- ♪ So here we go again ♪ ♪ Here we go ♪

- [Narrator] The following program is not intended to be legal, financial or investment advice. The program is intended to be strictly educational. The opinions of those appearing on the program are those of the subject and not My Secured Advantage, Inc. For any individual legal, financial or investment advice, please contact your legal or financial adviser.

- [Vivian] Welcome, everyone today's webinar, managing debt. This is part two of Four Ways to Rebuild your Money Confidence. And definitely over the last couple of weeks, we've all been shifted financially, and we're working on rebuilding right now. So today we're gonna cover just some great ideas, tips, strategies that can help you to recover from any debt that you may have. And before I get started, I wanna first introduce myself. My name is Vivian Perez. I'm one of the MSA Money Coaches, certified financial educator and credit counselor. Been in financial services close to a decade now. And outside of doing these presentations, I also go and do on site presentation. So sometimes you can catch me at your actual location. But I'm being joined as well with my favorite co-host, Tiffany Willis. How are you, Tiffany?

- [Tiffany] Good Vivian. Thank you so much. As most of you know we've been doing this series for a couple of weeks now and same to be said for me, Vivian, you are one of my favorite. I mean, it's funny because we sat next to each other in office, and now we're virtually sitting next to each other across different states, right? So good morning or afternoon everyone. My name is Tiffany Willis and I'm a financial wellness specialist with MSA. My job is also to be on the road and see you in person. Hopefully when this pandemic is over, we can do that. Started out my financial career in 2001, working in the federal funds market before teaching economics and personal finance for 11 years, and then becoming a Money Coach. Vivian and I love to do the same thing help people reach their goals and define their own versions of financial success for them through this process. That's qualitative and quantitative of Money Coaching. So before we get started, we're gonna just do a couple of housekeeping things. In order to preserve the quality of the webinar, we're going to turn our webcams off, just because as you probably know, a lot of people are working from home right now. So we wanna make sure you hear us more than you can see us but we'll come back on a little bit later. If you have a question. Go ahead and submit that question in the question box. And we really would love for you to start those questions early so that we can make sure that we to them, so you can type them up as you have them throughout the content of this webinar. But do you know that this webinar is offered to many different employers across the United States? So we can't answer very personal questions. And there's sometimes questions in which it actually needs some more context and information on a different variable. In those cases, we would ask you to make an appointment with a Money Coach in order to do that. Next, if you have missed anything on this webinar, there's two things you can do. One is you will receive a recording of this webinar through your email in the very near future. So you can go back and listen to the webinar with your family, take notes, maybe you miss something and you're like, aha, you have a light bulb moment. You'll get that in your email. Also, we have the playback of each series of webinars, each Fridays webinars are on our website as a playback so you can also so go there as well. Very, very important, your opinion matters to us. We take everything that you say, in the survey that you get at the end of this webinar, you can put in your comment, and we take those comments, and we use that to develop the next week's webinar. So I think Vivian, you would agree as well. We talked about some of the comments we've seen. And I wanna thank a lot of people that have been with us through the I think what now six or seven weeks we've been doing this Vivian.

- [Vivian] Yeah.

- [Tiffany] Yeah. And we've got some really beautiful and great comments. So thank you, for all of you that have been with us week after week. We sincerely appreciate your support, and we do see it every Friday. So thank you. And for those of you that get the survey, please after the webinar, feel free, let us know what you need so that we can incorporate it into next week's webinar. Let's talk about what we're doing in this series. We're working on Four Ways to Rebuild Money Confidence. As Vivian said, the last couple of months here have been a real shake up and we might be moving into a new normal. So we're working on a series on how to kind of go through what this is financially, and how to go into maybe a new normal with new confidence that I can still accomplish my financial goals. Last week, we worked on controlling spending through a case study known as the Joneses. We're gonna keep that family for this case study. Today we're gonna work on how they go about accomplishing their goals of paying off debt. So how do they manage and create a debt payoff strategy? Next week, we'll work on prioritizing savings. And in the last Friday of May, we'll work on how to maintain excellent credit for this family. So how can we go through the agenda today, Vivian?

