Bill-Paying Tips

Copied from: http://delaware.tomorrowsmoney.org/Templates/tm/Content.aspx?id=109

All of us have to deal with paying bills. And most of us dread it. Having a plan and a process for bill-paying can make it easier. Following are some tips to create some good bill-paying habits and reduce stress when it comes time to tackle those bills.

Organizing for Effectiveness

- Designate one specific container for your bills – a file folder, basket or letter tray on your desk, etc. As soon as you get the mail, sort out the bills and put them in your designated place.
- Create a convenient place to pay your bills. Supply it with everything you need -- checkbook, calendar, notebook, pens/pencil, stamps, etc.
- Schedule a weekly time to do bills. Consider it a standing appointment that you keep, just like a doctor's appointment or work meeting. It's much easier to stay on top of your bills if you do it weekly
- Set up a simple filing system to keep track of your bills and when/how you've paid them.

Bill-Paying Tips

When you open your bill, circle or highlight the due date, and put it in an organizer or calendar to pay one week prior to the due date. Paying bills late can affect your credit history. Being tagged as a "chronic late payer" affects your credit score, which can mean you'll be denied, or have to pay more, for a loan in the future.

After you've written the check or paid the bill (via money order or electronically), make a note on the bottom of the bill indicating the date paid and the check number. File the bill stub/receipt. Keeping a file of your paid bills will help you with budgeting and in the event you have disputes with creditors.

Consider setting up automatic withdrawal for as many bills as possible – including direct deposit for savings! Automatic withdrawal will save you time, ensure that your bills are paid on time, and will help boost your chances of maintaining a good credit history (or improving your current record).

If you have Internet access, look into online bill paying. There are three ways to pay bills online:

1. First, you can pay online through your creditors' website (i.e. some utility, phone, and other companies will allow you to pay your bills by credit card online). If you choose to pay your bills online by using your credit card, make sure that you can pay the card off at the end of the month so you're not accumulating more debt.
2. Second, you can use an online bank to pay your bills; or
3. Use an online bill payment system that charges a monthly fee to pay your bills for you.

Eager to eliminate the paperwork? Check out money management software packages such as Microsoft Money or Intuit's Quicken. These programs can help you create an electronic budget, track spending by category, prepare for taxes, and print checks electronically downloaded from your computer.

You can tame the "bill beast" by adopting even just one of these tips. Remember, taking small, manageable steps makes it more likely that you'll stick to it and be successful. Take a first step toward gaining control over your bills today!

Chip Flowers
Delaware State Treasurer

16 Warning Signs You Could Be Heading for Financial Trouble

We've all done it before – forgotten to pay a bill on time, charged more on our credit cards than we should, etc. But there are some financial "red flags" you should pay attention to realize that without a course correction, you're headed for financial trouble. While some financial warning signs are tried and true (i.e. beware of paying only the minimum due on your credit cards, filing your taxes late, etc.) since the economic downturn and market volatility of 2008 – 2009 people have found themselves in financial situations they never envisioned and aren't sure how to handle, such as being "underwater" on a mortgage or turning to payday loan companies for short-term loans because banks have tightened personal lending requirements. Check the following list to see if you might be headed for financial trouble and to learn what you can do – beginning today – to make a positive course correction.

- **Warning sign: You have no emergency savings.**

Solution: Schedule to have a manageable amount auto-withdrawn from your paychecks to build up a cash reserve.

The prescribed rule of thumb is that you should have between 3 – 6 months' worth of emergency savings. That means having enough cash set aside someplace where you can easily access it (i.e. a savings or checking account, not a CD that might require you to pay a penalty for early withdrawal) to pay for all your regular living expenses for 3-6 months if you were to become suddenly unemployed. Start today by having a set amount of money – even if it's just $25 or $50 per pay period – automatically withdrawn from your paycheck and deposited into a separate account just for emergency needs. Without savings you're more likely to incur potentially hard-to-repay credit card debt in the event of an emergency such as a job loss or sudden illness or disability. Learn more about the Risks of Not Saving and Investing as well as 10 Simple Steps to Start Saving Money Now.

- **Warning sign: You regularly pay late fees and penalties on bills.**

Solution: Schedule payments and set up a bill-paying system.

