



Financial Literacy

Building Financial Stability in Recovery

Eric Dunn, Voices of Hope Lexington
Training Coordinator

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Why Are We Here?

Learning Objectives

- Explain core financial literacy concepts: income, budget, debt management, and banking access.
- Explain three different types of budgeting frameworks.
- Provide participants with “second chance” and online banking options for money management.
- Develop basic understanding of the “benefits cliff” that participants may face.
- Assist participants in setting financial goals for themselves based on their own values and experiences.

How We're Approaching This...

- Participant Centered
- Trauma-Informed
- Without shame
- Based in reality



The Problem

- Participants operate in a “gray economy”.
- Enter recovery with little financial security.
- Substance Use Disorder complicates relationship to money.
- Participants feel learning money management is important to recovery process.

(Nance and Jones-Sanpei, 2021)

“Imposter Syndrome” is possible for coaches in this area.

The Problem

- Opioid Use Disorder has negative effects on thinking, risk taking, and making decisions.
- Participants with Opioid Use Disorder get a benefit from goals, resources, and counseling on money management.

(Langabeer, et. al., 2024)

But Remember...

- Trust Matters
- Language Matters
- Staff Participation Matters
- Community Partners Matter



(Nance and Jones-Sanpei, 2021)

Scenario



- Regina arrives for her regularly scheduled coaching session. As part of her recovery, she has secured employment. Prior to this, she participated in the sale of illicit substances. This is her first time working in a structured workplace setting. Upon receipt of her first paycheck, she arrives feeling discouraged. She had figured her finances based on her hourly wage by the number of hours she worked. She stated she “knew there would be withholdings, but nothing like this.” She has ongoing financial obligations, and the state of her paycheck has her considering returning to her previous income source.

Finances



Income: The total amount of money coming into the home monthly.



Gross: The total money earned as wages during a pay period.



Net: “Take home pay”. The amount of money left after taxes and insurance deductions.

Reading a Check Stub

1. Pay Period
2. Gross Income
3. Year-to-Date
4. Federal Income Tax
5. Federal Insurance Contributions Act Social Security Tax
6. FICA Medicare Tax
7. State Income Tax
8. Deductions
9. Net Income

BUILDING BLOCKS STUDENT HANDOUT

How to read a pay stub

BIG BOX STORE				EARNINGS STATEMENT			
EMPLOYEE NAME		SOCIAL SEC. NO.	EMPLOYEE ID	CHECK NO.	1 PAY PERIOD	PAY DATE	
Casey Smith		123-45-6789	101	123	8/01/22-8/15/22	8/22/22	
INCOME		RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE
2	GROSS INCOME			200.00	4 FEDERAL TAX	8.63	93.51
					5 FICA SS TAX	12.40	125.40
					6 FICA MEDICARE	2.90	31.90
					7 STATE TAX	0.74	8.21
3	YTD GROSS INCOME	YTD DEDUCTIONS	YTD NET INCOME	TOTAL	8 DEDUCTIONS	9 NET INCOME	
	2,800.00	479.02	2320.98	200.00	24.67	175.33	

Budgeting Tools for Participants



50/30/20 Method

- 50% for Needs (Housing, Food, Utilities)
- 30% for Wants (Entertainment, Dining)
- 20% for Savings and Debt



Zero Based

- Net Income (Take Home Pay) is allocated so that every dollar is assigned to a specific purpose before the pay period ends.



Envelope System

- Cashed based system
- Funds are divided for specific categories and placed into labeled envelopes. Once the cash is gone, spending in that category stops.

Basic Budgeting



Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH YEAR

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$
Other income (after taxes) for example: child support	\$
Total monthly income	\$ 0.00

Income

My expenses this month

Expenses	Monthly total
HOUSING	
Rent or mortgage	\$
Renter's insurance or homeowner's insurance	\$
Utilities (like electricity and gas)	\$
Internet, cable, and phones	\$
Other housing expenses (like property taxes)	\$
FOOD	
Groceries and household supplies	\$
Meals out	\$
Other food expenses	\$
TRANSPORTATION	
Public transportation and taxis	\$
Gas for car	\$
Parking and tolls	\$
Car maintenance (like oil changes)	\$
Car insurance	\$
Car loan	\$
Other transportation expenses	\$

Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	\$
	Health insurance	\$
	Other health expenses (like doctors' appointments and eyeglasses)	\$
PERSONAL AND FAMILY	Child care	\$
	Child support	\$
	Money given or sent to family	\$
	Clothing and shoes	\$
	Laundry	\$
	Donations	\$
	Entertainment (like movies and amusement parks)	\$
	Other personal or family expenses (like beauty care)	\$
FINANCE	Fees for cashier's checks and money transfers	\$
	Prepaid cards and phone cards	\$
	Bank or credit card fees	\$
	Other fees	\$
OTHER	School costs (like supplies, tuition, student loans)	\$
	Other payments (like credit cards and savings)	\$
	Other expenses this month	\$
	Total monthly expenses	\$ 0.00

Expenses

\$ 0.00
Income

—

\$ 0.00
Expenses

=

\$ 0.00

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

[Print Form](#)

September 2012 | Federal Trade Commission | consumer.gov

Impulsivity

- SUD reduces impulse control.
 - This can lead to impulsive spending, including purchasing substances.
 - Risk can feel less important in the moment.
- A history of trauma coupled with SUD can end in impulse spending.
 - Coaches should work with participants to reduce risk taking and help emotional regulation

