Personal

Financial

Strategies

for the

Loved Ones of

Problem Gamblers

Personal Financial Strategies for the Loved Ones of *Problem Gamblers*

This handbook is meant to provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

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Table of Contents

Introduction 1

Chapter 1: Is Your Loved One a Problem Gambler? 3
- What Is Problem Gambling? 3
- Signs of Problem Gambling 3
- Additional Signs of Problem Gambling 4
  - Warning Signs at Home 4
  - Warning Signs at Work 5
- Stages of Gambling 6
- Financial Problems Are the Symptom — Not the Cause 6
- The Financial and Emotional Impact of Problem Gambling 7
- Finding Help 8

Chapter 2: Financial Actions to Take Immediately 9
- When Gambling Continues 9
- If the Gambling Has Stopped 10

Chapter 3: Identifying Income and Assets 13
- Identifying Income and Assets 14
  - List Sources of Income 14
  - List Financial Assets 14
  - Uncover the Gambler's 'Stash' . . 16
  - Income Sources 17
  - Assets 17

Chapter 4: Establishing a Spending Plan 18
- Tips on Cutting Expenses 19
- Additional Budgeting Tips 19
- Budgeting for Gambling Treatment 19

Chapter 5: Shifting Control of the Finances to a Nongambler 23
- Take Charge of Basic Household Finances 23
- Shift Ownership of Property 25
  - Special Considerations When Shifting Ownership 25
- Protecting Large Sums of Money . . 27
  - Tax-Deferred Retirement Accounts 27
  - Traditional Pension Plans 28
  - Individual Retirement Accounts . 28
  - Life Insurance 28
  - Annuities 29
  - Investment Accounts 29
  - Inheritances 29
  - Gambling Winnings 29
  - Civil Settlements 29

Chapter 6: Repaying Debts and Avoiding Bankruptcy 31
- 1. Determine the Amount of Debt and List Creditors 31
- 2. Establish a Debt Repayment Plan 33
- 3. Use Bankruptcy as a Last Resort 36

Chapter 7: Investing 38
- Warning Signs of an Investment Gambling Problem 38
- Tips for Responsible Investing 39
- Finding Professional Financial Planning Advice 40
- A Final Note 40

Problem Gambling Resources 41
- Financial Resources 41

Acknowledgments 44

Introduction

Problem gambling affects thousands of Americans and their loved ones. Like other addictions, the compulsion to gamble can take top priority in the gambler's life, causing devastating emotional and financial upheavals. Often, the family is just as affected by the addiction as is the gambler.

As the loved one of a problem gambler, you cannot stop the gambling. Only the gambler can do that. You can, however, take steps to regain financial balance in *your* life, either on your own, or with the gambler's cooperation and support.

This handbook, prepared by the National Endowment for Financial Education® (NEFE®) and the National Council on Problem Gambling, is designed to help you. It will suggest ways to deal with personal financial issues due to gambling before they become a major financial problem … or it can help you recover financially if you already have serious money problems.

The heart of the handbook offers a different approach to managing money than you may have learned in the past. That's because traditional money management techniques may not work in households with problem gamblers. For example, instead of sharing a joint bank account with the problem gambler, you may decide to set up your own separate savings and checking accounts. Or, you may need to limit the gambler's access to household assets, or take the unusual step of alerting creditors to the gambling problem.

The handbook will discuss how to repay debts in a way that deters the gambler's return to betting … while keeping creditors off your back. And you'll learn about budgeting, bankruptcy, and some immediate actions to take to minimize further financial damage.

Most importantly, this handbook is designed to offer you and the problem gambler hope. Gamblers often feel that the only way out of their financial hole is to gamble … to do the very thing that put them in the hole in the first place. They (and sometimes their loved ones) can't see other options. But other choices exist. As surprising as it may seem, the financial difficulties can be the easiest to solve of the gambler's many problems.

This handbook describes some options. It won't stop the gambling. Only the gambler's determination to stop, coupled with a recovery program, can do that. But repairing the financial damage, and preventing further damage, can help make the recovery efforts more likely to succeed.

IMPORTANT NOTE:
If the problem gambler in your life is in denial and is still gambling, you may have to take some of the steps suggested in this handbook without the gambler's knowledge. You may even have to hide this handbook from the gambler if you think he or she could use the information in it to learn about new sources of money to feed the gambling habit.

Perhaps your loved one has stopped gambling and has made a commitment to continue to abstain. Ideally, the gambler in this situation is receiving professional counseling for the problem and is in a recovery support program. In this case, you may wish to share portions of this handbook with the gambler and ask for his or her cooperation in accomplishing some of the financial strategies suggested here.

Whether the gambler is in denial or in recovery, dealing with the consequences of a gambling problem can be overwhelming. Fortunately, many individuals and organizations can help you with support and advice. That's why, before you take any of the actions suggested in this handbook, we urge you to consider doing one or more of the following:

- Seek the emotional support of a family member or friend.
- Contact the Gam-Anon group in your area for information about support group meetings.
- Call the National Problem Gambling HelpLine (800) 522-4700.
- Talk to a counselor or therapist about your situation.

Chapter 1:

Is Your Loved One a Problem Gambler?

Financial problems often are the most visible sign of a gambling problem. You may be worried about the financial health of your spouse … partner … child … parent … brother or sister … close relative … friend. You may be tired of them always asking you for money. You may be worried about your own financial security.

You may have picked up this handbook because you know the loved one in your life has a gambling problem, and the financial problems have become the "last straw." Or, perhaps you have an uneasy feeling that your loved one has a gambling problem, but you're not sure.

Before talking about some of the personal financial strategies you can use when dealing with a problem gambler, let's take a look at what's considered "problem" gambling.

What Is Problem Gambling?

"Problem," "compulsive," or "pathological" gambling are terms used to describe a behavior disorder that tends to get worse over time unless it is treated. Treatment experts use specific clinical guidelines for determining whether someone has this behavior disorder. For our purposes, let's simply say that a problem gambler is anyone whose gambling is causing psychological, financial, emotional, marital, legal, or other difficulties for themselves and the people around them.

Signs of Problem Gambling

The Gam-Anon organization, which works with friends and families of problem gamblers, provides a 20-question guide, *Are You Living With a Compulsive Gambler*? If you are living with a compulsive gambler, you may answer "yes" to at least six of the following questions.

1. Do you find yourself constantly bothered by bill collectors?
2. Is the person in question often away from home for long, unexplained periods of time?
3. Does this person ever lose time from work due to gambling?
4. Do you feel this person cannot be trusted with money?
5. Does the person in question faithfully promise to stop gambling: beg, plead for another chance, yet gamble again and again?
6. Does this person ever gamble longer than he or she intended to, until the last dollar is gone?
7. Does this person immediately return to gambling to try to recover losses or win more?
8. Does this person ever gamble to get money to solve financial difficulties, or have unrealistic expectations that gambling will bring the family material comfort and wealth?
9. Does this person borrow money with which to gamble or pay gambling debts?

Do you feel that your life together with the gambler has become a nightmare?

10. Has this person's reputation ever suffered due to gambling, even to the extent of committing illegal acts to finance gambling?
11. Have you come to the point of hiding money needed for living expenses, knowing that you and the rest of the family may go without food or clothing if you do not?
12. Do you search this person's clothing or go through his or her wallet when the opportunity presents itself, or otherwise check on his or her activities?
13. Do you hide the gambler's money?
14. Have you noticed a personality change in the gambler as his or her gambling progresses?
15. Does the person consistently lie to cover up gambling activities?
16. Does this person use guilt induction as a method of shifting responsibility for his or her gambling to you?
17. Do you attempt to anticipate this person's mood or try to control his or her life, seeking some stability in your own?
18. Does this person ever suffer from remorse or depression due to gambling? Sometimes to the point of self-destruction?
19. Has the gambling ever brought you to the point of threatening to break up the family unit?
20. Do you feel that your life together with the gambler has become a nightmare?

Additional Signs of Problem Gambling

Here are some additional financial warnings at home and at work that a gambling problem may exist for someone you love or someone with whom you work.

Warning Signs at Home

- Household bills are overdue, or your loved one suddenly wants to take over paying the bills to gain access to additional cash.
- You discover unaccounted-for cash advances from credit cards, maxed-out credit cards, or an increase in the number of active credit cards.
- The suspected gambler is always short of money, despite adequate income.
- Your loved one is secretive about money.
- The suspected gambler may be nearly broke one moment, then showering people with gifts and living "high on the hog" the next moment.

- Your loved one is making requests for unexplained loans from family and friends, or for loans that are blamed on phony financial catastrophes, unexpected expenses, or inadequate income.
- You find high telephone/pager bills.
- Your loved one has large amounts of unexplained cash, yet household bills are going unpaid.
- You notice a disappearance of cash (from a child's money jar or your wallet, for example).
- A pattern of extremely high-risk investing or frequent investment trading develops.
- Money has been pulled from savings, investment, or retirement accounts for no apparent reason.
- Your loved one has been missing work, going in late, or leaving early.
- Your loved one is frequently bouncing checks or postdating checks.
- You've been denied credit.
- Needed household items have been sold or pawned for cash.
- Bill collectors are calling, property is being repossessed, or you're being threatened with loss of utility services.