- [Vivian] Oh well, we're gonna cover a lot today. So I hope you get you have your notepads ready, because we're gonna cover a lot of ground. And you probably noticed too, that there's some handouts that are attached on your dashboard. So make sure that you download those because those will be supportive for you through this presentation, or just to kind of look back at. But there are some great handouts that you can utilize to help you as well to kind of go and coincide with what we're talking about today. But we're gonna start first with talking about prioritizing goals and what is the actual cost of debt. We're gonna also talk about analyzing your budget. Then from there, we're gonna jump into credit card repayment strategies, student loan repayment strategies, and then lastly, we'll wrap up with some debt reduction tips. So like I said, we're gonna definitely cover a lot today. And so getting started. We're gonna start actually there, With the priority goals, I always say you always have to think about the bigger picture. And ultimately too because of the debt that you may have, and the strategies that you choose, it can impact your goals. So you wanna first kinda think about like, what is it that I wanna achieve, you know short term, mid term, long term, so that then you can sit here and choose the right, that management strategy for you. But in this case, we're talking about the Joneses like Tiffany mentioned, and some of the goals that they have is to, one they wanna pay off their consumer debt. From there, they wanna pay down their student loans. And then they wanna build an emergency fund, right? And so this is what they wanna work on. But I wanna challenge you to write down what your priority goals are for yourself. Like literally put it on paper, they say that there's magic to putting things down on paper. And from there, depending on the different debt management strategies we covered today, you can start thinking about, okay, what will be the impact on my goals if I choose this strategy, okay? But you always wanna start with the end in mind. Now, when we talk about like, debt, what does it actually cost? A lot of times where we're more thinking about like, well, can we get approved for this credit card or this loan that we really miss out on the fine print? So it's super important to understand, like, how much are you actually paying for your debt, right? Because the interest rates matter here. In finance, there's a popular formula that's called the rule of 72. And the rule of 72 basically says, 72 divided by the interest rate tells you how many times the money doubles. And that could be on an investment, but that could also be on debt, right? So the higher the interest rate, the larger amount of debt that you're gonna have to pay because of the interest, right? And so what we have in front of us is just examples of $5,000. And what that actually looks like based off of the interest rate, right? So the first example is on a zero balance transfer card, right? And because those are typically zero interest rates, you're not paying any, like money on the actual interest. But a lot of times those cards are connected to some type of transfer fee. So the idea is that if you can get a card with a zero transfer fee, that's that's the goal so that literally, it could just cost you $5,000. But otherwise, you're gonna sit here and pay just a little bit more because of the transfer fee, right? Now, the second example is more around utilizing a personal loan. Let's say for example, that you have an interest rate of 5.99. So now you're looking at a little bit higher of a debt, because now you have that a little bit higher of an interest rate, right? So you're looking at $798 that you would have to pay in addition, if you were to consider a loan for 60 months that you're paying, let's say about $97 a month, okay? Now, we're jumping into the last example, which is a standard rate credit card. And the interesting thing is that the standard rates really right now are like about 20%, right? So this is just to kinda show you how much more you would have to pay on a credit card, if you had a debt of $5,000. And that higher interest rate. And let's say, for example, that you're paying the card for 208 months, you're paying the minimum $150 a month, literally $5188 that you would pay interest, right? So as you see, the higher the interest rate, the more that you have to pay for that debt. So the goal is finding a strategy that you can pay the least interest so that you could pay as much as you can to principal and pay off that debt quicker, right? The cheaper the debt, the better.

- [Tiffany] Yeah.

- [Vivian] And so from here, now, Tiffany is gonna talk to us about why the budget is so important when it comes to paying down debt.

- [Tiffany] Absolutely, great points Vivian and I so appreciate what you said about interest in debt. I always say that interest for you that comes out of your paycheck is always revenues for someone else. I remember purchasing my first car, you know how you always remember the price of your first car. And I remember looking at the financing paperwork, and the principle of the cost was $10,600. And they worked it out. Now I'm a woman of a certain age. So this was a long time ago.

- [Vivian] Right

- [Tiffany] When rates were a little bit higher, but I remember seeing at the end, I was gonna pay $14,000 for a car that costs 10,600 and when I tell you looking at that my eyes like bulged and I was like, are you kidding me like and that it just put it all together for me of how important interest is. So thank you for making that point.

- [Vivian] Yeah.

- [Tiffany] We're working with a couple in which we are analyzing the Joneses budget and how they rebuild money confidence through this pandemic. For those of you who haven't been with us, I wanna give you a little bit of a background on this family that we're working on. We call them the Joneses and they are married. They have two children, two children, two kids, sorry. One of the spouses has been unemployed due to this pandemic. So they've been laid off. There's no emergency savings and they have credit card debt and they have student loan debt. So last week, we worked on a budget a formalized budget for them to give them more control over their spending and analyzing what they can do with a little bit of a surplus that they had. So last week, we added in irregular expenses into the budget. Irregular expenses are expenses that don't occur on a consistent monthly basis, but a person time during the year. And this is a pitch of this formalized budget that we did with them. A couple of things that we did was we took their student loans down to zero, they were previously paying $280 a month there on federal student loans. And we took that to zero so that they could take advantage of the six month forbearance period that is being allowed right now due to this pandemic. Also, we analyzed their entertainment expenses, and saw where a majority of their money was going in just that specific category. So we explored what they can cut and what's important always I think, for us as Money Coaches is that you have balance within your budget. It's not about cutting things to zero. It is about giving you some joy and leisure things that you like to do, but it within balance.

- [Vivian] Mm hmm. No ramen noodles.

- [Tiffany] Yeah.

- [Vivan] No ramen noodle diet.

