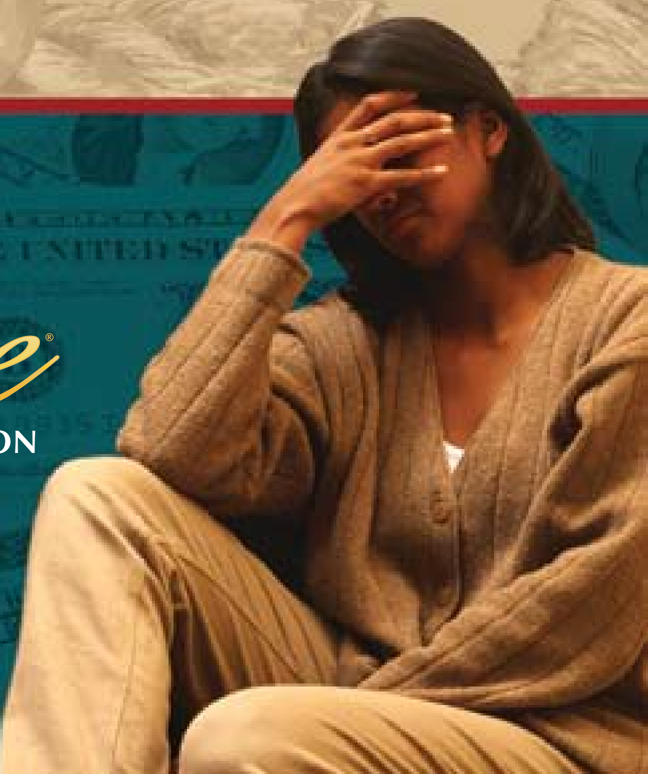
OVER EXTENDED.

A Special Report on the Business Cost of Financial Stress.



Dave Ramsey's
Financial Peace
WORKPLACE EDITION

OVEREXTENDED. A Special Report on the Business Cost of Financial Stress.

Their Debt, Your Problem

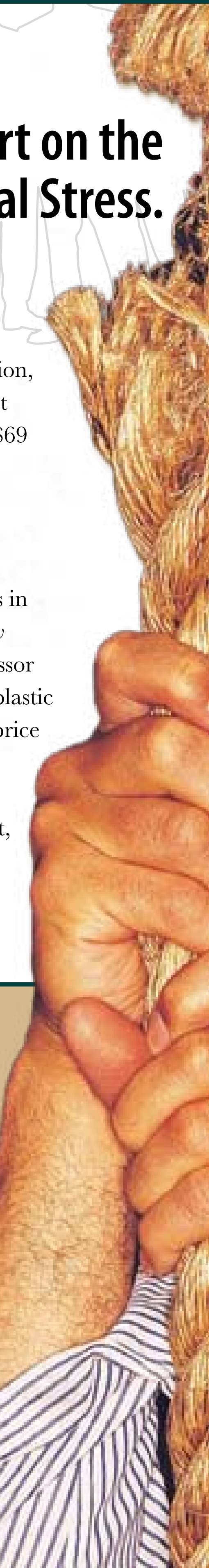
Cambridge Human Resources Group called the financial illiteracy of workers "the most critical unaddressed workplace issue" of our time. Should you worry? "It's their debt, but it's your problem," writes Dr. Tom Garman, Professor Emeritus at Virginia Tech and creator of www.PersonalFinanceFoundation.org. "All employers should realize that there are employees who are stressed about their personal financial matters. The number may be 10 percent or 30 percent or even higher." The effect on a company's bottom line is obvious.

Debt Is Piling Up

A 2006 General Accounting Office (GAO) report noted that, according to the Federal Reserve, consumer debt increased from $1.4 trillion to about $11.5 trillion between 1980 and 2005. The number of credit cards issued to consumers now exceeds 691 million, and during that same 25 year stretch the amount charged to those cards grew from an estimated $69 billion per year to more than $1.8 trillion.