Warning Signs at Work

- Your co-worker takes long lunches/breaks to place bets.
- Your co-worker fails to finish projects properly or on schedule due to time spent gambling.
- The suspected gambler is organizing or taking an excessive interest in office pools.
- He or she is borrowing money from co-workers.
- Your co-worker is making gambling-related calls while at work, or has other heavy phone use not related to work.
- Your co-worker is using the computer at work to gamble.
- Your co-worker has been taking cash advances using the company credit card.
- One of your employees is asking for advances in pay.
- You think stealing or embezzling might be going on at work.

Stages of Gambling

Gamblers tend to go through stages of behavior as they fall into the strong grip of problem gambling.

In the initial stage, gamblers find betting fun, exciting, social, or sometimes a way to escape the stress of work, family, or loneliness. In the second stage, the gambler becomes preoccupied with gambling. The need for bigger and more frequent bets grows. In the third, or desperation stage, the gambler may experience health problems, relationships may fall apart, and the gambler may turn to crime. Some experts believe there is a fourth stage, the hopeless stage. The gambler no longer believes there is hope or help. Depression is common and suicide is a real risk.

Not all gamblers go through all the stages, nor do they necessarily experience the stages in any particular order. They also may progress through the stages at different rates.

One other important fact to know about problem gambling is that it is treatable, but it is not curable. Like an alcoholic, a problem gambler cannot eliminate the desire to gamble, only put it into remission. A problem gambler cannot gamble "a little."

Financial Problems Are the Symptom — Not the Cause

"If only I could get my financial life straightened out, I'd never gamble again!"

You probably have heard the gambler in your life make that statement … perhaps many times. You may want to believe it as much as the gambler does. Yet, straightening out the gambler's financial life is not likely to end the gambler's compulsion to bet. That's because, as we discussed earlier, problem gambling is not a financial problem. It is a serious psychological disorder.

In short, financial problems almost always are the result of a gambling addiction, not the cause of it.

The Financial and Emotional Impact of Problem Gambling

Problem gambling can be a devastating addiction. It frequently destroys marriages. It can result in the physical and emotional abuse of children, spouses, or loved ones. Statistics show that the children of problem gamblers are more likely to do poorly in school, become depressed, have drug problems, and become problem gamblers themselves. A problem gambler is more prone to personal health problems, depression, and suicide. Gamblers frequently turn to crime — such as theft, embezzlement, writing bad checks, or prostitution — to pay for gambling.

The personal financial costs of problem gambling also can be staggering, including:

- Increasing personal debt
- Greater chance of personal bankruptcy
- Loss of job, demotion, underemployment, lower work productivity
- Loss of home or business; one in five homeless people blames gambling as a cause
- Dependency on welfare
- Legal fees due to divorce, death, and criminal behavior
- Cost of health and mental care treatment

These are serious problems, but there are ways to deal with them. As the gambler's loved one, you may decide you must take some of these steps on your own, without the gambler's knowledge. Or, if the gambler is in recovery, you may decide to work together to get your financial life under control. The rest of this handbook suggests steps to take to regain and keep financial stability in your life.

Finding Help

The following organizations can guide gamblers and their families to counseling and recovery support programs. Telephone numbers, addresses, and Web sites for each organization are provided at the end of the handbook.

- **Gamblers Anonymous** was established in 1957 as a "fellowship of men and women who share their experience, strength, and hope with each other that they may solve their common problem and help others to recover from a gambling problem." Gamblers Anonymous groups can be found throughout the United States. There are no dues or fees for membership; the only requirement is a desire to stop gambling.

- **Gam-Anon** is a group of men and women who are husbands, wives, relatives, or close friends of compulsive gamblers. Their goal is to seek a solution for living with this problem by changing their own lives. Gam-Anon members are cautioned not to expect that their actions will cause the problem gambler to seek treatment, although this is sometimes the fortunate result. Gam-Anon groups can be found throughout the United States.

- **National Council on Problem Gambling, Inc.,** is a nonprofit health agency whose mission is to increase public awareness of pathological gambling, to ensure the widespread availability of treatment for problem gamblers and their families, and to encourage research and programs for prevention and education. The National Council has a 24-hour confidential helpline, (800) 522-4700, and 34 state affiliate chapters.

Chapter 2:

Financial Actions to Take Immediately

It takes time to recover from the financial consequences of problem gambling, especially if large debts have piled up. However, you can take some immediate actions to minimize further financial bleeding and stabilize your financial situation. Consider taking the following steps if (1) your loved one is in denial and is still gambling, or (2) your loved one has made a commitment to stop gambling.

IMPORTANT NOTE:
The suggestions provided here can take an emotional toll on you and the gambler. At times, you may find it very difficult to make the tough decisions required to get your finances back on track. To help you work through both the emotional and financial issues, seek the advice of a professional counselor or support group. As a general word of caution, DO NOT attempt to restrict or cut off the gambler's access to money if you fear that the gambler will become physically or verbally abusive in an effort to get at the money. It's also important that you do not take any major financial steps, such as filing for bankruptcy or taking out a consolidation loan, until you've sought professional financial advice. Resources for financial advice are suggested at the end of this handbook.

When Gambling Continues

If your loved one is still gambling and refuses to deal with the problem, you may be unable to convince the gambler to change the way he or she handles money. You can, however, take steps to protect yourself as much as possible. The actions suggested below can buy a little time until you can start a more complete program to regain control of your finances.

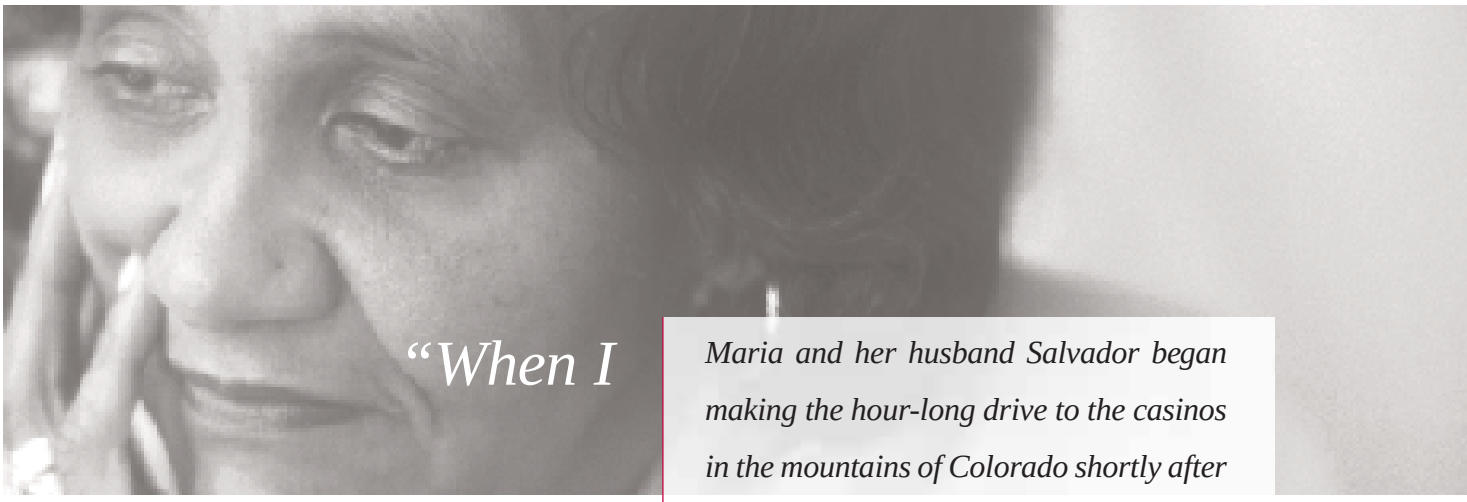
- Remove your name from any credit cards you own jointly with the gambler. Get a credit card in your name only.
- Remove your name from joint savings and checking accounts, and set up your own accounts. If you think the gambler will talk you into dipping into your accounts to give him or her money, you should consider not telling the gambler about the accounts. Ask a trusted friend or relative if you can have bank statements sent to them so the gambler does not learn about them.
- If you have a bank debit card, make sure the gambler does not know your personal identification number so he or she can't raid the ATM.

- Open a separate safe-deposit box and store valuables, such as jewelry, that the gambler might pawn or sell for cash.
- Monitor the mail and throw away new credit card and loan offers.
- Refuse to co-sign any loans or other financial obligations.
- Alert all creditors that there is a gambling problem and ask them not to extend any more credit.
- Tell family members and friends about the gambling problem and ask them not to lend money to the gambler.
- Take over paying household bills if possible.

