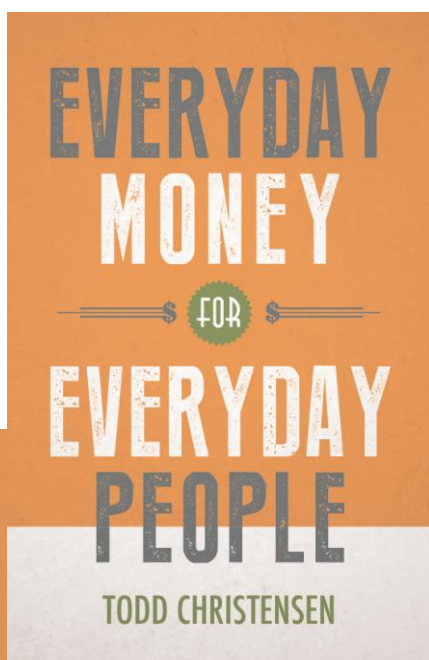


Lesson 3: Credit or Debit or Cash, Oh My!

Everyday Money

FOR

Everyday People



Companion Workbook

2nd Edition

Todd Christensen
of Debt Reduction Services Inc

Lesson 3: Credit or Debit or Cash, Oh My!



Using credit cards can be a scary proposition for those not used to managing them. For that matter, many people have terrible financial experiences with the traditional paper check and checkbook register. Going cash only can seem like a daunting task to those used to the convenience of debit cards. Using online bill pays can create anxiety for those who are uncomfortable with or who don't trust Internet transactions. Even using debit cards can seem risky to those who have used cash to pay for everything.

Hybrid Payment Strategy

So which method is best? Unfortunately, it seems to be human nature to swing from one extreme to the next, so in this case, we think we either have to go all cash, all debit card, all check or all something else. Let's avoid the extremes and find the right strategy for you. I call this the Hybrid Payment Strategy.

The Hybrid Payment Strategy allows us to take advantage of all of the benefits and conveniences of current and developing payment technologies while minimizing the cost to our pocketbook of the convenience factor (the amount of money we spend above and beyond what we've planned for due to the convenience of debit cards, credit cards, or even checks). This strategy involves automating as many of our monthly bills as possible, with particular attention being paid to any that have the same amount due on the same day each month (aka "fixed" expenses).

Fixed expenses include rent or mortgage, utilities (on the utility company's level pay program), contracted services (e.g. Internet or cell phone), installment loans and insurance premiums. Fixed expenses should be set up to get paid as a merchant direct debit, meaning that the merchant initiates the payment from their end, drawing it directly from our checking account. This takes the liability of late payments off of our shoulders and places it on the merchant (unless we don't keep sufficient funds in our account).

Any fixed bill or expense that does not have a merchant direct debit option should be paid through our bank or credit union's online bill pay service (so long as it's free). Expenses for this option may include rent (for smaller landlords or property management companies that don't offer direct debit), regular donations and local utilities, among others. If your bank or credit union does not offer free online bill pay, consider providing the merchant with your debit or credit card number and having them bill it automatically on the same day each month.

The remaining expenses may be ideal for using cash to minimize the potential for overspending. Such expenses might include groceries, gasoline and entertainment.

Check This Out:

1990: 19 Billion Checks Paid

2012: 6.6 Billion Checks Paid

*That's more than a 2/3 decline
in just over 2 decades!**

Hybrid

ACTIVITIES/ASSIGNMENTS TO DO TODAY

Personalizing Your Payment Strategy

Use the following table to determine which personal and household expenses will be paid using which method.

Expense Description	Automatic Merchant Direct Debit	Automatic Online Bill Pay	Automatic Debt/Credit Card	Cash
Example: Rent/Mortgage	\$1,050			
TOTAL CASH TO WITHDRAW WEEKLY (or MONTHLY)				

“Payment Conversion” Personal Commitment

By signing this commitment, I agree to automate my fixed (monthly, weekly, etc.) expenses by the following date:

Date: _____ (not more than 1 month away)

I also agree to use cash only for the following consumer purchases by the following date:

Groceries Gasoline Entertainment/Recreation Dining Out Other: _____

Date: _____ (not more than 2 weeks away)

If married or in a committed relationship, I agree, by checking this box, that I will work with my spouse in a mutually supportive way to avoid expensive payment methods that detract from each other’s goals as well as our mutual financial vision.

_____ Printed Name

_____ Signature

_____ Date

▶ *Unwritten Goals Remain Unfulfilled Wishes* ◀

▶ *Saving Is a Commitment, Not an Amount!* ◀

▶ *Financial Success Happens at the BEGINNING of the Month!* ◀

What will you take away from your time with the *Everyday Money for Everyday People* program?

- ▲ Ideas for escaping the paycheck-to-paycheck treadmill
- ▲ Tricks for finally saving money without the risk of breaking the family piggy bank
- ▲ Tips for paying off debt and building financial stability

Whatever you take away from this program, you'll find it to be practical, down-to-earth and financially helpful in the ways you need it to be.

This workbook accompanies our book, *Everyday Money for Everyday People* (available on Amazon and Kindle), *Our Everyday Money* blog (www.debtreductionservices.org/education/everyday-money-for-everyday-people) and our *Everyday Money for Everyday People* presentations and slideshows.

To schedule Todd as a meeting or conference speaker or for more help, materials, and publications from Debt Reduction Services Inc and Todd Christensen, see www.debtreductionservices.org/education/host-a-class or contact us at Education@DebtReductionServices.org or (877) 688-3328.

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