

CC&BC Education Series: Prepare For The Unexpected.

Clients of Consumer Credit and Budget Counseling's Debt Management Program are already on a tight budget and may not be prepared to handle even the smallest emergency or bump in the financial road. The best way to handle the unexpected is to prepare for the problem before it occurs.

Your FIRST Choice:

Savings – Set aside a small portion of your paycheck to begin an emergency fund. It doesn't have to be a huge amount (Rome wasn't built in a day), but **committing to a savings plan IS the best way to prepare for the unexpected.**

Other Options:

1. **Tapping into your 401(k) savings.** Most companies' programs allow a participant to withdraw up to half of their balance or \$50,000, whichever amount is smaller. You are actually borrowing from your own money and are not taxed.

It is still a loan, so you will have to make timely payments. If you don't, you lose your before-tax privileges. The remaining balance will be considered income and will be taxed. Rules vary by employer, so check yours with your Human Resources department.

2. **Borrow against your own IRA.** If you need to borrow because of a hardship, such as a disability or a medical condition, you can withdraw funds without penalty, although you'll pay income taxes on the early withdrawal. To find out the limits on borrowing from your IRA, visit www.IRS.gov.

Special Note on Hospital Bills:

A medical emergency can often turn into a financial emergency weeks later when the hospital bill arrives, especially if you are uninsured.

Your first step in paying off this debt is to talk to the hospital's business office; they usually offer special hardship programs for lower income individuals.

Or, if you do not qualify for the hardship programs, you may want to take a good look at your bill. Hospitals often charge uninsured patients double what they charge insured patients. However, to maintain their caring public image, Hospitals may be willing to reduce your bills.

Finally, you can add the bill to your Debt Management Program. Consumer Credit and Budget Counseling will suggest a payment plan to begin paying down this debt. While a huge hospital bill is worrisome, it is best to focus on the debts that are charging you the highest rate of interest.

A Non-Profit, Multi-State Licensed, Bonded, Consumer Education and Financial Counseling Agency

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