- [Tiffany] Right. And if you tell me no coffee, I'm gonna just walk away. So we wanted to give them balance. What we found is that they have a surplus of about $983 per month. So that's what we're going to work on here is going through how they allocate the surplus. So they've got debt, and this week, what we're working on is how do they go about paying off their student loans and paying down their student loans and paying down their credit cards. So let's talk in general about some options for repayment and how you go about paying down debt. There's a couple of things that we talked about with our clients, and one of them is a debt snowball. This is very popular. A lot of people have heard about it. But it's basically just listing your balances from lowest balance to highest balance, and then paying off each debt one at a time from the lowest to the highest. So you take everything you can you put it towards that lowest balance while everything else gets the minimum payment. And one by one, you start to pay off each card at a time. Now, it's important to mention here that this works well with mix balances. I think psychologically, it's a great payoff because it gives you that momentum. Once you've paid off that first one. You're like, oh yeah, here I go look, right? And then that gives you the momentum to keep going. So I say the trap though on the other side, is that when those lower balances now they're at zero. I have found sometimes people will say to themselves, oh, I'm just gonna put $200 on this. You know what I'll pay it off really fast. And you know, I know it's at a zero balance, but it's just 100 bucks, it's just 200 bucks. And then that just starts the cycle all over again. So it's discipline that closes that gap. The discipline to say it's at a zero balance, and I'm gonna put it away so that I'm not tempted. The next approach is debt stacking. That instead is doing it by interest rate. So you pay the most that you can, to your highest interest rate card, and then to your next highest interest rate and so forth until you get down to the bottom. Now, this definitely works best with similar balances. A lot of times when I propose this plan to some of my clients, they feel like, ah, this is I don't have as much momentum as I would have with a debt snowball. And for some reason, I have always found that there's some relationship between the highest balance and the highest interest rates card. My theory my little theory says, that a lot of times those happen to be reward credit cards that have really high interest rates, they're gonna make you pay for those rewards in some way or another. So you wanna think about what are the balances and how that's best going to work for you. You end up putting more money into your pocket because you're stopping the bleeding at the very top, the highest interest rate. Another very popular option that we hear from our clients is debt consolidation. And I think that what I hear is that clients just want one simple monthly payment. They just wanna have the convenience of simplicity, right? All of my debt is in one, I'm making one payment and then I'm paying all of my other bills. You wanna be aware of any possible upfront fees sometimes on credit cards, that's a balance transfer fee. Some personal loans that are very popular now online have some type of flat fee. So you wanna be aware of what those are. And also be aware of the term. I think that's especially important during this pandemic because if you have signed up for a loan and a debt consolidation that takes place over 48 months, you wanna think about what your income looks like potentially for the next 48 months. Is your job stable? How have they responded to this pandemic? Do you see any changes to your employment in that time because you definitely don't wanna be in a situation where you're not able to make those debt payments. So let's apply this to the Joneses and see what they can do for their budget. Now for this example, even though we didn't give it to you in the monthly budget, they have $8,750 in credit card debt, across three cards with an average interest rate of 18.99%. So if they just make the minimum payment across all three cards and do note that some of the cards that's an average interest rate, some interest rates are higher. But if they just make the minimum payment, they're gonna pay $350 a month and they're gonna pay $6,096 interest, it's gonna take them 10 years and eight months to pay it off just making the minimum payment on their cards, okay? Now, what if we put them into a debt snowball strategy, that same balance, and remember, they've got a $983 surplus. So if we added $200 a month and told them to put $550 total into this snowball method, then the interest that they would pay significantly decreases, they'd only pay about 1500 dollars interest, and it only takes them a year and seven months. This is mind blowing to me because this is all about just strategy and hopefully the discipline of just adding $200 to your monthly payments and combining that with strategy, a year and seven months in comparison to 10 years and eight months. Now, what if we did a debt consolidation loan? Now in this example, we used a personal loan at 8% of an interest rate, same balance, their new payment would be $274. So a lot of people think yay, new lower monthly payment. Okay, great. And I'm paying less than interest. But look at the payoff time. It's three years, right? So I hope that this is starting to bring up some things in your mind about strategy and how you look at debt and looking at what our best possible solutions and options for you. So for them, we can obviously see that the Debt Snowball is probably what they would wanna partake in. Now this is if they have a surplus. Vivian, what do you do when you wanna pay off debt, but your budget your income is tight? How would you go about that?

