

# THE CREDITOR

Memphis Municipal Employees Federal Credit Union

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## Travel Debt Free

There are some purchases for which you are seemingly required to have a credit card, such as staying in a hotel or renting a car. Some businesses, however, will accept a debit card with a major credit card company logo on it in lieu of a credit card. Be aware, however, that to use your debit card in these situations, most companies will place a hold on a portion of your funds in the amount of several hundred dollars so they can collect payment if you damage their property. This means that if your checking account balance hovers near zero, you won't be able to use your debit card in these situations. Even if you do keep a comfortable amount of money in your checking account, you'll want to do some advance planning to make sure enough funds will be available to cover any outstanding or upcoming payments while the hold is on your account. The best way to do this is to find out in advance how much the hold will be for and then treat this as an expense. When you've safely returned the car or checked out of the hotel, you can then "refund" the held money back to yourself.



It used to be that spending money on status symbols for the sake of flaunting your wealth was an activity reserved for celebrities and millionaires. That has all changed. Conspicuous consumption, what was once referred to as "keeping up with the Joneses", has brought the lifestyles of the rich and famous to suburbia. Some items that were seen as fads or didn't exist in 1996 have also jumped onto the necessity list:

- Cell Phone: 49%
- High Speed Internet: 29%
- Flat-screen TV: 5%
- iPod: 3%

Keeping Up With The Joneses?? STOP!

**Why We Do It** There are a variety of factors driving consumption:

- The desire to show off our success
- The need to have what other people have
- Prolific advertising and product placements
- Easy credit
- A society that favors instant gratification over hard work



The Joneses are BROKE!

## The Joneses Are Broke

Many of the people driving around in their giant SUVs while talking on their new cell phones are deeply in debt. If you ask them how they are doing, they will tell you that they are just barely getting by. According to a Federal Reserve Board study, 43% of American families spend more than they earn. Not surprisingly there was also a record number (2,039,214) of consumer bankruptcies filed in 2005 according to the American Bankruptcy Institute.

## Trim Your Needs

Most people don't use all of the features on their cell phones. Nobody watches all of the stations that they pay for. You may need a car to get to work, but you don't need a luxury vehicle, and you certainly don't need a gas-guzzling sport utility vehicle. Remember, one person simply can't drive two cars at the same time, so there's no reason to own more than one. The big homes, expensive toys and other goodies seem nice, but in reality they are unnecessary from a practical perspective, and will only make you happy for a very short period of time before the next "must-have" item rolls around.

## Set Your Priorities

Remember when you were little and mom told you, "Don't worry about others; mind your own business and worry about yourself"? It's one of those lessons we all seem to forget as we get older. If you've got a healthy nest egg stashed away or an endless supply of cash, by all means spend. However, if you're concerned about the future, you need to curb your spending today. Take a page from low-income America, and limit your "needs". The same survey that found iPods were a necessity for 3% of people, found that the less you earned the fewer items you listed as necessities - items you could not live without. The lesson is, you shouldn't worry about what other people have; it's your money, so spend it wisely.



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## Emergency Fund - Whats That?

- You'll want to build your emergency fund as quickly as possible. For someone who lives in a rented home and has only a modest amount of debt, an emergency fund of \$600 may work fine. If you own a house, a car and other things that can unexpectedly require cash infusions, then your emergency fund needs to be bigger. The key is to build the fund at regular intervals, consistently devoting a certain percentage of each paycheck toward it and, if possible, putting in whatever you can spare on top. This will speed up the process and get you to think about your spending.
- Here's where it can get a little trickier. You should only use the emergency money that you have saved for true emergencies: like when you drive to work but your muffler stays at home, or your water heater starts to hiss and water goes everywhere. Covering regular purchases like clothes and food do not count, even if you used your credit card to buy them. It may help to keep the account at a credit union, where you can't access the money as easily and where it will get higher interest than a normal savings account. While it's true that you would save money if you used your emergency fund to eliminate credit card debt, the purpose of the fund is to prevent you from having to use your credit card for paying for the ugly things that life throws at you. With an emergency fund, you will not need your credit card to float you when something goes wrong. Come in today-start an EMERGENCY SAVINGS PLAN !

### **Debit cards have different protections and uses. As shown in last month's issue, sometimes they're not the best choice.**

Sometimes reaching for your wallet is like a multiple choice test: How do you really want to pay? While credit cards and debit cards may look almost identical, not all plastic is the same. Here are a few additional places & situations where it can pay to leave that debit card in your wallet.

**You're a New Customer** Online or in the real world, if you're a first-time customer in a store, skip the debit card the first couple of times you buy. That way, you get a feel for how the business is run, how you're treated and the quality of the merchandise before you hand over a card that links to your checking account.

**Buy Now, Take Delivery Later** Buying now but taking delivery days or weeks from now? A credit card offers dispute rights that a debit card typically does not. It may be an outfit you're familiar with and trust, but something might go wrong, and you need protection. But be aware that some cards will limit the protection to a specific time period. So settle any problems as soon as possible.

**Recurring Payments** We've all heard the urban legend about the gym that won't stop billing an ex-member's credit card. Now imagine the charges aren't going onto your card, but instead coming right out of your bank account. Another reason not to use the debit card for recurring charges: your own memory and math skills. Forget to deduct that automatic bill payment from your checkbook one month, and you could either face fees or embarrassment (depending on whether you've opted to allow overdrafting or not). So if you don't keep a cash buffer in your account, "to protect yourself from over-limit fees, you may want to think about using a credit card" for recurring payments.



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