If the Gambling Has Stopped

If your loved one has made a commitment to stop gambling and is in a recovery program, he or she may be willing to work with you to take additional steps to stabilize your financial situation. Or, perhaps your loved one is temporarily feeling remorseful about the gambling. Take advantage of this situation to try to get some control over the household finances. Take all the steps suggested above for the loved ones of active gamblers. Then, in addition, here are a few suggestions:

- Ask the gambler to remove his or her name from all credit cards, or give them to you. Put the credit cards in a place where the gambler can't get to them, or cut them up and close the accounts so the cards can't be used.
- Ask the gambler to have his or her paycheck deposited into an account that is in your name only and agree to go on a weekly cash budget. Explain that the goal of taking this step is to remove the gambler's temptation to raid money needed to pay household bills to fund the gambling addiction.
- Ask the gambler to call creditors, explain the gambling problem, and promise to provide a restitution plan in the next 30 to 45 days.
- Ask the gambler to explain the problem to family and friends, and ask their support in the recovery effort by not lending the gambler any more money.



"When I knew my husband was serious about leaving me, I finally began to face my problem. I wanted to save our marriage."

Maria and her husband Salvador began making the hour-long drive to the casinos in the mountains of Colorado shortly after the casinos opened. The novelty soon wore off for Salvador, but not for Maria. She continued going to the casinos several evenings a week.

Despite their modest household income of $3,000 a month, she managed to lose twice that much in less than a year. Salvador realized he had to take action to save the family's finances. He took most of the money out of the couple's joint checking account and opened his own bank account. He cut up the credit cards and threw away any new credit card offers than came in the mail. And, he told Maria that unless she got help, he would have to file for divorce.

After a few tears and many excuses, Maria agreed. "When I knew my husband was serious about leaving me, I finally began to face my problem," she says. "I wanted to save our marriage."

Saying 'No'

One of the most important financial actions you can take immediately is to refuse to "bail out" the gambler, who may be desperate for funds. Refusing can be difficult, especially if you have helped the gambler in the past. Your refusal may cause financial hardships for the gambler, the gambler's family, or for others who have lent money to the gambler.

But at some point, you may make the decision that "enough is enough." When you reach this point, you might say to the gambler: "I care about you very much, and I want to help you in any way I can. But if I loan you money again, it won't help you face up to your gambling addiction and take steps to get help. I'm sorry, but I can't bail you out again. If you wish, I can help you find a counselor or recovery support program to assist you in overcoming your gambling addiction."

Chapter 3:

Identifying Income and Assets

One of the difficulties in treating problem gambling is that the gambler cannot entirely avoid the one thing that feeds his or her gambling habit — money. A drug addict can avoid illegal drugs. An alcoholic can avoid alcohol. A gambler can stay out of casinos and stop buying lottery tickets. But a gambler can't avoid banks, cash registers, and money.

The remainder of this handbook recommends a variety of actions to take to help the gambler relearn how to manage money so you can regain financial stability in your life and prevent future financial problems.

These actions include:

1. Identifying income and assets the gambler can use to feed his or her habit.
2. Establishing a spending plan.
3. Shifting control of the finances to a nongambler.
4. Setting up a repayment plan for debts and avoiding bankruptcy.
5. Deciding if investing is an appropriate option.

Let's begin with ways to identify income and assets the gambler can use to feed his or her gambling habit.

IMPORTANT NOTE:
Many of the suggestions provided here and in the chapters that follow assume that the gambler has made a commitment to stop gambling and is willing to cooperate. But keep in mind that fixing the gambler's financial life will not by itself fix the gambling addiction. That can come only from abstaining from gambling and, ideally, going through a gambling treatment program. Consequently, it's best if you wait to take the actions suggested here until the person has not gambled for a reasonable period of time and has made a commitment to quit permanently. Where appropriate, however, suggestions also are provided for those situations in which the individual still is actively gambling.

Identifying Income and Assets

Limiting the gambler's access to money is a key component of helping your loved one overcome the gambling addiction and begin to regain financial stability. To start this process, you first must have a clear idea of the income and assets the gambler could use to finance a gambling addiction.

List Sources of Income

Begin by listing income sources using the worksheet provided at the end of this chapter. Obvious sources are paychecks, Social Security and pension benefits, unemployment income, trust income, and cash advances from credit cards. To estimate income sources that vary, such as tips, bonuses, or commissions, keep in mind that the gambler might try to hide or lie about the amounts to hold back some cash for gambling.

Also look for less obvious sources, such as a tax refund or an expected inheritance. Are there food stamps that might be sold for cash? Another possibility is gaining income from selling personal items through on-line auctions. Is an insurance company sending a check to pay for property damage, such as to a roof or a car? (The gambler could skip the repairs and cash the check to pay for gambling.) What friends, family members, business partners, or co-workers might lend money to the gambler?

What illegal sources of income could the gambler turn to? Is the person in a position to embezzle or steal funds at work? Is there a risk the gambler might sell drugs or turn to prostitution?

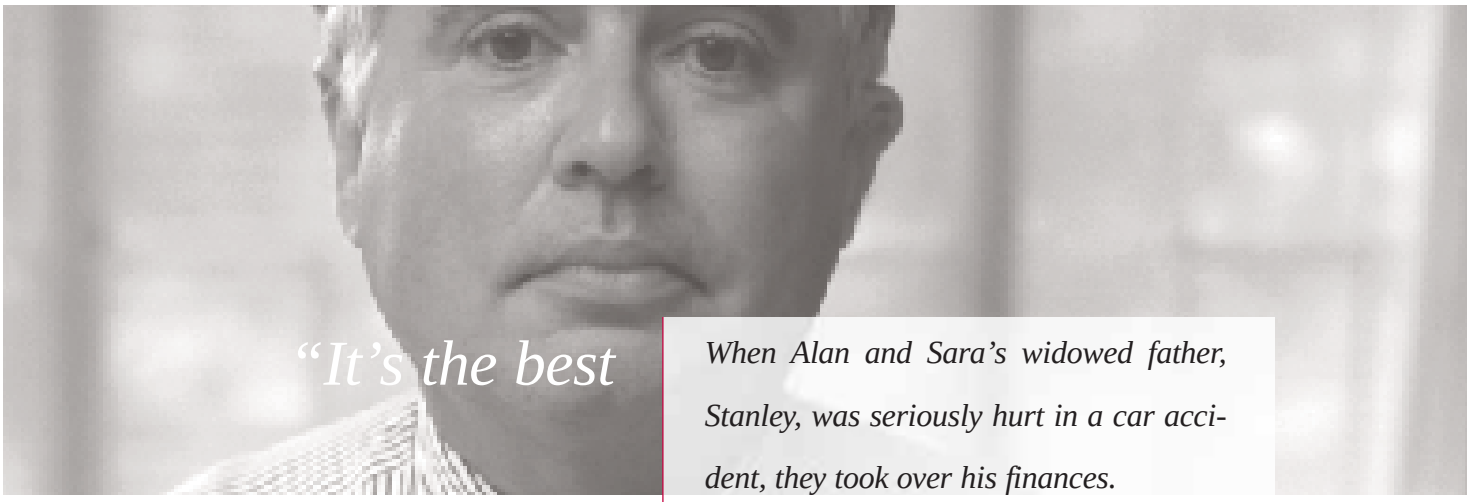
After you identify potential income sources, set up a system to monitor the gambler's income. If the gambler is in recovery, he or she may be willing to cooperate with you in this effort. Your ability to monitor income may be more limited if the gambler is in denial, but any information you can obtain is better than none.

As you monitor income and compare it to expenses, be alert for discrepancies. This might indicate that your loved one is gambling again, or that hidden sources of income are being used to fund the gambling.

List Financial Assets

What financial assets can the gambler potentially turn into cash for gambling? Assets might include bank accounts, certificates of deposit, mutual fund accounts, individual stock and bond securities, retirement accounts, IRAs, equity in the home, interests in a small business, real estate, cash value in life insurance policies, and trust funds. A worksheet is provided at the end of this chapter for you to use in listing assets.

Also include personal assets in your list of financial assets, such as cars, a boat, jewelry, antiques, artwork, furnishings, a stamp collection, even electronic equipment and appliances.



"It's the best thing my kids could have done. I'm just sorry they had to go through so much because of my problem."

When Alan and Sara's widowed father, Stanley, was seriously hurt in a car accident, they took over his finances.

As they sorted through his paperwork and inventoried his income and assets, they were dismayed to discover that, although Stanley had been a successful dentist for many years, he had minimal medical insurance and almost nothing in savings. That's when they learned he had gambled away most of his earnings.

To help their father keep his home and pay for a home health aide, Alan and Sara insisted that Stanley allow them to continue to monitor his finances while he sought help for his addiction. Stanley was sick, in debt, and afraid. He was also angry, but he agreed to their plan. "It's the best thing my kids could have done," Stanley recalls. "I'm just sorry they had to go through so much because of my problem."