- [Vivian] Well, the good thing is that there are definitely some options, right? And we're gonna talk about that right now. And even when, as you were talking about the options that you have, when there is a surplus, the good thing about those strategies too, is that it just jumps up your credit score quickly. So you'll see when you start snowballing, as you're lowering that balance, you're gonna see your credit score jump up so fast. So I love those three examples and those three strategies that you talked about, but yes, when it comes to tight income, you know there are some options and you got to kind of weigh some of these because it depends on the strategy, you go for that there may be some impact to your credit score, right? So the ones that we talked about what the surplus help your credit score, but this one could be a little bit more challenging, but nonetheless, they are options, right? So the first things first is always contacting your creditor, your lender, right? Seeing what kind of hardship programs that they have. But you wanna be very diligent and careful and get all the terms in writing, if possible, right? Because a lot of times things change and there may be some type of miscommunication and just for your sake, and your peace of mind too, you wanna get everything in writing, right? Now you wanna ask them like, is this gonna impact my credit if I do a forbearance? Or if you know you reduce the interest rate, and I don't make any payments? Like, what kind of ramifications are there if I choose to go with your hardship program? So you wanna ask them as many questions when you reach out to them, but ask them like what type of options do they offer first and foremost, and if they're not really willing to work with you, then that's when you start looking at third party organizations. One of the first ones we suggest is credit counseling. Now credit counseling, a lot of times you don't hear about it, because they're not publicly advertised. These are nonprofit organizations that basically work with your creditors to help you to get out of debt, right? Typically, these plans are three to five years out. And what happens is that they basically communicate with your creditors, once they communicate with them, they will close your cards. And from there, either the interest rate could be reduced or sometimes even waived, right? And so what you would do is make your monthly payments and once you're done making those payments, you're pretty much done with it, right? So it's not so much that your credit will be or your credit score will be impacted by a credit counseling itself. It's more of how long have you had your credit cards open, and now that they've closed, that you'll know the impact of the credit score. So for example, if you have a credit card that you've had for maybe five, 10 years and that card is closed in a credit counseling program that will have more impact on your credit than a card that you would have maybe for a year that you wind up closing with the credit counseling program, okay? But you wanna kinda use this as an option, especially if you've been making your payments, maybe your minimum payments, but you're struggling a little bit because maybe your income has changed through this whole pandemic, but it certainly is an option. Now outside of that we jump into debt settlement. Which debt settlement is similar in the sense of your, you know there's some type of negotiation with your creditors, but it's a little bit different, right? Now typically, these types of organizations or this strategy is in organizations that are considered for profit, right? And what happens is that this company would then communicate with your creditors, and they'll tell you simultaneously, hey, don't make any payments. We need you to default for a couple of months and then we're gonna go in and one by one, we're gonna start offering some type of settlement with your creditors, right? So a lot of times they can lower that debt amount, but you have to remember that there are for profit companies, so they're gonna tackle their price on top of that negotiation amount, right? So depending on what those numbers look like, you wanna even ask yourself, if this is worth it. In some cases, if you've already been falling behind, it may be better to deal with the outside company. Sometimes it's better to just deal with the creditor itself. But if it winds up being a little overwhelming for you to deal with the creditor, maybe the debt settlement could be a good program right? Now, you do wanna keep in mind that whatever you pay, in comparison to what you owe, they consider that income. So you may get a lovely form that's gonna say, hey, you need to pay taxes on the difference, right? So just be aware of these different things because a lot of times it's not discussed or it could be in the agreement and super fine print, right? So look into which one of these strategies if your income is a bit tight to see which one, especially depending on your goal is gonna impact you the most, right? Now, let's say worst case scenario, all of the strategies that we've been talking about, none of them are really giving any relief, then that's when you will look at bankruptcy, right? It is there because sometimes there are some cases where bankruptcy really is the most effective relief that you can get, right? Now when it comes to personal income. You have chapter seven and chapter 13. So chapter seven is basically kinda like a forgiveness program, I would say where they say, you know what, okay, well forgive this debt, you can start clean slate. Now I do want you to understand that it is a legal process. You have to see if you qualify for a chapter seven, every state is different. And so you wanna take a look at okay, do I qualify this? And if not, then it will be chapter 13, which chapter 13 is more of a repayment type of program, where the courts have determined based off of your financials, what your monthly payment would be? Now, because it does impact your credit more, chapter seven typically stays on your credit report for 10 years. And a chapter 13 typically stays on your credit report for seven years. So again, depending on what those goals are, that you have, you wanna think about, those timeframes, you know, do I have anything that I wanna do in the next seven to 10 years? Then you wanna think twice about getting a bankruptcy. It's not saying that is the worst thing, you know but it's just, are there other options that could be helpful, that's not gonna impact me as much when it comes to fulfilling my financial goals. So those are some of the repayment options when it comes to having tight income. But at least you know that there are some options that could help you. So depending on your financial situation, you can then determine, you know do I wanna do more of the snowball, consolidation, or take a look at some of these strategies instead, okay? Now jumping into the next thing that is on everyone's mind is student loans, Student loans and I was just doing some research yesterday as a matter of fact, but it's literally in the trillions right now. So pretty much. Yeah, it's so crazy. So pretty much across the United States, the average balance for student loans per household is 50,000, right? So that's a lot of debt. So a lot of people been thinking about their federal student loans and just how could they pay it down? You know the good thing is that if you have federal student loans, remember that they're in forbearance until September 30 of this year, so basically at the end of the summer, right? So you wanna take advantage of that. So depending on your financial situation, because they're not charging any penalties or there's no interest that's accruing. It could either go one or two ways that you leverage this time to not make any payments and maybe focus on some of the consumer debt because that's higher interest debt. Or if you don't have consumer debt, maybe it's worth paying a little bit more to the student loans because you're paying mostly to principal. So there's a couple of ways to deal with the student loans right now. But Tiffany is gonna kind of give us a little bit more of crunching the numbers and what can help around paying down student loans.

