step in building a budget. Building a budget will guide you in how much you can put toward your debt.



STEP 3

PRIORITIZE YOUR DEBT

SECURE CREDIT:

- Requires some form of collateral
- mortgages and auto loans

UNSECURE:

- Does not require collateral.
- Interest rate will vary
- Can have higher fees





KNOW YOUR OPTIONS

**I have money to put
towards this debt**



SNOWBALL METHOD:

- Pay off the debt with the smallest balance as fast as you can
- Pay minimum on all your other bills
- When you pay off 1, roll that amount over to your next smallest
- Repeat until all your debt is gone

AVALANCHE METHOD:

- Pay the largest or the debt with the highest interest first
- Pay the minimum on all other bills
- When that is paid off, roll that amount over to your next highest.
- Repeat until your debt is gone.



KNOW YOUR OPTIONS

I'm having trouble fitting this into my budget



Minimize & Prioritize:

- Have you tracked your spending?
- Have you looked at your budget?
- What can you do without?
- Are there ways to cut costs?
- Can you share expenses or resources with someone?
- Buy used when you can.
- Shop at low-cost grocery stores
- Find ways to do it yourself

Negotiate:

- Have you called your creditors?
- They want your money and might help you get it to them.
- Workout
- Creditors will sometimes forgive some of your debt if you are willing to pay a lumpsum today
- Renegotiate terms
- Sometimes Creditors will change the due date, lower the APR, or the minimum payment to help you pay your debt faster.

KNOW YOUR OPTIONS

I've done all I can, and I still can't afford this debt

DEBT MANAGEMENT

- Consolidate your debt into 1 payment and/or lower the over all monthly amount owed.
- There are MANY predatory companies out there who will charge you more than you owe and claim they are helping. Don't be fooled

BANKRUPTCY

- This option offers a mostly clean slate, but it is only for very dire circumstances
- It will have a longer effect on your credit
- Some debt will not be forgiven
- You will need to hire a lawyer





THE PLAN



You have a budget, and you know what you can afford. Now it is time to make a choice. The worst thing you can do when you are in debt is to ignore it. Screening calls or not opening mail will only make things worse. It is better to call your lenders and be honest with them. They will be more willing to work out a plan with you.





DEBT FREE IS THE WAY TO BE



- Debt can make it hard to save
- It takes money away from your future in the form of interest
- It can affect your stress and cause anxiety
- Most debt is not good, but you need some to establish credit.
- You don't need to keep a balance on your credit card
- You don't need to keep opening and closing credit cards





TIPS TO STAY DEBT FREE

- Never charge more than you can pay off in a month
- Borrow within your means
- Keep your credit cards out of reach
- Don't compare yourself to the "Joneses"
- Track your spending and maintain your budget
- Reuse, repurpose, recycle
- Buy used



CONTACT US:

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OUR ACHIEVEMENTS

TOTAL SAVINGS IN 2024:

\$650,000

TOTAL DEBT REDUCED IN
2024:

\$2.5 Million



THANK YOU!



Allegheny County Financial Empowerment Center

*Free One-on-One
Financial Counseling*



NEIGHBORHOOD **ALLIES**

Advantage
CREDIT COUNSELING SERVICE