Anything is fair game to the gambler if it can be cashed in, borrowed against, pawned, or sold.

Anything is fair game to the gambler if it can be cashed in, borrowed against, pawned, or sold. Even worse, some of these assets cannot be easily replaced, such as family heirlooms or money pulled out of an IRA or retirement account at work.

Again, your list will be much more accurate if the recovering gambler is willing to work with you. If not, you may have to do some investigating on your own or estimate the value of assets you suspect the gambler has.

Uncover the Gambler's 'Stash'

A "stash" is any source for cash that the problem gambler tries to hide. The stash might be a secret credit card, money stuffed in an unknown safe deposit box, pawned jewelry, unreported pay from work, a secret bank account, or money from individuals such as loan sharks.

Even a gambler who is in recovery may not want to reveal his or her stash. You will have to use your best judgment whether to pursue this point with the gambler. If the gambler is approachable, you may say that revealing stashes will help him or her along the path to recovery. However, if you cannot comfortably — or safely — discuss this topic with the gambler yourself, consider having this topic raised by a counselor or other professional.

The gambler may not reveal every stash, at least not right away. It may be difficult for the gambler to "come clean" in one step. That's why it's important to remember that recovering from problem gambling is a "process" and not a "step." Certain topics will need to be raised with the gambler on several occasions as he or she moves toward recovery.

You also may uncover stashes as you review bank and brokerage statements for money or investments about which the gambler never told you. When you review household bills, watch for evidence of other stash locations, such as a payment for a secret safe deposit box.

If the gambler asks you to reveal any of your own stashes, you will have to decide if it's safe to tell the gambler where you keep your money. It's common for spouses, partners, and other loved ones to hide money from the gambler so they can pay the bills or just keep the money from being gambled away. Honesty among all parties is important, but your honest answer may be to tell the gambler that you feel you must keep your money in a safe, private location to protect the family's financial security. Explain that as the gambler progresses in the recovery process, you may begin to feel more comfortable in sharing this financial information.

Income Sources

Source	Amount
Wages (after taxes)	$
Social Security	$
Pension/Retirement Benefits	$
Trust/Investment Income	$
Unemployment Benefits	$
Welfare Payments	$
Child Support/Alimony	$
Bonuses	$
Commissions	$
Tips	$
Tax Refund	$
Inheritance	$
Cash Advances from Credit Cards	$
Insurance Settlements	$
Loans	$
Illegal Activities	$
Other	$
Total Income	**$**

Assets

Asset	Value
Checking Account(s)	$
Savings Account(s)	$
Mutual Funds	$
Stocks	$
Bonds	$
Retirement Accounts	$
Equity in House	$
Other Real Estate	$
Business Interest	$
Life Insurance Cash Value	$
Auto	$
Jewelry	$
Antiques/Artwork	$
Collections (coins, stamps, guns, etc.)	$
Furniture/Appliances	$
Other	$
Total Assets	**$**

Chapter 4:

Establishing a Spending Plan

After you have identified sources of income and assets, you are ready to take the next step toward getting your financial life under control: establishing a "spending plan" or budget. A spending plan helps direct your money where it's needed most and keeps you from piling up more debts.

Just as important, a spending plan sets up savings and investing goals. These goals can give you and your family something positive to work toward instead of merely digging out of debt. This positive experience also can encourage the gambler to stick with his or her recovery efforts.

The following suggestions will help you set up a spending plan.

1. Write out the plan, either on paper or using a computer program. This handbook provides a sample plan.

2. List your monthly sources of income. List only income you can count on each month, such as paychecks, child support, interest, and Social Security benefits. Estimate a monthly average for income that varies, such as sales commissions, tips, or freelance income.

   Put extra sources of income, such as a year-end bonus at work or an income tax refund, toward savings or investing goals. Or, use extra income to pay for special needs, such as a car or medical care. You may be tempted to use any extra income to pay gambling debts, but this may not be in the gambler's best interests if it gives the gambler a green light to go back to gambling. In general, paying gambling debts should be the gambler's responsibility.

3. List basic monthly household expenses: rent or house payments, groceries, utilities, transportation expenses, child care, loan payments. If the gambler has agreed to limit his or her access to the family's money by managing on a small monthly cash allowance, include that amount here. If an expense varies month to month or doesn't occur every month (such as car insurance), estimate what you spend on average each month for the expense.

   Notice that savings is included as a basic expense. Savings should be a priority, even if debts are high.

   Treat debts as another basic expense, just as you would your mortgage payment or utility bill. To decide how much you can realistically pay toward debts each month, calculate the spending plan first without including the debts. Then see how much money is left over, or can be freed up, to pay toward debts. Chapter 6 has more information about debt repayment.

4. Carefully review your own spending habits. Sometimes people living with a gambler spend recklessly out of anger or because they fear that money they don't spend will be gambled away.

Tips on Cutting Expenses

Studies estimate that the average household wastes 20% to 30% of its money through poor spending habits. That's money you could put toward savings or paying off debts. Look through magazine articles and books, and talk to relatives and friends, for ideas on cutting expenses. Tips include sticking to a shopping list, clipping coupons, shopping for bargains and sales, comparing prices, eating out less, buying furniture instead of renting it, and trading baby sitting with friends.

Additional Budgeting Tips

If your income varies each month, figure the minimum or average income you have to spend each month. In the months when you earn above that amount, bank the extra money. Use the extra income for the months when your income falls below average.

Break large periodic bills, such as auto insurance, into smaller monthly amounts. Put that amount each month into a savings account, or at least set aside cash in an envelope. When the bill arrives, you'll have enough money to pay for it.

Mark on a calendar when bills are due. Paying bills on time helps your credit rating and eliminates the expense of late-payment charges.

Budgeting for Gambling Treatment

You also may need to budget for the cost of treating the gambling addiction. You should be aware that most medical insurance policies and managed care providers don't pay for treatment, according to the 1999 National Gambling Impact Study Commission. In some cases, the health plan may pay for treatment only if the gambler also suffers from a related disorder, such as alcoholism, drug addiction, or depression. In addition, many employer-sponsored health plans strictly limit the amount of coverage for professional therapy. Consequently, treatment for a gambling addiction may be an out-of-pocket expense.

You may find some limited free counseling assistance through an employee assistance program at work, although these programs generally are not designed for long-term treatment. Other free sources of help are Gamblers Anonymous and Gam-Anon. Or, call your state's problem gambling council.

Spending Plan

STEP 1

Income Sources	Each Month
Wages (gambler)	$
Wages (others in household)	
Tips/Commissions (average each month)	
Investment Income (dividends, interest, etc.)	
Pension/ Retirement Plan Benefits	
Social Security	
Unemployment Benefits	
Welfare Payments	
Food Stamps	
Child Support/ Alimony Payments	
Trust Fund	
Other	
Total Income	**$**

STEP 2

Expenses	Each Month
Rent/Mortgage Payment	$
Groceries (average)	
Utilities (average)	
Telephone	
Home Maintenance/ Repair (average)	
Savings	
Clothing (average)	
Car Payment	
Car Insurance/Gas/Repairs (average)	
Other Transportation	
Life/Medical Insurance Premiums (average)	
Homeowners/Renters Insurance	
Medical Bills (average)	
Child Care	
Gambler's Allowance	
Loans/Credit Card Payments	
Taxes	
Entertainment (average)	
Cable TV	
Meals Out (average)	
Sports Activities/Events (average)	
Charitable Contributions	
Gifts (average)	
Cigarettes/Alcohol (average)	
Long Distance Telephone (average)	
Travel/Vacations (average)	
Gambling Debts (Chapter 6 explains why this should be a low priority)	
Total Expenses	**$**