- [Tiffany] Yeah, thank you Vivian. That is really interesting about how high student loans are. I remember being so afraid to student loans, again, I'm older so college for me was like 20 years ago, but I remember saying I don't want any student loans. It was really hard to go through college without taking on at least one student loan. And I did, but I remember it being without a strategy, it was really hard for me to try to pay that off within a timeframe that I had even made for myself, but I didn't even make that timeframe because it was just it requires a different type of a strategy. So let's work the numbers for our case study in the Joneses, and see what they can do in terms of paying down their student loans. Now, we're assuming here that they have a balance of 26,400 at 5%. So we're gonna discuss what their options are. Remember how this balance they were paying previously, $280 a month before we took them down to zero, and taking them down to zero would be that first option that you see there is just simply accept the forbearance. You've got, your student loan balance is gonna remain unchanged. There's no credit or financial consequences during this time, because it was allowed under the cares act in the pandemic. So because this couple has one person that has been laid off due to this pandemic, they may want to just put that money to the side just in case that spouse doesn't go back to their particular industry, at their same income, they might just accept that and say, okay good, no penalties, no credit problems, set that to the side. So that's the first option that they can do. The second option, since this couple does have a goal of paying down their debt is to put them somewhere in the middle, they're not making the full payment, but they're paying something towards student loans. And the good thing is right now those payments would go directly to principal. So I want you to think about back to the credit card example for a second. Remember that their average interest rate on their credit cards with 18.99%. Here the interest rate on their students loan is 5%. So I hope that you're starting to think where would we want a majority of their surplus to go? Obviously, it would be to the credit card debt, right? So we put them at paying $50 a month just pay something towards student loans. The main focus is on the credit cards. And remember, in a year in seven months, those credit cards would be paid off, and then we can work a strategy for the student loans. In that case, $300 would go to principal reduction on their credit card, I'm sorry, on their student loan debt, and their student loan balance would be reduced to 26,100. Now what if they just wanted to go all in we wanna pay down everything. This is our goal. So if they wanted to do that they could keep the $280 a month going towards the student loans, their $1600, 1680 would go towards principal reduction and their student loan balance would be reduced to $24,720. So that's again, if they wanted to go all in and they just wanted to pay down debt. So we're gonna talk about what we did and what we decided would be best for them. And a new formalized budget for them after taking into account all of their student loan goals and their credit card goals. Here's what we came up with. Putting that $50 a month towards student loans, doing the Debt Snowball at $550 a month, going towards credit cards in a snowball strategy, and then aligning that with everything else that we discussed last week in their budget. So the entertainment still a little bit lower. We took out some golfing there. And if you didn't hear that last week, please go to our website and listen to the playback that we took down some entertainment expenses and added in some irregular expenses after assessing what changes after this pandemic. This gives us a new surplus of $733. So it takes it down from 983. But we still have something to work with here. And that's going to lead us into what we discussed next week is how does this family go about prioritizing savings? Now we have a strategy for debt payoff, but now we know it's so important to have a emergency savings especially because we've got a spouse that is unemployed. And I wanna make sure that we tell our audience that we understand unemployment is not perfect, right? We are seeing nationally that there are some significant time lags with receiving checks. In my fate some people have actually returned back to work and now they're just starting to get the check so it's a real topsy turvy situation and we understand that. So, you know in the example, it's nice and clean and crisp. But we know in the real world, it's much different. So let's talk about what we have done in terms of the analysis of the debt strategy for this family. There we go. Finally, we've got the Joneses, right? We've been talking about this couple for a long time. Who are they? What do they look like? Well insert your picture there, right? In our case study, we wanted to make sure that we incorporated their goals while also finding balance within their budget. And in an analysis of this, what we wanted to do was establish the goal of paying off debt, we acknowledge the debt that they had the student loans and the credit cards and establishing what the goal for them was. And then we assess Well, how much additional can they put towards credit cards? And we found that with running the numbers and doing a snowball strategy and simply adding $200 a month to what they were already paying, and employing a different strategy gets them out of credit card debt in one year and seven months. And while quantitatively that seems like oh great, but I always ask my clients to take a moment and think about qualitatively, how does that feel to you when you don't have a credit card payment to make anymore.

- [Vivian] Free!

- [Tiffany] Right? I there's something about financial security when you've achieved kind of one of your goals or financial success, you walk different, you feel different, your productivity is different. When you know you've got emergency savings is taken care of. I'm saving the right amount in retirement. I have no debt. It's a whole different feel right, Vivian?

- [Vivian] Oh yeah.

- [Tiffany] Sure is. And then we decided on what are the options for their student loan forbearance. So paying something towards student loans taking advantage of this time, while at the same time acknowledging we've got a more pressing situation at a higher interest rate, and we can come back to those student loans. But right now, we'll just have $300, that goes to principal. And again, if that paying $50 a month is gonna serve a double benefit, those payments are going straight to principal, but also to when interest does start to accrue again, it's gonna accrue on a lower principal balance. So they'll pay less interest over the life of the loan just because of making those additional principal payments. And then the toughest thing is going to be how to stay consistent. We've got the strategy now, but it's almost like you know you've got the script, can you perform now, right? Because those are two different things. I think especially when you got to family, things are gonna come up, the summer is coming. And now these kids, they wanna get out, but we're in a quarantine and how do you do that? How do you make sure they still have fun, and also keep your debt strategy. So that's the toughest point is trying to make sure that you stay disciplined and have consistency. I think one of the best ways to do that and stay accountable is having that relationship with the Money Coach, so that you can talk about your feelings. Sometimes like I said, it's qualitative and it's quantitative. I gotta talk about how I feel about these things. So get a Money Coach on your side, and Vivian's gonna walk us through how you will do that.