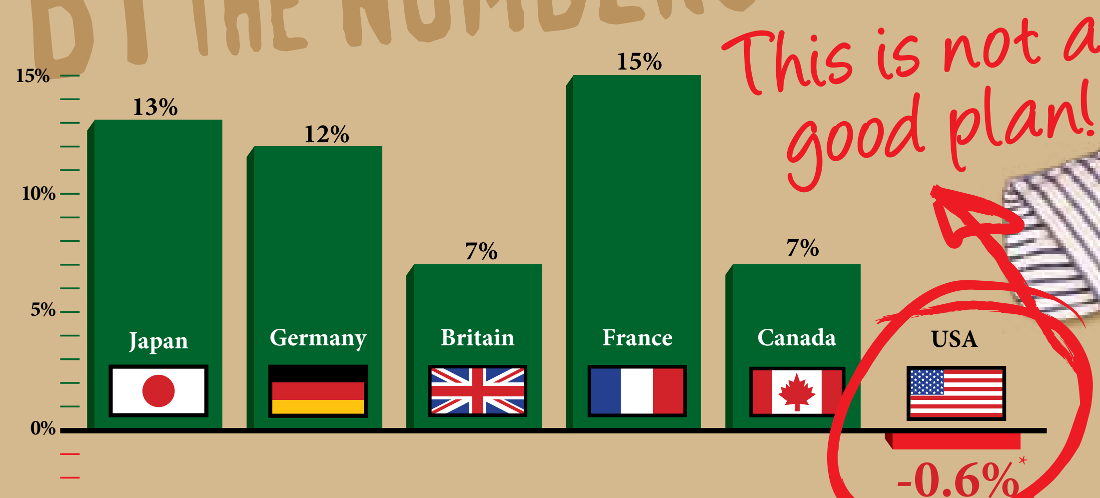
The Sharks Are Circling

Credit card companies are "the new loan sharks in America," according to a 2004 *Frontline-The New York Times* documentary on PBS. Harvard Professor Elizabeth Warren, noted that the purveyors of plastic are "the only merchants…that can change the price after you have bought the service." Consumers who miss one payment suddenly find that their 9.9 percent balance is costing them 29.9 percent, or more. No wonder the industry's profits are soaring!



BY THE NUMBERS

SAVINGS BY NATION



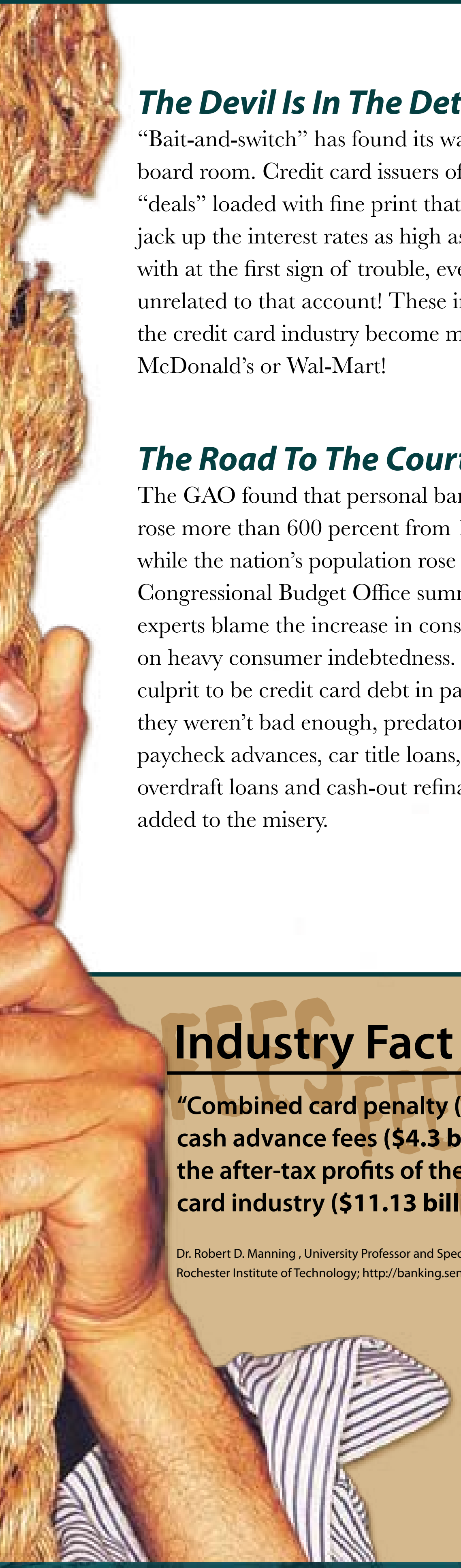
Source: Federal Reserve Economic Letter, March, 2002
**U.S. Department of Commerce, May, 2006*