STEP 3

Compare Income and Expenses

Total Income (from Step 1) . . . . . $_____

Total Expenses (from Step 2) . . . _____

Subtract Expenses from Income $_____

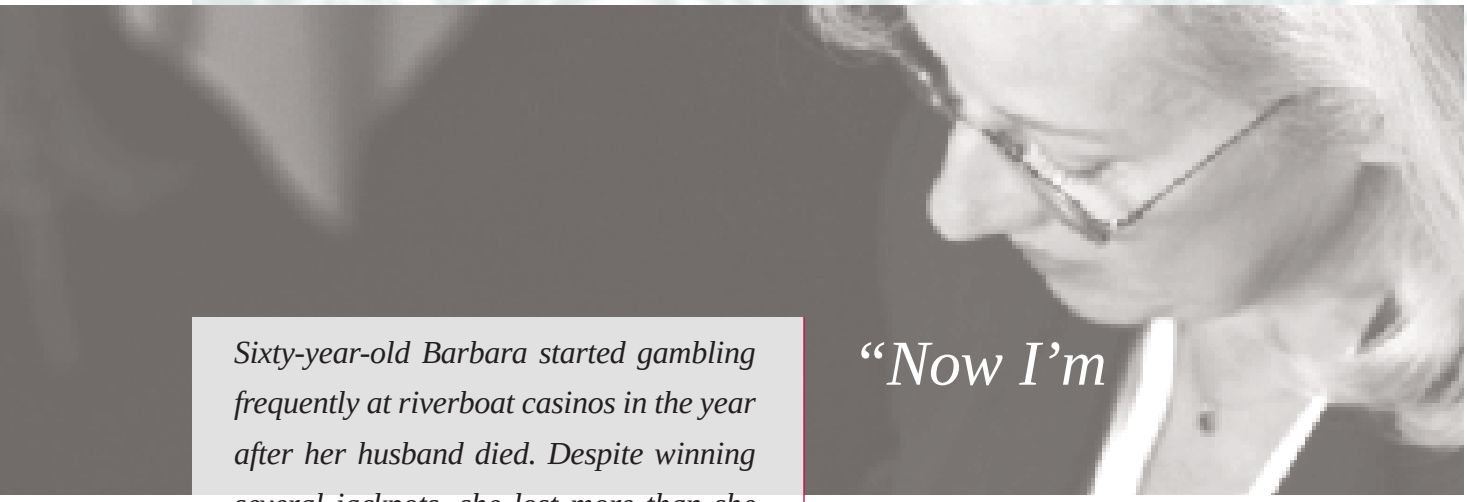
STEP 4

Make Adjustments

If there is not enough income to cover expenses, you have three choices:

- Earn additional income, such as through a second job or a better-paying job.
- Reduce expenses.
- Reduce expenses and boost income.

Income and expenses change over time. Review your budget every few months. Make adjustments if necessary.



Sixty-year-old Barbara started gambling frequently at riverboat casinos in the year after her husband died. Despite winning several jackpots, she lost more than she won. Within a short time, she had lost her husband's life insurance payout and an annual annuity payment.

When she started asking friends for loans, it was apparent she had a serious problem. Barbara's friend, Laura, confronted her about the loans, and eventually Barbara admitted that she had gone overboard with her gambling when her husband died and couldn't seem to stop.

Laura helped Barbara find a treatment program, where she began learning other ways of dealing with her grief. As part of her recovery, Barbara asked her friend Laura to help her set up a spending plan and monitor it to make sure she doesn't go back to gambling. "When my husband was alive, I never had to manage money," Barbara says. "Now I'm becoming more confident that I can make it on my own. Thank goodness Laura is here to help me."

"Now I'm becoming more confident that I can make it on my own. Thank goodness Laura is here to help me."

Chapter 5:

Shifting Control of the Finances to a Nongambler

A key part of helping your loved one resist the urge to gamble is to shift control of the finances from the gambler to a nongambler. If your loved one is in a recovery program, it is more likely that he or she will understand the necessity of doing this and will be willing to cooperate. If the gambler is in denial, however, you may be limited to taking actions you can carry out on your own. The suggestions that follow address both situations.

There are two reasons why experts commonly recommend limiting the gambler's access to, and handling of, the household's finances. First, it protects the family's financial security. Second, it benefits the gambler because it sets up a roadblock to the one thing that fuels a gambler's habit — money. The roadblock can be as simple as getting the gambler to agree to a small cash allowance. Or it can be as extensive as transferring legal control of all assets — bank accounts, investment accounts, even the home and car — into your name, the name of another reliable person, or perhaps a trust account.

It can be difficult, both emotionally and practically, to take on financial roles the gambler may have held in the past. Sources of financial planning help are suggested at the end of this handbook. In addition, a support group for families of problem gamblers can give you the emotional strength you may need as you assume this new role.

Take Charge of Basic Household Finances

You'll note that several of the following suggestions were mentioned in Chapter 2 as actions to take immediately. They are repeated here to give a more complete picture of how to shift control of the finances to a nongambler. In addition, some of the actions suggested will require the gambler's consent. Depending on where the gambler is in the recovery process, he or she may be able to take responsibility for carrying out these actions. In other situations, you may need to consult with an attorney, tax specialist, or financial planner before taking action on your own.

- The nongambler should assume the task of paying the household bills. If you have a joint account with the gambler, consider having as many bills as possible paid electronically so the gambler won't be tempted to try to persuade you to put off paying a bill so you can free up cash for gambling.
- Get the gambler to agree to close the accounts of all credit cards in the gambler's name, including accounts owned jointly with you. Reopen credit card accounts in your name only, or get another credit card in your name. If the gambler refuses to do this, you can at least have your name removed from any joint credit card accounts. Get written confirmation from credit card companies of all account closures.

To stop most credit card offers from arriving in your mail, call (888) 5OPT OUT.

- Close all joint checking, savings, and investment accounts and reopen them in your name only. This should be done even with accounts that require dual signatures, because some gamblers will forge signatures. If the gambler will not cooperate, your only alternative may be to take your share of the money out of the joint accounts and deposit it into a separate account in your name only. Deposit your paychecks and other money into your individually owned accounts.
- If possible, get the gambler to agree to deposit all paychecks, pension payments, and other income into accounts you control. This prevents the gambler from using the money for gambling. Automatic deposits of paychecks works especially well, because the gambler never sees the money. But if the paycheck cannot be deposited automatically, ask the gambler to agree to immediately turn the check over to you for deposit, or perhaps even give his or her consent for you to go to the workplace and pick up the check.
- Ask the gambler to agree to a small weekly, or even daily, cash allowance for coffee, snacks, or other out-of-pocket needs. As part of the agreement, ask that all expenditures be accounted for before you pay the next allowance.

- If possible, take in the mail and throw away unsolicited loan and credit-card offers. To stop most credit card offers from arriving in your mail, call (888) 5OPT OUT.
- Take charge of tax returns. Perhaps your spouse has always completed the household income tax returns and you've merely signed the forms. Signing tax returns you haven't reviewed could cause problems for you because you are responsible for paying any taxes owed on a joint return, regardless of whether you are aware of the liability. You also should review your tax returns to uncover possible sources of money that may be financing the gambler's addiction. For example, you may find W-2 forms, which show wages, or 1099s, which show investment income or freelance income, about which you knew nothing. Past tax returns also may show tax refunds you never knew about because the gambler cashed the refund check and spent it on gambling.

Shift Ownership of Property

Again, the following actions may require the consent of the gambler. They should not be carried out without obtaining tax and legal advice.

- Consider putting ownership of the home, cars, boat, vacation property, and other personal property into your name only. Keep in mind that these transfers (considered gifts) usually will not be taxed if made between spouses. However, they will likely be taxed if made to children, a partner, a relative, or a friend.
- If both spouses or partners are gamblers, consider turning control of the assets over to a relative, such as an adult child. This is an extreme measure, however, and should only be undertaken with the advice of tax and legal counsel.
- Consider using trusts. Trusts are legal entities for controlling assets. A gambler might put money into an appropriately designed trust, for example. This means the gambler no longer controls the assets. You or another trusted individual could serve as trustee. Or you might use a third-party trustee, such as a bank trust department, attorney, or financial planner. The trustee would manage the assets for the benefit of the trust's beneficiary (the gambler or the gambler's family, perhaps). Parents with a son who gambles compulsively might pass on their assets to a trust when they die. The trustee would parcel money out to the son so he couldn't spend his inheritance all at once.

Special Considerations When Shifting Ownership

As mentioned above, transferring ownership and control of financial assets can help remove sources of gambling money from the problem gambler, but taking this step also can pose a variety of financial problems and risks. For example, what happens to the gambler if the spouse owns all the assets and dies or divorces the gambler? What claims, if any, does the gambler have to the property put into the spouse's

name? What's to prevent a partner or relative from simply spending the gambler's money?

The following ideas are possible solutions to these potential problems.

- **Post-nuptial agreement**. To protect the gambler in case of divorce, an attorney might draft a "post-nuptial" agreement. This is an agreement made after a couple is married. It describes how their property will be split up, including property owned solely by one spouse, in the event of divorce. This agreement can help reduce fears the gambler may have in handing over assets to the spouse. Keep in mind, however, that the divorce court also will have a say in how property is divided. The post-nuptial agreement also should take into account financial assets the gambler has squandered, just as a divorce court would do. For example, a divorce court may rule that because the gambler raided household assets during the marriage, he or she will be awarded less in a divorce to compensate for past financial abuses.

- **Transfer to a nonspouse.** Before transferring property to a partner, relative, or friend, obtain a written agreement. The agreement should describe how the assets that are transferred may be used and any restrictions on their use. For example, if you put your house in the name of a friend, the agreement might state that your friend can't sell the house without your consent. The agreement should be recorded with the appropriate legal agency. There always remains a risk that the person may use your assets to benefit him or herself, not you or your family. Again, you must have the gambler's consent to carry out such an action, but the recovering gambler may be willing to take this step to remove the risk that he or she will return to gambling and use these assets to fund the addiction. Another concern is that transfers of property to non-spouses may face gift taxes.