- [Vivian] Yeah, and first things first, is that you want to continue to attend these weekly webinars, because we're gonna continue to talk about just tips, ideas, strategies that could help you break through. This pandemic doesn't have to be the end all be all, right? This could be an opportunity to crunch down, really make some things happen, change the course and really break through, right? So it's definitely up to us like what this actually looks like on the other side. And so keep attending the weekly webinars, I'm gonna talk about in a little bit like what's coming up, create your wellness plan, right? So based off of the idea of starting with the goal, and then looking at those debt management strategies, create your game plan, right? Like I said, everything starts with the bigger picture. And then lastly, speak to the Money Coach, especially if you're feeling like you know what, I'm a little stuck with this wellness plan. I don't know what to do, where to start. It's a great opportunity. And basically the way that you reach out to your Money Coach, it would be more of connecting with your Employee Assistance Program. If you don't know what that is exactly, you can talk to your HR department and ask them about your Employee Assistance Program, how do I get in contact with a Money Coach and they'll lead you and guide you, and give you a contact number so that you can reach out to us and book an appointment, okay? Now, as I was mentioning, there are some events that are coming up in the next week, we have this continued content that we're putting out. So next week, next Friday, we're gonna talk about prioritizing savings. It's at 9:00am, Pacific Standard Time. And then at 12 noon, if you have any questions or thoughts about investing your retirement plan, so on and so forth, there's gonna be an investor education session that's gonna be building a portfolio to match your retirement date. I know a lot of people started thinking like, whoa, what am I gonna do with my retirement now? So that would be a great class that you would wanna jump into. So you could get some good nuggets, okay? So that's what's coming up next week. Now do remember that there is a recording, that's gonna be available to you in the next business day. So if you miss something or you wanna take a listen back, take some notes, whatever the case is, we will have the broadcasts available on the next business day, okay? And then from there, just remember that there's gonna be a survey that comes up and just like Tiffany mentioned, in one thank you so much, you for all the great feedback. I think me and Tiffany are thinking about having our own show. But your opinion matters. And we definitely love the feedback because this is allowing us to also create new content as well. So whatever you can share with us or things that you wanna learn more about, feel free to let us know, okay? But now for the juicy stuff. I know everybody's been waiting

- [Tiffany] Yeah.

- [Vivian] for the Q&A. And this is actually a great time to pick our brain and ask questions, but do remember like Tiffany mentioned that is their very personal questions. We're not gonna answer those. That's actually a great opportunity to reach out to your EAP and talk to a Money Coach and ask those direct questions to. And also, if they're like investment questions like, you know what stock should I pick? Unfortunately, we can't answer those questions either, okay? Now, now that we open things up, I did see Tiffany, I don't know if you saw it yourself. But we got some questions. So I'm excited to dive in on these.

- [Tiffany] Yeah, we definitely have some questions and please keep them coming. If you've got questions, go ahead and type them into the question box. We've got some time and hopefully we wanna try to answer as much as we can. And also too, don't forget, you may have access to this benefit directly through your employer. So you can also just if you have access to the My Secure Advantage benefit, you can go directly online to your My Secure Advantage website and directly Schedule your appointment. All right, Vivian. I'm gonna let you take the first stab at them.

- [Vivian] All right, sounds good. So first question is from Maria. So Maria wants to know, well, why wouldn't they start with an emergency fund first? And that is always the question, right? Why not? You know, should I sit here and pay down debt first? Or should I focus on the emergency fund first? I say that you wanna find a balance between the two, right? Because especially if you have high interest credit cards, if you focus on the emergency fund first, then literally that debt is accruing fast. If you remember I talked about the rule of 72. And just how quickly the money doubles. Those high interest credit cards literally could jump up from month to month, right? So you wanna find a happy medium where you are paying down debt but also building up that emergency fund. Because both things are are not so good. Like if you focus on one over the other, right? Like if you focus on debt, and you don't build up your emergency fund, if something comes up and you don't have any savings, you're gonna put yourself back into debt, right? Now--

- [Tiffany] Right.

- [Vivian] Again, if you focus on their emergency fund and you have this high interest debt, then that could be a problem too, because then that debt is gonna be snowballing in essence, like really growing in this quick timeframe, right? So try to find a happy medium where you could do the two. Now, if you don't have high interest credit cards, and some of the debt that you have is pretty low interest, where you can afford to make those regular monthly payments and be you know paying down your debt, then yeah, take advantage and save as much as you can. So that then you're having a little bit of the balance of the two there. But that's always a question people always wanna know, like, should I focus on paying down the debt? Should I focus on savings? I will say, try to do a little bit of both first and it really depends on the type of debt that you have. And the higher the interest, the quicker you wanna start taking a jab at those debt payments.

- [Tiffany] Yeah, yeah. And part of it too, is the way that this series is built. we're tackling this one by one Friday after Friday, if you're working with the coach, they're gonna walk you through and kind of balance out what works best for you, it's gonna be an issue of interest rates, it's gonna be because again, rates are low. So savings accounts are not getting that much interest. But you may be paying very high, like Vivian said, in terms of interest rate on debt. Also too. I mean, this couple could if they wanted to just establish that we wanna make sure that at least we have X amount of dollars, maybe that's $1500 in our emergency savings. And we're gonna take the next two months of surplus, put that into just our emergency savings, and then pound down the debt too. So those are options. There's always multiple ways to work the same scenario. So that's a very good question, Maria.

- [Vivian] Yeah, thank you--

- [Tiffany] I see.

- [Tiffany] It really depends too really quickly. The other thing that we were talking about on the presentation is that a lot of your debt management strategies really depend on your cash flow and your credit score, right? So if you have the cash flow to be aggressive and paid down some of those high interest, and that would be, you know a good strategy and so on and so forth. So always look at those numbers and break things down to see which is the best fit for you but find the room to also build that emergency fund to because as we see, things come up and we we wanna be prepared and not surprised.

