

# The Community Page

## Personal Economic Basics

**T**he foremost topic on everyone's mind these days and the theme that eventually arises in every conversation is the economy—global and/or personal. This is a challenging time in America, and we are faced with an opportunity to develop skills we have not valued so highly in the past.

Steps to control or eliminate financial problems are simple, universal, easily implemented, but, in far too many homes, seldom applied. Indeed, most family counselors report that the leading cause of divorce today is the inability to agree upon and implement proper financial habits in the home. These steps include budgeting realistically, distinguishing between wants and needs, avoiding unnecessary debt such as credit

card abuse, and saving for emergencies.

Budgeting is the first and most important pillar upon which to construct a family financial plan. It is crucial that we know where our money is going. King Solomon prudently observed, "Be diligent to know the state of your flocks for riches do not endure forever."

Many people are uncomfortable with the word budget, feeling it restricts their financial freedom, but the reality is that it does precisely the opposite. It puts one in control of one's resources, eliminating the perennial cry of "Where did all the money go?" A humorous summarization of this failure came in a comic strip several years ago when the title figure declared, "I am going to stop trying to get ahead and instead concentrate on slowing down the rate at which I'm

falling behind."

Budgeting is a simple matter of accurately determining the amount of money one has at one's disposal, and then clarifying necessities versus luxuries—putting first things first.

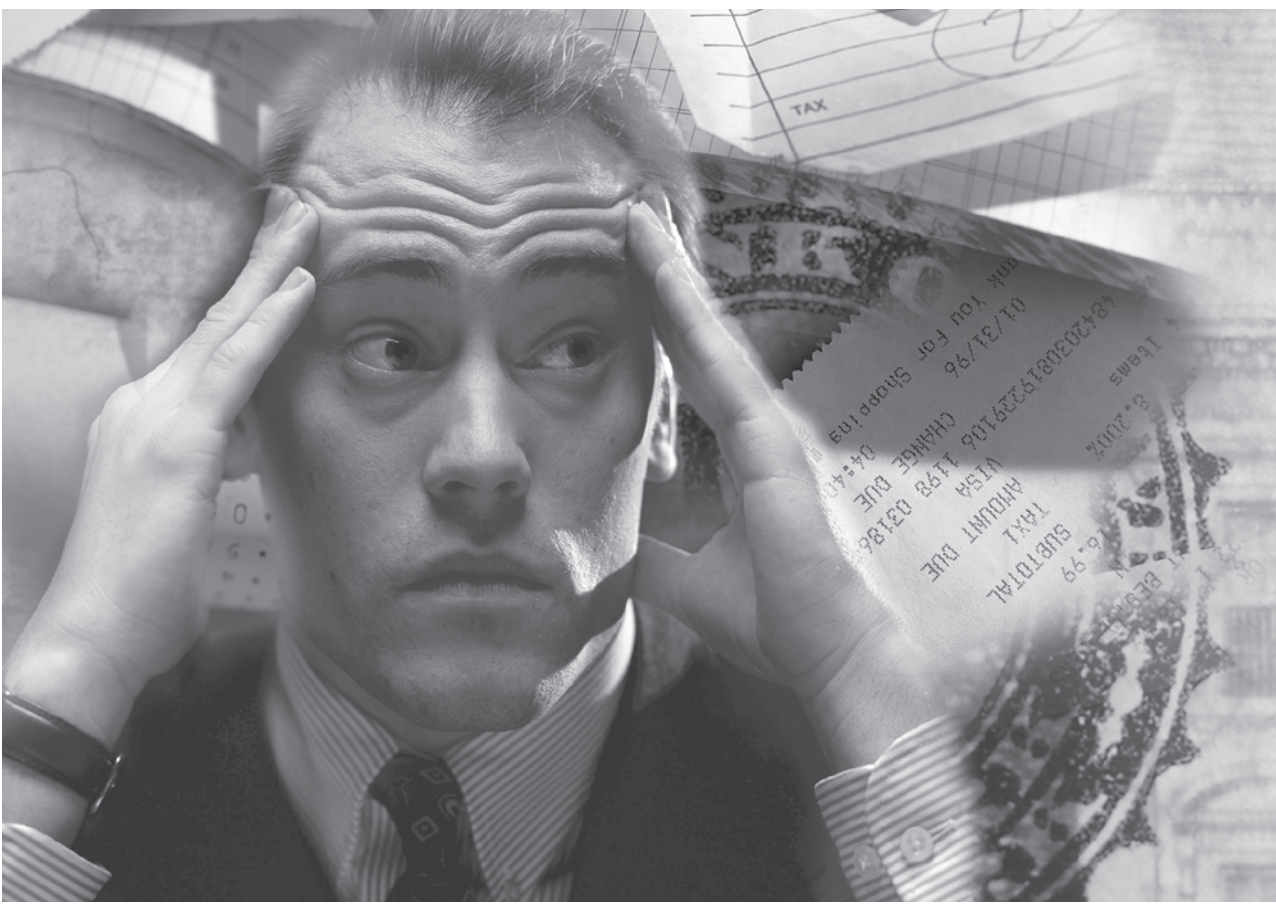
When one begins, it is helpful to assemble income and spending records for the previous three months to form an accurate map of resources. One then establishes priorities: first for fixed expenses such as housing, second for necessities such as food and other basic needs. Wise managers will then make the third allocation to some kind of savings or emergency account, and the fourth for any debt reduction. Those four steps should be disciplined and nearly automatic. Only after those items are allocated, should one contend with any remaining funds. Such a plan will lead a family into true financial freedom and the sense of well being associated with it.