The Devil Is In The Details

"Bait-and-switch" has found its way to the corporate board room. Credit card issuers offer zero percent "deals" loaded with fine print that allows them to jack up the interest rates as high as they can get away with at the first sign of trouble, even if that trouble is unrelated to that account! These increases have helped the credit card industry become more profitable than McDonald's or Wal-Mart!

The Road To The Courthouse

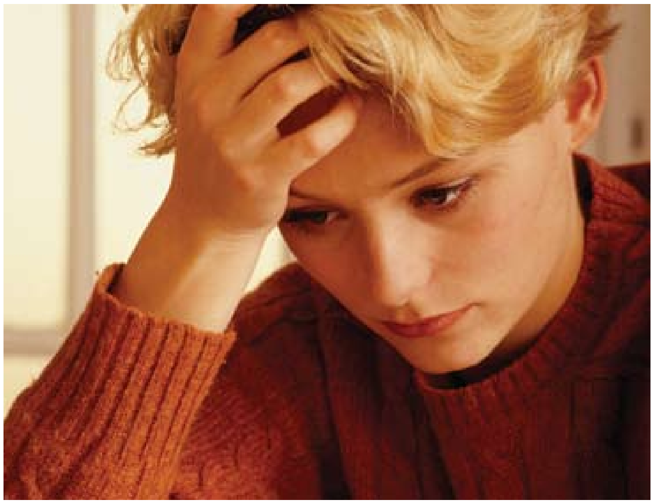
The GAO found that personal bankruptcy filings rose more than 600 percent from 1980 to 2005, while the nation's population rose only 29 percent. A Congressional Budget Office summary said that many experts blame the increase in consumer bankruptcies on heavy consumer indebtedness. Some believe the culprit to be credit card debt in particular. As if they weren't bad enough, predatory lenders offering paycheck advances, car title loans, instant tax refunds, overdraft loans and cash-out refinancing have only added to the misery.



Industry Fact

"Combined card penalty ($7.7 billion) and cash advance fees ($4.3 billion) exceeded the after-tax profits of the entire credit card industry ($11.13 billion) in 2001."

Dr. Robert D. Manning , University Professor and Special Assistant to the Provost, Rochester Institute of Technology; http://banking.senate.gov/_files/manning.pdf



60% of employees lack adequate cash reserves to live longer than 2 months if they were to lose their job.

Financial Quicksand

Payday lenders grossed $28 billion in 2005, and 90 percent of that came from "flipping" or re-lending to existing borrowers. Needing only a checking account and pay stub to qualify, nine out of ten payday borrowers take out five or more loans a year, and 62 percent sign up for more than one a month. To pay off a $325 loan, the average payday borrower shells out $793 and pays 400 percent interest. The Center for Responsible Lending noted that payday loans "sink borrowers into debt that can be as difficult to escape as quicksand."

Driving To The Poorhouse

According to the Center for Responsible Lending, car title loans are "driving borrowers to financial ruin." The typical title loan is for a one-month term, interest in triple digits, and a balloon payment at the end. These title-secured loans risk the one asset essential to the survival of working families – their vehicle. Most of the profit comes from flipping. If the borrower fails to make the payments, the lender may repossess the car, sell it, and add even more fees.