- [Tiffany] Yeah, absolutely. So thank you for that question, Maria. I see a question from Katie that says, Are there tips that are specific for paying off a mortgage more quickly? Katie, I had this same question and this week. And it's funny because as we were kinda preparing this webinar, one of the coaches that I use, the team that I tend to use the most is our mortgage coaches. And this was the exact question that I proposed to one of our great mortgage coaches, Barbara Kwan. And I said, you know Barbara, I wanna make bi-weekly payments to my mortgage so that I can pay my mortgage down faster. So what that is, is that you're not changing your monthly payment, you're just taking your monthly payment and splitting it up into two. So half of it goes to the mortgage lender at one point and then the other half goes to the mortgage lender at another point, as long as you make the payments on time, it's just splitting up the payment. And it helps you to pay down your mortgage faster because it gives each payment has a different function in terms of paying down principal and paying towards interest. What I found the kinda roadblock that I came up against was that I was doing that but I was submitting it through my online bill pay and so I was getting a letter from the mortgage company that said, hey, we don't know where to apply the second payment. So they applied the first payment. And what Barbara told me was that I have the responsibility to specify where that payment goes. So don't make my mistake, you've got to tell them where you want it to go, because it can go to escrow. It can go to another place, so you've got to specify where it can go. Go ahead Vivian. Oh, did I hear something? No.

- [Vivian] Am here. So that's good stuff. I mean, a lot of the times people don't realize that, yeah you can make those additional principal payments and you're shaving off a lot of time, a lot of interest, a lot of money, right? So definitely a good strategy when it comes to paying the mortgage quickly. Now, the next question that I have here is from Rebecca. Rebecca wants to know, do debt consolidation loans negatively affect your credit score? So that's a good question that comes up a lot. A true consolidation loan is when you're just moving debt from one place to another, right? These wouldn't be like I talked about the credit counseling or debt settlement, because a lot of times they say, oh, this debt consolidation, but that's not truly what it is. So when you do a true debt consolidation, it actually positively affects your credit score, because when once you're moving those balances from your credit cards, you're lowering your utilization, and you're putting those balances on to a consolidate lone, right? So that's actually a positive thing that could help you increase your credit score.

- [Tiffany] Right, yep. And also to I forgot to add to my last question, I apologize. For Katie. You also wanna check with your mortgage lender and make sure that they don't charge or if see if they do charge an enrollment fee to make mortgage payments bi-weekly.

- [Vivan] Yeah, that's a good point.

- [Tiffany] All right. Yeah, yeah, because I got that was a surprise for me as well. Okay, I see a question here. From Denise, are there any similarities among the states in terms of which situations may be eligible for chapter seven? It does depend on your state, it depends on median income, and it depends on some requirements from your state. So for that what we do as mortgage coaches is that we typically refer you to a bankruptcy attorney in the state so that you can talk about what the particular requirements for your state are under Chapter Seven, or under Chapter 13. So yes, there are similarities, some but it depends on the state. Every state has differences and for that, you wanna make sure that you speak to a bankruptcy attorney

- [Vivian] Good question. Okay.

- [Tiffany] Yeah.

- [Vivian] Let's see here a question from Leslie. She wants to know my student, my son's student loan went into forbearance by the lender. He says he can't make a principal payment. What does it mean when the lender says a loan is in forbearance? So typically when a loan is in forbearance is just saying that the loan payments are postponed. So it could be that they have a federal student loan, and like we mentioned in the presentation, federal student loans are basically in forbearance until September 30. So it could be that that's the case for your son's student loan. You may wanna call just to confirm that but it sounds like that is the case. I find it very interesting that they're not allowing you to do principal payments.

- [Tiffany] Yeah.

- [Vivian] I'll double check on that as well. Because, quite frankly, if you wanted to make payments or not, they can't, they shouldn't be able to control that they should be, and they should be happy that you wanna make payments too. But double check that as well. But typically forbearance that's just what it means that the loan payments are postponed or sometimes reduced, but for this time period is most possibly that is postponed because of the whole COVID-19 situation.

- [Tiffany] Yeah, and I'm gonna try to add into that because we do have a question from Kathy that says, What does forbearance mean, and like Vivian just said, the loan payment itself is paused. No interest accrues on the balance also, no penalties are late fees accrues on the balance, so it is just a pausing of the of the loan. Implicitly it can kind of push out the end date, but no interest is gonna accrue for this six month period. So yeah, so for those of you who do want to make additional principal payments, just like I said, with mortgages, make sure that you specify where you want it to go, because I have heard that sometimes with student loans, what they will do is instead of applying it to additional principal, they'll put it towards the next month payment and not towards the principal payment. So again, you when you are making any additional payments to anything, make sure that you specify this is where I want it to go so that they are clear on that.

- [Vivian] Good stuff. Good questions and a lot of questions that are coming in. So hopefully we could get through as many as possible. But even with some of the questions that we're answering, hopefully it answers your question as well. Okay, so like here. I have a question from Emily. And this is a great question. This is meaty. So Emily wants to know, what advice would you give to those who miraculously do not have any debt but decide to marry someone who does have large number of debt. How does a person who does not have any debt deal with this?