- **Will.** If the gambler has turned assets over to you, your will could designate that certain property be returned to the gambler upon your death. Or the will might instruct that this property go into a trust for the benefit of the gambler or the gambler's family.

- **Creditor issues.** Generally, when the gambler gives property to someone else, creditors still can go after that property to satisfy debts. If you are receiving the property, carefully keep it separate from your own property. (Don't mix checking accounts, for example).

A problem gambler may try to raid large pools of money.

Protecting Large Sums of Money

A problem gambler may try to raid large pools of money, such as a retirement nest egg, a college education fund, the cash value in a life insurance policy, or an inheritance. Here are some suggestions for minimizing the gambler's access to these funds.

Tax-Deferred Retirement Accounts

The gambler in your life may try to borrow money from his or her 401(k) plan or other retirement plan at work. (The maximum that can be borrowed is half of the account's value, up to $50,000.) Or the gambler may request a "hardship" withdrawal — say to prevent the repossession of the gambler's home. Keep in mind, however, that not all plans allow borrowing or hardship withdrawals.

You also should be aware that if you are married to the gambler, the plan may or may not require your written consent for the gambler to borrow or take a hardship withdrawal. If your written consent is not required, your ability to prevent the gambler from getting to these funds may be limited. Call your spouse's employer to find out what your rights are in this regard and ask for a benefits summary.

In addition, the gambler may be able to get at the money if he or she quits work, is fired, or retires (generally after age 59$^{1}/_{2}$). Some types of retirement plans, such as a profit-sharing plan, allow workers to permanently take out some money while still employed. Other plans, such as pension plans, do not allow workers to permanently take out money while still employed.

One way to protect retirement funds is to have the retired gambler close the retirement account and put the money into an account in your name or someone else's name. However, this move can trigger income taxes and possibly other penalties. This is a drastic step, but it might be better than the risk of your loved one gambling away the funds. This strategy won't work if the gambler is still employed. Why? Employed individuals cannot close out their employer-sponsored qualified retirement plan account.

Traditional Pension Plans

Fortunately, a gambler who is still employed cannot close out his or her qualified pension account and withdraw the assets. However, when leaving a job or retiring, workers with a traditional company-paid pension plan may have the option of taking the money in a single lump sum or in annuitized monthly payments. Avoid the lump sum! Insist that the gambler take the monthly annuity payments. That way, only one monthly payment at a time is put at risk, not the entire amount.

Individual Retirement Accounts

You cannot transfer the gambler's IRAs into the name of a nongambler without losing the tax benefits of the IRA (divorce and death are the only exceptions). Also, you cannot prevent the gambler from withdrawing money from his or her IRA, even if you are a beneficiary. However, if the gambler wants to avoid the risk that he or she will withdraw the IRA money for gambling purposes, the gambler could withdraw the money, pay any taxes and penalties due, and then transfer the money to an account in your name. As with 401(k) plans, this is a drastic step, because of the taxes and penalties that may be incurred, but it might be better than the risk of the person gambling away the funds.

On the plus side, a gambler cannot withdraw money from your retirement accounts or IRAs without your permission … even if the gambler is your spouse. This protection is another good reason to take full advantage of your retirement savings plans.

Life Insurance

The gambler may try to borrow from the cash value that has built up in a permanent life insurance policy. (Term life insurance does not have any cash value.) One way to protect against this is to name the beneficiary (perhaps yourself) as an irrevocable beneficiary. That prevents the gambler from getting the money without the permission of the beneficiary. Another strategy is to put the ownership of the policy into a special trust, called an irrevocable life insurance trust. Or you could own the policy that's on the life of the gambler.

Talk to an attorney or financial planner about the options that might be available…

Annuities

The gambler could transfer ownership of the annuity to you or another nongambler. Or the gambler could decide to "annuitize" the payouts. This means payments are made on a regular basis, typically monthly, for a certain time or for the life of the owner. Getting monthly payments allows you to avoid the risk of taking a lump-sum payment that the gambler might gamble away. However, unless the gambler is over the age of 59 1/2, distributions may be subject to a penalty tax, as well as income taxes on any gain.

Investment Accounts

Put the investment accounts in your name or another nongambler's name. For example, you could put investment money earmarked for your child's college into the child's name. This is done under the Uniform Gift to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA). In this way, the gambler is prevented from withdrawing the money as long as the gambler is not named as the custodian of the account.

Inheritances

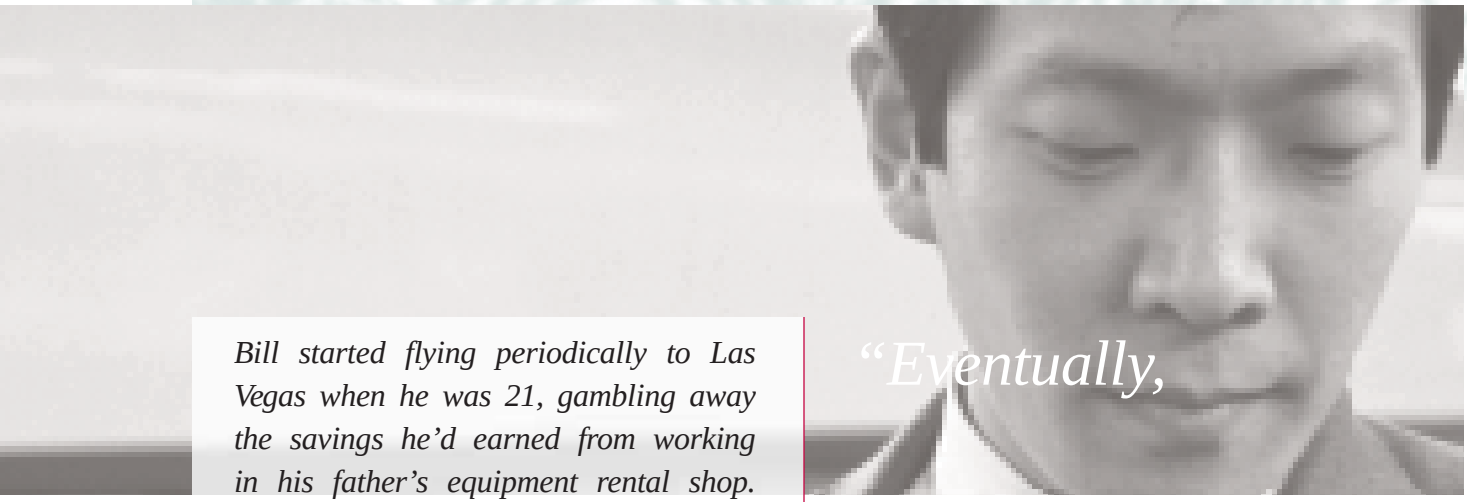
Talk to an attorney or financial planner about the options that might be available to safeguard inheriting lump sums. For instance, the inheritance could be put into a trust managed by a trustee. Someone other than the gambler could be named as beneficiary. Or the gambler could "disclaim" an inheritance. The money then would go to another heir, such as the gambler's children. This is a major decision for the gambler and should be made only after seeking financial and legal advice.

Gambling Winnings

The compulsive gambler in your life should no longer be "in action." However, if some money from previous winnings is still left, ask the gambler to consider putting it into an irrevocable trust so the money won't be available for future gambling. Or, use the money to pay household bills.

Civil Settlements

The gambler might win a lawsuit judgment for such things as injuries from a car accident, worker's compensation, or product claims. The settlement may be paid out in a lump sum or in smaller periodic payments, known as a structured settlement. Problem gamblers usually should choose periodic payments to minimize the risk of gambling away a lump-sum settlement.



Bill started flying periodically to Las Vegas when he was 21, gambling away the savings he'd earned from working in his father's equipment rental shop. It wasn't until a casino opened nearby that he began to go through a lot of money — thousands of dollars a month. He borrowed from friends, and when he couldn't do that, he stole from his father's business.

When his father discovered that his son had stolen a check from work, he kicked him out of the business. Bill's best friend, Gary, insisted that he go to a treatment center.

Bill began weekly counseling sessions and made a commitment to stop gambling. When he landed a job, Bill asked Gary to open up a checking account for his paycheck.

Gary pays for Bill's apartment and other household expenses out of the checking account, and Bill asks that he only be given a small cash allowance each week so he won't be tempted to gamble away the rest of his paycheck.

"Eventually, I hope I'll be recovered enough so that I can manage my own money again," Bill says. "But until then, Gary is saving my financial life."

"Eventually, I hope I'll be recovered enough so that I can manage my own money again, but until then, Gary is saving my financial life."