Instant Refunds, Instant Profits

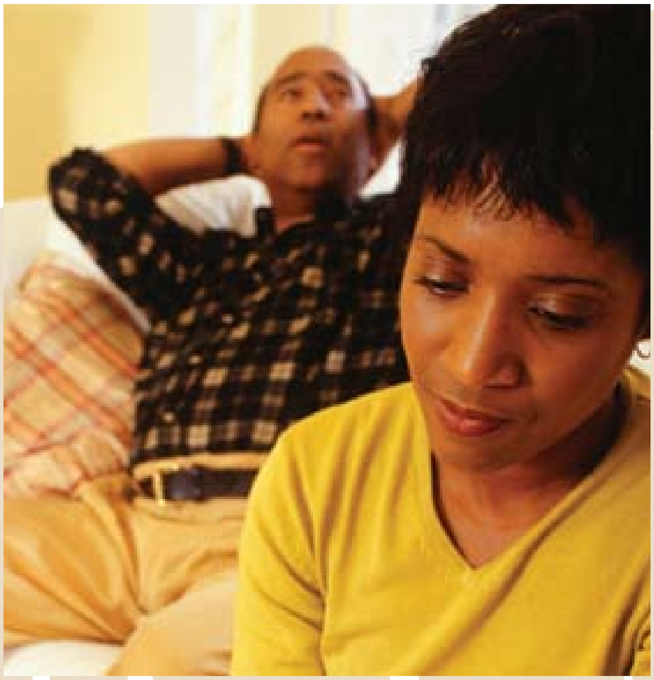
Consumers took out more than 12 million tax refund anticipation loans secured by 2004 refunds, and paid $1.24 billion in fees, essentially borrowing their own money at interest rates ranging from 40 percent to more than 700 percent APR. These loans are supposed to speed up the refund. The truth is they save as little as one week compared to filing online with direct deposit. BlackAmericaWeb.com called this practice "nickel and diming away our hard earned money because we are impatient."

Interest Through The Roof

One of the worst lending scams is the overdraft loan offered in bank branches strategically located in low income areas. Banks charge interest at astronomical rates, but disguise it as "fees." The Center for Responsible Lending reported that the APR on a 7-day overdraft loan can go as high as 1,421 percent! Thanks to a loophole in the Federal Reserve rules, banks don't even have to disclose these rates. To make matters worse, borrowers are sometimes hit with these fees without prior consent or knowledge.

The "Cash-out" Refinancing Myth

Sixty percent of America's middle-class wealth is in home equity. In 2000, $297 billion of equity was withdrawn and spent. By 2004 it was $800 billion, an increase of 270 percent in four years. The selling point is having cash to pay off credit cards. The truth, according to the Center for Responsible Lending, is that these are "equity draining transactions." The payments are never lower, the loan term is always longer, and nearly two-thirds of such borrowers reload their credit cards within two years.



Debt + Ignorance = Stress

Financial ignorance and unmanageable debt create incredible stress. Rex Kohl, President of Benefit Strategies, Inc., estimates that "60 percent of employees lack adequate cash reserves to live longer than two months if employment ends." In 2006, ComPsych found that "28 percent of employees believed they were one setback away from financial disaster." In 2005, The Consumer Federation of America noted that "card issuers target lower income and minority households… placing them one financial emergency away from having to file bankruptcy."

Americans Have No Plan

Personal finance is 20 percent knowledge and 80 percent behavior. Most Americans don't do either very well. A 1999 study found that two out of three American households had no comprehensive financial plan. Fifty-five percent of American workers admit they have never tried to figure out what they need to save for retirement. Eighty-two percent believe *Social in-Security* won't be around when they retire, and they're right. The government can't be relied on to manage your money.

A Poison In The Workplace

Dr. Garman, in a 2002 *Workforce* article, compared financially distressed workers to "a poison poured on the floor of the workplace. You can't see the poison, but it's there. It permeates the workforce. These employees are more stressed, less productive, and absent more often than others. They make more personal calls, send more personal faxes, and talk about the issue longer with co-workers. Their health is worse, and they waste about 20 hours a month dealing with money problems."

Absent Workers Are Expensive

Grady Cash, writing in the *American Journal of Health Promotion*, declared that "workers with high stress levels were 2.6 times more likely to experience five or more days of absenteeism." A 2006 Commerce Clearing House Unscheduled Absence Survey revealed that 65 percent of unscheduled absences were for reasons other than personal illness. These absences "cost companies on average $660 per employee each year…even more when lost productivity, morale and temporary labor costs are considered."