A properly employed budget will then lead to the other mainstays of sound financial management, avoiding debt being the most difficult to achieve, especially in tough times.

One can avoid unnecessary debt—credit cards in particular—by observing a few basic principles: First, use credit cards for convenience only, not to make ends meet. If the cash isn't in the bank to pay for an item, charging should not be an alternative.

Second, pay off the entire charge each month thus avoiding interest payments. If an emergency has required more than can be paid in one month, curb other spending until the balance is paid off. Carrying credit card debt from month to month indicates that one is already spending more than one is earning. Only discipline will eliminate debt.

Credit cards can be very useful tools if selected wisely and used prudently, but it is good to remember Benjamin Franklin's observation: "Creditors have better memories than debtors."



## IDENTITY THEFT

**R**egardless of our efforts to maintain stable family finances, there is a lurking danger that can strike anyone at any time—identity theft. The Federal Trade Commission estimates that as many as 9 million Americans have their identities stolen each year.

Identity theft occurs when someone uses personally identifying information such as one's name, Social Security number, or credit card number, without permission, to commit fraud or other crimes. A person may not even be aware the theft has occurred until receiving a statement with unidentifiable charges or being notified by a debt collector. Those so victimized may lose job opportunities, be denied loans or end up with negative information on their credit reports. In rare cases people have been arrested for crimes they did not commit.

People steal credit and financial information in order to get cash, open fictitious bank accounts, purchase goods and housing, pay for travel expenses, get jobs using another's Social Security information, and even file for tax refunds.

Thieves use a variety of methods to get private information other than those we've known for years—purse snatching or pocket picking. Perpetrators now go through garbage cans or business dumpsters seeking bills, canceled checks or other personal information. Some employees use a special storage device to record account information when scanning a customer's credit card, a method

known as "skimming."

Another new method of larceny, called "phishing," is an attempt by thieves to get information online by pretending to be financial institutions, luring people into revealing account or Social Security numbers.

Steps we should take to prevent or weaken the danger of identity theft and better protect ourselves include such common sense moves as cutting up or shredding all personal information that goes into the trash, including credit card offers. It is always a good measure to check credit cards when cashiers return them to you, in order to confirm that they are indeed your own cards.

It is wise to keep a record of when scheduled statements are due so that if not received, one can immediately check with the issuing company. Thieves have been known to file a post office change of address card on a victim in order to gain access to personal account information.

Awareness is the best tool for fighting identity theft. Monitor personal informa-

tion, accounts and bank statements each month, and check credit reports on a regular basis. Credit monitoring services are available from most banks for a fee and many credit card or insurance companies offer identity theft insurance.

If one suspects identity theft, one should quickly file a police report, notify creditors and dispute any unauthorized charges. As citizens, we should also be aware of existing legal protection against theft and be involved in encouraging legislation to swiftly and severely deal with identity theft.

As the value of personal resources becomes greater in difficult times, each person should "be diligent to know the state of [his] flocks."