Chapter 6:

Repaying Debts and Avoiding Bankruptcy

Your household may have accumulated debt because of gambling. Debt is commonly considered excessive when more than 15% to 20% of your monthly take-home pay goes toward nonmortgage debt, such as credit cards, car loans, and gambling debts.

These debts probably feel overwhelming. They may be a major cause of friction and worry in your household. Creditors may be knocking at your door. In fact, debts may have been what motivated you and your loved one who gambles to seek help.

Relieving the debt burden can help reduce the compulsive gambler's anxiety and guilt. It may help in the gambler's recovery efforts. But it's critical that you try to reduce debt in a way that's different from what the typical nongambling household might do. For example, the common advice is to pay off debts as quickly as possible. But, in the case of a problem gambler, quick debt payoff might simply give the gambler the green light to go back to gambling. Here are some guidelines.

1. Determine the Amount of Debt and List Creditors

Write down and total all current nongambling debts: car loans, mortgages, furniture loans, department stores, payday loans, bank loans, medical bills, utility bills, back taxes, child support, education loans, and credit card debt (unless it is gambling-related). Paying non-gambling debts should take priority over paying gambling debts.

Next, list and total all gambling debts. List who is owed and how much. Besides bookies and gambling establishments, this might include friends, family members, relatives, employers, and co-workers. Other sources of gambling funds could include cash advances on a credit card, or household funds the gambler has raided, such as savings accounts or a vacation fund. These funds also should be repaid.

The gambler may be reluctant to acknowledge all the debts, or may even have forgotten some of them. Verify all debts as accurately as possible.

You also can do some double-checking on your own. Start with your joint credit report if you're married. The reports show credit-history inquiries and missed or late payments. You can get a report from one of three credit bureaus:

- Equifax (800) 685-1111
- Experian (888) 397-3742
- Trans Union (800) 645-1933

Depending on where you live, the first report may be free. If you must pay for the report, the cost likely will be around $8. Some spouses of problem gamblers get monthly reports to monitor for suspicious activity.

If you are not married to the gambler, or the person has a credit card in his or her own name, you will need the gambler's cooperation to obtain a credit report. Explain to the gambler that you need to understand the gambler's finances to begin the financial recovery process, and that includes knowing what debts the gambler has incurred. If the gambler is willing to cooperate, he or she can obtain a credit report to review with you. Or, you can ask the gambler for a signed credit-report release.

When you get the credit report, look for loans or credit cards of which you were unaware before. Notice if the credit report reveals a post office box the gambler is using to hide gambling transactions.

If you notice mail from creditors, ask the gambler to share that information with you so you can get an accurate picture of how much is owed. If your answering machine records calls from bill collectors or friends and relatives who may be owed money, make note of this information. If the gambler is cooperating with you to overcome the addiction, ask him or her to fully explain to you what the message means and how much money is owed.

Is there a computer in the house that's hooked up to the Internet? Web browsers — the software that allows the user to navigate the Web — contain a record of what Web sites were recently visited. A check might reveal on-line gambling or other sources of debt.

IMPORTANT NOTE:
Which debts you owe jointly with the gambler and which debts the gambler owes separately will depend mainly on your state's debtor laws. Generally, if you have co-signed a loan or contract with the gambler, you are equally liable for the debt. For example, you are responsible for debts on jointly owned credit cards. However, you are not liable for debts the gambler runs up on his or her personal credit card on a trip to Vegas, nor for the gambler's personal bad checks on an individually owned checking account. If you've filed a joint tax return, you're usually jointly liable for back taxes (see the section on tax issues). Separation or divorce does not remove any debts you incurred jointly with your spouse. Debts incurred by the gambler after divorce would not be your responsibility.

If possible, the problem gambler should be the person to directly contact the creditors.

2. Establish a Debt Repayment Plan

Starting with the monthly household spending plan you created earlier, determine how much money you can set aside each month to pay debts.

Next, determine how much you can afford to pay each creditor. To do this, divide the total amount of money you can put toward debts each month by the total amount of the debts. For example, say you can afford to pay $600 each month toward debts and your debts total $12,000. That means you can pay off 5% of your debt each month ($600/$12,000 = .05).

Apply this 5% toward each individual creditor. Say you owe $3,000 on a particular credit card. You would then pay $150 each month to that credit card (interest charges would continue to accumulate, making the final total more than $3,000). Calculate this for each of your creditors (including debts owed to the family if the gambler raided savings or other household funds).

Go to each creditor to explain that you have debt problems and that you wish to make reduced payments. Creditors often are agreeable to this since they'd rather get their money back slowly than for you to declare bankruptcy and perhaps not pay them at all.

If possible, the problem gambler should be the person to directly contact the creditors. This is a way for the gambler to take personal responsibility for his or her actions. The exception to this is if the gambler works through a nonprofit debt counseling service. Typically, these services negotiate with creditors for lower interest rates, waived late fees, and a repayment schedule. The gambler makes single monthly payments to the service, which in turn parcels out the money to the creditors.

Here are other points to consider when developing a repayment plan.

- In certain situations, you may need to make some debts a higher priority than others. For example, some creditors may not accept reduced payments. Or, creditors with secured loans, such as a car loan, may threaten to repossess the property. You wouldn't want to lose the car that gets you to work.

The problem gambler might consider taking a second job to pay off debts…

- You may differ with the gambler over which debts to pay first. The gambler might worry about the loan shark, while you may be worried about the utility bill. A third party, such as a debt counseling service, financial advisor, or a Gamblers Anonymous group, could help here. Wherever possible, nongambling debts should be paid first. Gambling debts should fall to the bottom of the priority list.
- Avoid immediate repayment of debts. As mentioned earlier, quick payoffs may encourage the gambler to return to gambling. When debt repayment is lengthy, it reminds the gambler of the consequences of the gambling habit. In addition, while the gambler is struggling to repay debts, he or she may be more motivated to obtain treatment for the gambling addiction through counseling and a recovery support program. Don't borrow from retirement accounts, refinance your home, or take out a consolidation or home-equity loan to repay debts.
- Attempt to strike a balance between making debt repayment the gambler's responsibility and not creating additional financial stress for the family by needlessly stringing out interest payments.
- The problem gambler might consider taking a second job to pay off debts, but this should be done only after careful consideration. Many gamblers, as a way to try to repair financial damage as quickly as possible, start working 70, 80, even 90 hours a week. This can do more harm than good. A healthy balance needs to be achieved among work, family, and recovery.
- Be alert to a possible relapse when the gambler nears paying off debts. This can be a problem when debts are repaid quickly. The problem gambler might think, "That wasn't so bad. Maybe I can start gambling again."

Problem Gamblers and Taxes

Problem gambling can create a number of tax headaches. Gamblers often owe back income taxes, which can result in additional interest and penalties. Also, income taxes are not forgiven by filing for bankruptcy. However, you may be able to negotiate a deal with the IRS.

Gamblers often don't report all of their income — including reporting it to the IRS. If the IRS discovers unreported income, it will assess back taxes, penalties, and interest. The IRS could even consider filing criminal charges for fraud. However, the spouse filing jointly with the gambler may not be liable for these criminal charges if the spouse had no knowledge of and had no reason to have knowledge of the underreporting.

If your loved one owes taxes on previous winnings, be aware that gamblers can deduct losses up to the amount of their winnings if they itemize their tax returns and if they keep acceptable records of their losses (diary, losing tickets, receipts). However, problem gamblers often don't keep records because they usually try to hide their gambling. Unless the gambler has carefully documented losses, he or she won't be able to write off losses against any winnings.

In addition, if the gambler has withdrawn money from a tax-deferred retirement account to pay for gambling or gambling debts, income taxes must be paid on the money. If the gambler is younger than age $59^{1}/_{2}$, he or she probably will be subject to a 10% penalty tax for an early withdrawal.

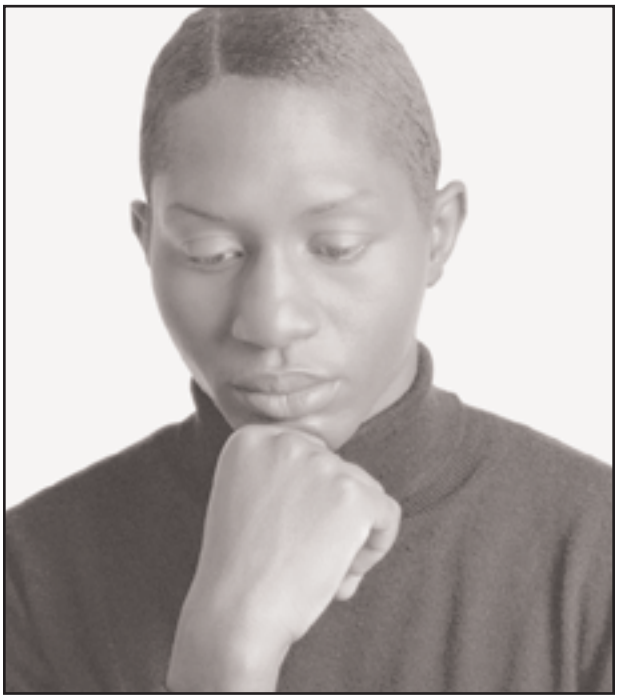
3. Use Bankruptcy as a Last Resort

As a household with a gambling problem, your odds of declaring bankruptcy are significantly higher than households without a gambling problem. Some estimates report that one in five compulsive gamblers eventually file for bankruptcy.