BY THE NUMBERS

$43 Billion

Amount Americans shelled out in credit card fees in 2004 [CreditCards.com]

1.2 Billion

Credit cards held by American consumers in 2004 [Bankrate.com]

$807 Billion

U.S. consumer credit debt still outstanding at the end of 2005

[Federal Reserve Statistical Release, Consumer Credit, June, 2006]

70% of American households report using credit cards as a safety-net to pay for car/house repairs, basic living expenses, or medical expenses

[National survey conducted by Center for Responsible Lending, 2005]

Stress Destroys Relationships

Too much credit, when added to life's other demands, creates dangerous stress levels. Stress is the acid that tears at the fiber of human relationships. It destroys families, occupies the mind, misdirects attention, shifts focus, and reduces the ability to perform. When people are under high levels of stress, endorphins – nature's painkillers – are released. These natural chemicals dull our ability to think and feel. This causes a narrowing of attention, a distracting preoccupation and an unnatural fatigue, creating a sure recipe for workplace injuries.

The Answer Is Simple

There is a solution, one that can break the chain of consequences that begins with financial ignorance and eventually leads to workplace difficulties. It is education. Dave Ramsey's Financial Peace @Work is a time-tested, proven program that helps employees get control of their finances and come to work energized instead of frustrated. Financial literacy leads to sound decisions. Sound decisions reduce stress.

Financial Literacy Pays

Dr. Susan Jenkins of Idaho State University noted that "research has shown that even a small increase in an employee's financial security can add significantly to an employer's bottom line." Dr. Tom Garman tells employers, "Don't give employees a raise; instead, give them access to quality financial information, education and advice," because it increases profitability. He believes "employers can expect $450 in positive job outcomes from each employee who slightly increases his or her financial behaviors and financial well-being."

Everybody wins. At home, tension is lessened; and at work, employees feel more important and more loyal.

The Federal Reserve Agrees

A 2004 Federal Reserve report found that workplace education benefits both the employer and employee. For the worker, more knowledge results in better financial decisions and overall financial well-being. They have greater job satisfaction, which may result in lower turnover. For the company, studies have shown that employees who are financially healthy are more productive. They are absent less often, spend less time at the workplace dealing with financial crises, and earn higher performance ratings. And they are more likely to be able to participate in their company's qualified benefit plan, decreasing the chances that such a plan could become top heavy, and be disqualified for tax benefits.

Employees Love Dave's Course!

Employees who have taken Dave Ramsey's *Financial Peace Workplace Edition* classes have nothing but praise for the course. The bottom line is that this program delivers the kind of practical, useful financial education that both employers and employees are needing and looking for. One employee referred to the program as a "great tool," and said it "has put us on an exciting path to building wealth, and the peace that comes with that is priceless!"

Impact by Design

The following is taken from a survey of employees who participated in a financial literacy program provided by their workplace within the past 6 months.

- **93%** say what happens to my company is very important to me.
- **82%** say I am proud to say, "I work for my company."
- **87%** say I will go out of my way to help make my company successful.

Hira, T.K. (2005). Understanding the impact of employer-provided financial education on workplace satisfaction. *Journal of Consumer Affairs*, 39(1).

Employers Love Dave Too!

HR Executives who have offered this program have been equally complimentary. "We found that the participants completing Dave Ramsey's *Financial Peace Workplace Edition* program were less stressed, took a more proactive approach to fiscal matters on the job, and were more productive. Employees became more conscientious about the costs of repairs and improvements. They became more resourceful and less wasteful of materials and time. Employees that receive this training are more productive, healthier, feel more empowered, and are more fiscally conscientious."

Dave's Proven Track Record

Over the past 12 years, more than 350,000 families, from all walks of life, have taken the Financial Peace programs. This program is not just changing lives, it is changing corporate cultures. Entire families benefit. Tension in the home is lessened. At work, employees feel more important and more loyal. Employers see improvement in their bottom line and in their image. Everybody wins, and wins big.

For more information about **Dave Ramsey's *Financial Peace Workplace Edition,*** please visit our website at ***daveramsey.com/fpw*** or give us a call at ***800.754.4220.***

Dave Ramsey's

Financial Peace®

WORKPLACE EDITION

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