

WADE KAPSZUKIEWICZ

— LUCAS COUNTY TREASURER —
LUCAS COUNTY LAND BANK CHAIRMAN

You & Your Money

Dealing With Your Holiday Cash Needs

The holiday season can be an especially difficult time for cash-strapped families. Sometimes there just simply isn't enough money to pay winter utility and other bills while also putting presents under the tree and food on the table. Well aware of this problem, short-term lenders inundate potential borrowers with print, television, and Internet ads promising that they can solve people's cash needs with a simple phone call or mouse click.

But taking out a payday loan or advance on an income tax return may only be making a bad situation worse.

Despite efforts by legislators to reign in exorbitant fees, a typical two-week payday loan can still have an annual interest rate between 400 to 500 percent. For example, a person borrowing \$325 and opting to extend their payment deadline eight times would incur \$468 in interest and fees – for a total cost of almost \$800! Likewise, even though federal regulators tried to crack down on the practice, consumers can still borrow against their federal tax return in the forms of “advance checks,” lines of credit, and loans – but all at a hefty price.

The bottom line is that consumers need to think carefully about their cash needs and whether they have alternatives to these high-priced loan products. Consumer advocates suggest that many people seek loans for periods of a week or two, often unnecessarily and at a crippling cost, before exploring other options. Rather than borrowing, people can often contact creditors to work out extensions and/or payment plans. Further, because tax returns can be filed electronically and often free of charge to low and middle-income families, people who can wait five to ten days for a return can save themselves hundreds of dollars.

In short, people often have problems paying their bills. Rather than paying to borrow your own income, knowing your options before considering a short-term loan can save you a lot of money and make your paycheck go further.

To learn more about tax preparation assistance and other financial resources, call the United Way at - 211.



As the guardian of your tax dollars, **Lucas County Treasurer Wade Kapszukiewicz** wants to make sure you have all the information you need to make wise decisions about your personal finances. *You & Your Money* is a newsletter that addresses issues of importance to the financial well-being of Lucas County families.