(Langabeer, et. al., 2024)

(Richardson, et. al., 2024)

Savings

- Agencies such as the Consumer Financial Protection Bureau suggest saving 10% of Take Home Pay. They provide worksheets that can be downloaded. These sheets follow a 3 Step process.
- 1. Set a savings goal that works for you
(Rainy Day Fund, Special Purchase, Long-Term Goal)
- 2. Create a clear rule to support your goal
(Saving x dollars per paycheck or per month)
- 3. Make a commitment and take action accordingly
(Create a personal pledge and follow through consistently)

Savings

- For participants in survival mode as well as for those who do not have access to traditional banks, savings strategies may look much different.
- Coffee can
- Zippered pocket of backpack/purse
- Left with trusted friend/family member
- Prepaid debit card



Debt Management

- **Credit Counseling**

- Usually non-profit
- Assist setting up Payment Plan
- Participant makes monthly payment to Credit Counseling agency, and agency pays creditors
- Work to lower overall monthly payments
- Check with Consumer Credit Counseling Foundation (CCCF)

Debt Management

- **Debt Settlement**

- Remove your debts from creditors for a fee
- Participant pays off the debt with a lump sum that they have saved up
- Account must be administered by a third party and under pt's control
- Many of these companies collect money and consider it fees paid to them rather than using it to settle debts

Debt Management

- **Debt Consolidation Lender**
- Loans can be offered by banks, credit unions, other lenders
- Borrow money to pay separate loans and debts and only pay one place
- Simplifies number of payments participant has to make
- Can have lower interest rate than current debts

Debt Management

- **Credit Repair**
- Do things to improve credit or scores that participant can do on their own
- They file disputes with all three credit agencies in attempts to have it removed from credit history
- Not a shortcut to achieving strong credit history or high scores

Debt Management

- **Bankruptcy**
- Legal process that eliminates all or part of debt
- Serious consequences to participant's credit for 7-10 years after discharged



Experian

Debt Management

- **Bankruptcy**
- Works for unsecured and secured loans, medical bills, collection accounts, business debts, past-due utilities, back rent
- Does NOT work for debts not declared, tax debt, government fines and penalties, government loans, retirement loan plans, most student loans

Debt Management



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- Explore list. Ask contacts for referrals.

Benefits Cliff



- “...the phenomenon by which low-paid workers abruptly lose public benefits as their wages increase...”.
- Policy makers believe these cliffs make people “lazy”.
- Despite this belief, it rarely keeps people from working towards improving their situations.
- It’s not always a cliff. Sometimes it is a series of smaller reductions that take place over a longer period of time.

Benefits Cliff

- Low-wage workers find themselves stuck between a higher paying job with the chance for career advancement and maintaining their eligibility for the benefits needed to keep their family afloat.
- More than \$2000 in savings can cause a person receiving SSI Disability payments to lose their services.
- Income increases of \$1 or \$2 can cause a recipient to lose thousands of dollars in childcare aid, SNAP, and Medicaid.
- Confusing requirements cause people to fear hitting the cliff even though they may not be near it.

Traditional Banking

- Reach out to local financial institutions to see if they offer “Second Chance” banking for participants who may not be able to access banking
- Not all banks will offer “Second Chance” banking, so it is necessary to contact those in the area and see if this is a program that they offer



Community Reinvestment Act of 1977

- The Community Reinvestment Act of 1977 (CRA) (1977) requires banks to give back to the communities that they serve. They are supposed to show that they are working to meet the needs of the communities that they serve. These include low-income and moderate-income neighborhoods and regions.

(Nance, et. al., 2021)

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Take Control of Your Money

Voices of Hope has partnered with Central Bank & Trust Co. and Banzai to bring you clear, in-depth lessons that help you dive into the financial topics you care most about.



Learning to Budget

Budgeting isn't about restriction, it's about prioritizing. The best way to avoid financial strain is to know where your money is going and plan ahead!

[Learn More](#)



Building Credit

It takes credit to get credit, and credit is crucial to buying a new home, finding a place to rent, or purchasing a new car. You have to start somewhere, start here.

[Learn More](#)



Planning for an Emergency

It's impossible to predict a car breaking down or losing a job, but it's absolutely possible to prepare for the financial blow. Emergencies happen, make sure you're prepared.

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Alternative Banking

- **CashApp SoFi Chime**

- Digital wallet and financial services companies
- Fees vary depending on transactions
- No minimum balance for most
- Offers higher APY on savings accounts (per requirements)
- Can offer loans up to \$500
- Can utilize direct deposit to access services
- No physical branches, can use ATMs with debit cards
- Can be FDIC insured with associated banks
- Second Chance banking available

Goal Setting

- Stability Based goals
 - Flexible
 - Value aligned
 - Focused on small, repeatable wins
 - Reviewed often
 - Adjusted without shame
 - Builds stability, security and confidence
 - SMART goals frequently does not work with clients in early recovery and/or currently using substances
 - Executive function may still be impaired
 - Shame spikes when goals are “missed”

Questions and Discussion



- What felt new or surprising?
- What felt uncomfortable or challenging?
- What feels immediately doable?
- What support or tools would help you move forward?

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