If you are habitually late on paying your bills it's an indicator that either your income is not sufficient to meet your regular spending, or that you do not have a bill-paying system that works for you, or both. Paying bills late can cost you not only money (in interest, penalties such as late fees or reconnection fees, etc.) and time (if you have to call or go to an office in person to make payment or restore services) but it can result in a lower credit score because creditors report late payments to the major three credit bureaus and that information is added to your credit report. A lower credit score means you are less likely to be approved for loans in the future or you will be charged more for the loan in interest. Look over your last set of bills to see when those regularly-occurring due dates are (i.e. for your rent or mortgage, utilities, etc.). If you find that you have too many bills due in a short period of time and your income can't cover them call to see if you can switch your due dates to earlier or later in the month to coincide with your paychecks. Take some time to set up a bill-paying system and area in your home so that you can more efficiently pay and file bills to save time and money in the process.

- **Warning sign: You have stopped trying to pay down your debt.**

Solution: Call your creditor or get credit counseling.

If you, like millions of Americans, were negatively impacted by the market downturn and economic volatility of 2008 – 09 you may feel like there are so many financial "strikes" against you that it's not even worth trying to make a dent in your credit card debt. You may have developed the habit of using credit as a regular supplement to your income to meet daily expenses and become resigned to the fact that you're going to carry a steadily increasing balance on the card. However if you don't regularly work toward paying that debt down it could – by virtue of compounding interest – quickly become a virtually unmanageable debt that will require you to repay exponentially more in interest than principal and that could render you unable to access any type of affordable financing in the future. Call your creditor(s) today to see if you can create a more manageable payment schedule for your outstanding debt and to see if you might qualify for assistance such as a principal write-down or forbearance on your mortgage. If you feel your credit usage and debt is not within your control consider working with a reputable credit counselor who can help you create a plan to habitually monitor and pay down your debt and perhaps negotiate a better payment and fee structure with your creditors.

- **Warning sign: You only pay the minimum amount due on credit card bills.**

Solution: Pay on time and pay as much as you can over the minimum due.

If you are only paying the minimum due on your credit cards each month you are essentially only paying a small portion of the finance charge – you are not coming close to touching the actual principal or even interest due on the account. As a result of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 credit card companies now have to clearly show you how long it would take you to pay off the debt entirely if you only pay the minimum amount due each month. Pay more than the minimum due – even if it's only a modest amount - to shave years off the possible life of the loan and save potentially an enormous amount of money on what you would have paid in interest. In addition paying more than the minimum is looked upon more favorably by credit bureaus, which use credit card repayment habits to determine your credit score. The bigger long-term issue with not paying off credit card or other forms of debt is that it prevents you from being able to save and invest money toward your own goals because you are using that money to pay someone else interest.

- **Warning sign: You have unpaid back taxes.**

Solution: Contact a tax professional and create a plan.

Getting behind on paying your taxes – to a local, state or federal tax agency – can start for a seemingly manageable reason (i.e. you missed the deadline and forgot to file an extension, or you didn't have the money to pay the balance due and decided to wait a few weeks or months until you could pay in full). However you will have to eventually settle up with the government and pay your taxes or face criminal prosecution. If you know you owe taxes it's a good idea to work with a tax professional that can help you determine the best strategy for repaying your outstanding debt and getting current. A tax professional may also be able to help you negotiate a payment plan or even a reduction in interest and penalties. Learn more about how to calculate, manage and pay your taxes in our Taxes section.

- **Warning sign: You don't have a personal budget.**

Solution: Use our interactive budget worksheet to set one up in no time today.

Without a clear picture of how much money you have coming in and a well thought-out plan for how you will spend it you're more likely to overspend, incur debt, and not save and invest for future financial goals. Get started on creating a budget that works for you with our step-by-step guide on Budgeting for Beginners.

- **Warning sign: You don't have any retirement savings**

Solution: Sign up to participate in your employer's retirement savings plan and/or open an IRA.

With fewer companies providing pensions for their employees it is critical that you take control of saving and investing for your own retirement. Regardless of how far off (or how close) your retirement may seem it's always a good time to begin putting money into an employer-sponsored retirement plan (i.e. a 401(k) plan) or your own individual retirement plan (IRA). Without adequate savings you may not be able to retire when you would like (or really retire at all), and/or be able to enjoy a desired retirement lifestyle that you already envision (i.e. traveling, continuing to live in your current home, etc.) Learn more about tips for retirement saving based on your age in our Resetting Your Retirement Clock section.

- **Warning sign: You have stopped saving for retirement or borrowed against your 401(k) or IRA.**

Solution: Create a plan to pay off the loan and sign up for auto-save deposits again.