- [Tiffany] Oh, that's a good question.

- [Vivian] Is the good one? Yes, it is a deal.

- [Tiffany] Yeah, the first thing in my mind was wait, but I've been married for almost 20 years.

- [Vivian] But I think too and you will probably agree to this Tiff. It really depends on how you're handling your finances. If you're doing a joint where you're basically combining all your income and your expenses, then that just is what it is. You have to look into your budget to see how much you can contribute towards debt. And then from there, look at those strategies we talked about and in consideration of what your goals are, to then figure out which is the best strategy for you. Now, if it's something that you handle your finances separately, and he's doing his thing and you're doing your thing, then it might be worth just giving him some insight tool strategies to help him get out of debt. So, what do you think Tiff?

- [Tiffany] Yeah, I totally agree with what you're saying too. And I think what is now I think if I had to do it all over again, because I came into my marriage with some debt that I was not transparent, on to say the least. And I think one of the best things that couples can do is fully show up is what I call it and say what you're comfortable with. If you are comfortable with helping this person get out of debt quantitatively, then express how much you're willing to help because sometimes the perception is you're willing to do whatever it takes, and my perception could be, well, I'm willing to do this and those. So get on the same page and fully say what you're willing to help with. If you're willing to help with the tools. And letting them because if you're married, your spouse can be on the calls with you and your spouse can use the benefit as well in terms of Money Coaches, so maybe I'm willing to help you with the tools and get you a Money Coach so that you can formalize a strategy for yourself. But fully analyze and think about what works best for you and what you're willing to do. I'm willing to help you with the tools, I'm willing to help you quantitatively. Maybe I'm willing to help you with both. Or maybe I have goals of my own that I wanna prioritize. So how can we both work on our best versions of financial security together?

- [Vivian] Good points Tiff.

- [Tiffany] 20 years in the game, 20 years in the game now.

- [Vivian] Yeah I see. So really I am gonna answer this quick question from Denise. She wants to know, are there any similarities among the states in terms of which situations might be eligible for chapter seven? So I think that the similarity is that they all have an income threshold, right? But that threshold is different, you know because in certain states like, you know, California and New York, those are typically higher income states. So depending on the income that they will consider, the threshold would be different from like a Wisconsin, right? So, you know that's pretty much what the similarity is when it comes to just what they're looking for. They all have a threshold of what their income amount is, you just have to reach out to a lawyer. And that could be another opportunity to leverage your EAP because a lot of the EAPs have a legal side where you can ask, and you can sit here and talk to an attorney and ask them like, what is the income threshold for the state that I live in? And then you can determine if, yes, you qualify for chapter seven, or you have to look into chapter 13.

- [Tiffany] Yeah. Great, great question. We've I've got a follow up question about those bi-weekly mortgage payments from Rosa, you do have one payment that you split 50-50. So that's what bi-weekly mortgage payments are taking one monthly payment and splitting it up 50-50. If you wanted to make additional principal payments that would be outside of that. And again, you would specify that I want this to go to additional principal. We've got a great question from Maria that says, where can I find reliable credit counseling agencies that are not scammers? Great question. Yeah its a great question because you, there's a lot out there. So this is where you definitely make an appointment with a Money Coach, go through your Employee Assistance Program, ask for a financial referral, and then call and have an appointment, a consultation on debt with the Money Coach. They can give you we have relationships with credit counseling companies that are not scammers. We develop those relationships with them and they can refer you directly. So I would say that you would be in the best hands with your financial referral either through your Employee Assistance Program or if you have access to the My secure Advantage Program directly through your employer.

- [Vivian] Okay. And real quick the follow up to Rosa, she said that she didn't understand that she had to basically make a 50- 50, 1 month payment for and this is about the mortgage or do make an extra monthly payment and apply it to principal. So what Tiffany was talking about was splitting 50- 50 on the mortgage. So let's say on the 1st you're paying 1000, on the 15th you're paying another 1000 because your monthly payment is 2000. So that will be the idea. Now you can do an extra monthly payment or extra yearly payment. The whole goal is to make additional payments so that you can sit here and cut down on your debt as quickly as possible. You wanna get as much to principal and just bypass the interest as much as possible.

- [Tiffany] Absolutely yeah.

- [Vivian] And we only have one more minute Tiffany.

- [Tiffany] I know we have only one more minute. We hope more than anything. I think what I thought of working out of this week's content and webinar was that it's about strategy. It's about opportunity. It's about creating accountability for yourself. And the hardest thing I think in this pandemic is making sure you kind of incorporate some peace and gratefulness during this time. Fortunately, we are talking to a lot of you that still have employment, you still have jobs. And so this is great. That's a good part, because there are a lot of people that do not share the same circumstance. So I think strategy, opportunity, accountability and gratefulness help to create that picture of financial success for you. What do you think Vivian?

- [Vivian] Well said, I mean, I don't know if I could say anything better than that. But I will say thank you so much, everyone for coming to our webinar today and I hope that you got some great nuggets to carry you through and say get you beyond debt and more wealth. And we hope to see you next week on next week's webinar. Have a wonderful day and weekend.

- [Tiffany] Yeah, stay healthy everyone and stay safe.