If you saw the value of your 401(k) drop and faced personal financial needs that required you to dip into savings to supplement or replace lost income you may have stopped paying into your employer-sponsored retirement plan. You may have even taken a loan against your savings to get access to cash for emergency or daily needs. While it's understandable that in a crisis you need to temporarily re-prioritize and make some different financial choices than are typical for your lifestyle, it's critical that when the crisis has passed you get back to saving for long-term goals including your retirement. That means paying off the loan as quickly as possible to replenish the account and ensure that your funds can continue compounding interest as well as adding money to the account as often as possible (i.e. through automatic paycheck deductions).

- **Warning sign: You have liens filed against your property.**

Solution: Get copies of the liens and create a plan to address and/or pay them off.

A lien is a legal claim that someone can file against any property or assets you own (i.e. a home, real estate, car, etc.) to ensure that they get repaid for any money that you owe them. Liens are bad to have on your credit report because they lower your credit score, which affects your ability to get approved for a loan/credit and get attractive financing terms. There are different types of liens. For example a construction lien can be filed by a contractor against a homeowner when the homeowner owes him/her money for work done such as renovations, construction, etc. Tax liens are filed by government agencies against property held by an individual who owes back taxes. A lien can prevent you from being able to sell property or transfer the title to another owner because someone else (a third party) has a financial interest in that possession of yours. In fact a lien can result in the property being forced into sale so that the lender can collect the money owed him/her, or if the property is sold the lien holder must be paid first. If you learn that a lien has been filed against your property or assets (you will receive notice by mail), contact the filer as soon as possible to work out a repayment plan, resolve the lien and remove the lien from your credit report. You can learn about liens filed against by contacting your county recorder, clerk or assessor's office.

- **Warning sign: Your house is "underwater".**

Solution: Evaluate your situation and work with your lender.

When you owe more money on the loan you took out to buy your home than you could get when you sell it you're in a condition called being "underwater" on your mortgage. If you can make your monthly mortgage payments and are not planning on selling your home anytime soon it might not be a problem that you're underwater, other than the frustration of knowing that without a local housing market turnaround you're essentially investing in something (your house) that won't give you the return you had hoped when you do sell. If you stay in the home long enough you will pay the loan down to the point where you are no longer underwater and perhaps even own the home outright. However if you aren't able to keep making your mortgage payments or if you need to move you could be in a difficult situation.

That's because being "underwater" in and of itself is not considered to be a financial hardship and your lender may not work with you to adjust the loan so that you can repay it. If, on the other hand, you have lost a job or experienced a severe illness or other major life-changing event you may be able to get a loan modification making it easier to stay current on the loan. You need to contact your lender immediately if you are unable to make your monthly mortgage payment. Learn more about options for staying current on your mortgage and avoiding foreclosure through our Help for Homeowners Mortgage Center.

- **Warning sign: You have a payday loan.**

Solution: Find alternative, more affordable financing options.

Payday loan companies provide extremely high interest-rate short-term loans (typically 2 or more weeks) for people who are willing to use their next paycheck as collateral for the loan. Just the fact that you have a payday loan means that you are spending more than you're earning and possibly points to the fact that you don't have other, more affordable financing options. Learn more about Options to Payday Loan Companies.

- **Warning sign: You and spouse or partner are not on the same financial page.**

Solution: Spend the time needed to reach reasonable compromise.

Money is the number one reason cited for arguments within marriage. If you and your spouse or partner don't agree about how to create and reach financial goals, and how to deal with financial choices and commitments, it's going to be increasingly difficult over time to resolve arguments or make financially-related choices in a way that works for you both. You don't have to agree 100% on everything, but you do need to create enough points of connection on money matters so that you can reach important financial goals both separately and together. Learn more about Why Money Matters in Marriage and Financial Planning for Unmarried Couples.

- **Warning sign: You do not open and read financial documents.**

Solution: Identify the root reason and invest the time to create a solution.

When was the last time you opened the retirement account statement you received in the mail? Do you open your monthly bank account statement to verify the information and balance your checkbook? The information you receive is important and you need to know what those documents say. You need to know if your account(s) are accurate, if the terms of your loan or investments have changed, etc. The information is the only tool you have to make an empowered decision about how or if you want to make changes going forward. Take some time to figure out why you don't stay on top of your financial paperwork – is it because you're too busy? You're overwhelmed by the information? You're afraid to see how bad your financial reality really is? When you can admit the root cause of why you're not paying attention to your financial paperwork you can deal with the reality surrounding it. For example, if you're too busy then start putting all your financial paperwork in one place and scheduling time on your calendar to go through it once a week. If you're overwhelmed consider contacting a professional credit counselor who can help explain what your bills and statements mean and create a plan for making decisions about the information you receive. If you're afraid of seeing the reality of your situation acknowledge that and then realize that the only way to move beyond where you are now is to start with the facts – which you do not currently know – and make one beginning step in the right direction (i.e. to balance your checkbook or pay the next upcoming bill, etc.).

- **Warning sign: You have co-signed a loan for someone.**

Solution: Stay on top of the borrower and verify repayment.

The only time someone needs to have another person co-sign a loan is when they can't qualify to borrow the money on their own. That should tell you something. If you have already legally agreed to guarantee repayment of someone else's loan (which is what you're doing when you co-signing) you may be in danger of doing some major damage to your own finances. That's particularly true if you don't know all the details of the loan that you have agreed to. For example, some lenders write into the contract that they can come after the co-signer (you) for full repayment – and possibly even additional interest, penalties and fees - if the borrower is late on just one payment. In addition, because you have allowed a lender to use your financial resources as potential collateral for a loan other lenders can see that on your credit report. That could make it more difficult for you to obtain a loan. If you have already co-signed for a loan it's critical that you:

- carefully review the loan documents and make sure that you understand your financial obligations,
- stay in close contact with the borrower,
- require that the borrower for whom you have co-signed provides you with regular documentation to prove that s/he is repaying the loan on time and according to the terms of the loan, and
- request that the lender copy you on all correspondence to the loan holder so that you know the status of the loan and any potential changes to the terms of the loan that could affect you.

- **Warning sign: You do not have adequate insurance.**

Solution: Know your insurance needs and pursue options to secure affordable coverage.

Do you have health insurance? Homeowners' or renters' insurance? Without adequate insurance one unexpected illness or disability, accident, theft or natural disaster could wipe out your savings, cause you to incur major debt and threaten your ability to maintain your home or other major assets. At a minimum it's critically important that you have health insurance to provide you with coverage and financial protection in the event of a major illness; it's also important that you have homeowners or renters' insurance – and disaster insurance like flood insurance or earthquake insurance if you live in an area that is prone to those types of disasters – so that you can repair, rebuild or replace your home and possessions and have legal and financial protection in the event that someone is physically injured while on your property. Learn more about insurance – how to select, budget for and maintain it – in our Insurance and Protection section.

- **Warning sign: You have been turned down for a loan.**

Solution: Work to improve your credit rating and score.

If you have applied for a credit card or personal loan and have been turned down it's most likely because you have an unacceptably low credit score. That means that the lender does not have reason to believe you are a good credit risk – in other words, they are concerned that you have demonstrated the ability and/or willingness to repay a loan. If your credit or loan application has been denied you may want to consider getting credit counseling. Learn more about what you can do when your credit application is denied.

Conclusion

One of the most serious ways to tell if you're in financial trouble is by honestly answering the question "are you fooling yourself?" If you know that you are regularly spending more than you earn, incurring high interest credit card debt, paying bills late, etc. and you don't take action to correct those problems you're not in a good place. Start by determining if the financial red flags you're facing are caused by a one-time or short-term event/issue that can be

rectified, such as a job loss that has reduced your income that will improve when you find employment. If you're dealing with a short-term issue it's important to prioritize your financial concerns or areas of potential danger (i.e. not racking up major credit card debt while you are unemployed) and find other options for this "in-between" time.

If, however, your financial problems are caused by larger, or not easily solved issues, such as a medical disability or ingrained financial habits (i.e. overspending, compulsive shopping) you will need to think through what resources are available to you and how you can begin making small steps forward to moving toward a better financial position. For example if your pregnant spouse has been ordered to bedrest for 6 months and you lose her income while she's out on disability is there insurance coverage you can tap into to help meet expenses? Are there employer benefits you could take advantage of? If you are overwhelmed by debt you inherited when you divorced can you gather the courage to work with a professional financial advisor to begin negotiating with your creditors, paying off debt, and rebuilding your own credit?

Instead of allowing financial red flags to scare you off recognize that they're helpful signals that can motivate you to action to prevent further harm. Identify where you might be vulnerable, prioritize your financial needs and goals, and pursue resources you can take advantage of to improve your situation. With perseverance and assistance from the right places you can get back on track.

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