Problem gamblers may view bankruptcy as an easy way to bail out of their debts. However, as was emphasized earlier in this handbook, all debts should be repaid over a period of time to remind the gambler of the financial trap he or she has created and encourage the gambler to continue treatment.

Also, despite public views to the contrary, bankruptcy stains a person's financial records for years. This makes financial recovery that much more difficult. In addition, studies have shown that four out of five people who file for personal bankruptcy fall back into financial trouble in just a few years.

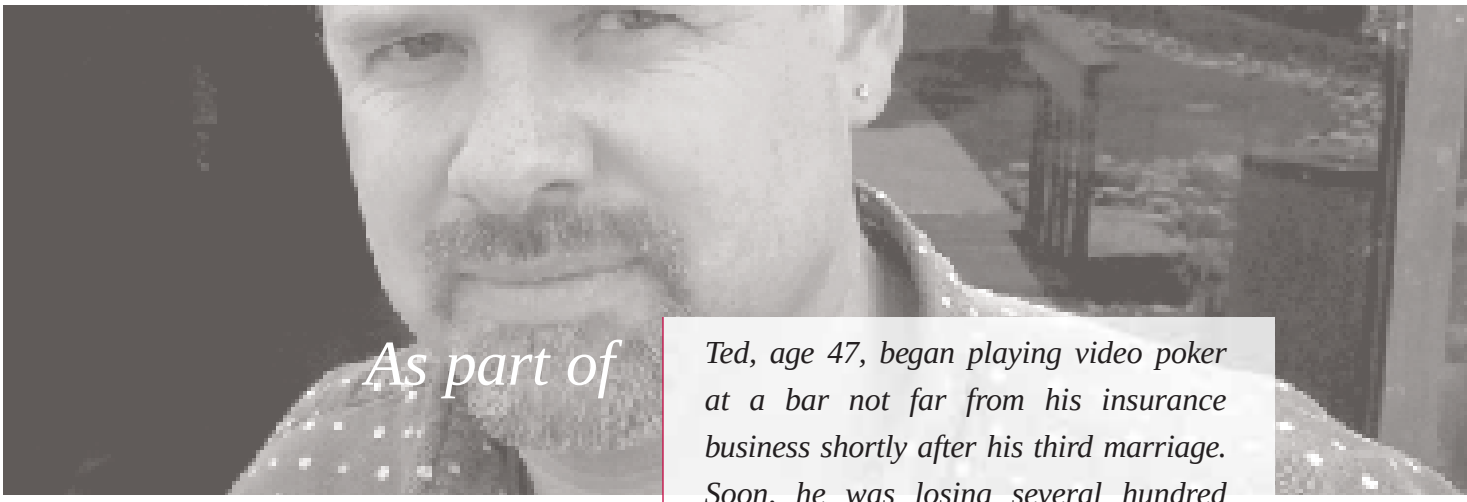
A sensible debt repayment plan should resolve debt issues in most cases. Sometimes, however, the only realistic way out of debt is to file for personal bankruptcy. Just be sure you don't take this route until you've exhausted all other efforts to pay off debts and you've talked to an experienced bankruptcy attorney and other financial advisors.



Bankruptcy should always be the choice of last resort

Personal bankruptcy comes in two basic forms: Chapter 7 and Chapter 13. It is always granted by and carried out under the direction of a bankruptcy court.

- Chapter 13. This is often called the "workout plan." It allows you to repay creditors over time while preventing creditors from seizing your property. Experts feel that Chapter 13 works best for people who have regular income and substantial assets. This form of bankruptcy stays on your credit record for seven years.
- Chapter 7. This is the more serious form of bankruptcy. It allows you to wipe out most of your debts and start over. Some debts are not erased, however, including back federal taxes, child support, alimony, and most student educational loans. In addition, you may be forced to sell off much of your personal property. The property you can keep varies from state to state, but typically it includes clothing, a car, furnishings, life insurance (but not necessarily the cash value in a policy), retirement funds, and tools of your trade. Sometimes your home is protected, but not always. Chapter 7 bankruptcy stays on your credit record for 10 years.

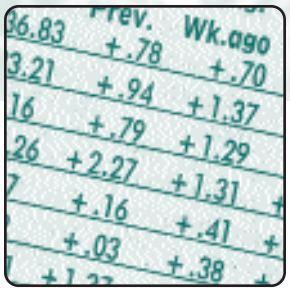


As part of his recovery, Ted took responsibility for repaying the funds he had raided from the family and the business.

Ted, age 47, began playing video poker at a bar not far from his insurance business shortly after his third marriage. Soon, he was losing several hundred dollars a day. For a while, he was able to hide his losses.

Eventually, his wife found out. He promised he would never gamble again. He went to Gamblers Anonymous meetings for a while, but eventually started gambling again. With the help of his office staff, his wife searched his financial records. They learned he'd drained the cash value in his and his children's life insurance policies, cleaned out his daughter's college tuition money, sold off mutual funds, and raided his business accounts.

Confronted by his wife, his children, and his employees, he agreed to a residential treatment program, where he turned his life around. As part of his recovery, Ted took responsibility for repaying the funds he had raided from the family and the business. He also agreed to work with an attorney to set up a trust fund for his wife and children so that they would be protected financially if Ted ever started gambling again.



Chapter 7:

Investing

Not all compulsive gamblers play the race track, casino, or slot machines. Some play the stock market.

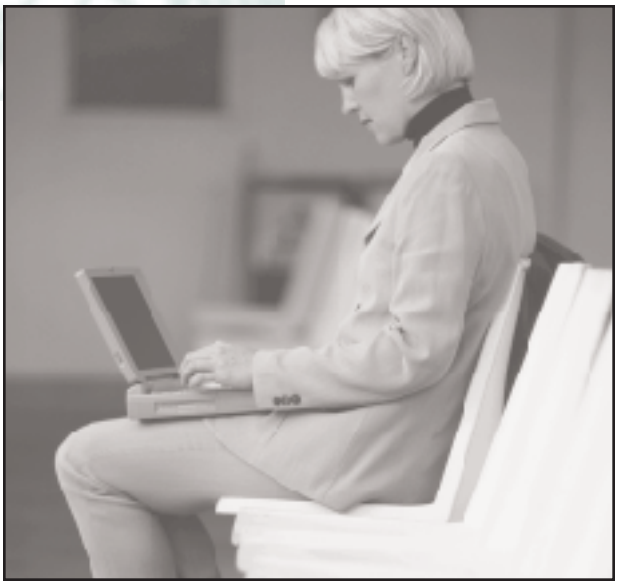
On-line access has made it easier and cheaper to gamble in today's markets. Day trading is a particular worry. That's when investors buy and sell stocks dozens of times a day, often knowing nothing about the shares they are trading. For them, it's being "in action." There is also the danger that the problem gambler in desperate need of money may sell investments during a down market. This means a double loss — an investment loss and the loss of the money that is gambled away.

For these reasons, some experts believe problem gamblers should never invest. Gamblers Anonymous, for example, explicitly recommends that recovering gamblers don't invest in the stock market.

Warning Signs of an Investment Gambling Problem

The following signs may tell you whether the "investor" you know is actually a gambler in disguise. Paul Good, a clinical psychologist in San Francisco who has been studying gambling and investing, developed these indicators. Exhibiting five or more of them may indicate a gambling problem.

1. High volume trading in which the "action" has become more compelling than the objective of the trade.
2. Preoccupation with investments, such as constant calls to a broker.
3. Investing more money or "leveraging" trades through borrowing, options, or futures to feel excited.
4. Repeated unsuccessful efforts to stop or to control his or her market activity, such as dipping into "off-limit" accounts or contradicting limit orders on losses or gains.
5. Restlessness or irritability when trying to cut down or stop market activity. (The inability to stop trading or investing for 30 days is a warning sign, say some experts.)
6. Investing to escape problems, relieve depression, or distract himself or herself from painful emotions.
7. "Chasing losses" by investing more heavily to get even.
8. Lying to family members and friends about the extent of investment activity.
9. Committing illegal acts, such as forgery, fraud, theft, or embezzlement, to finance market activity.
10. Risking significant relationships, a job, or educational or career opportunities because of excessive investing.
11. Relying on others for bail-outs to relieve financial problems caused by gambling in the markets.



On-line access has made it easier and cheaper to gamble in today's markets.

Tips for Responsible Investing

As a nongambler, you should be able to continue your own investment program, such as through a retirement plan at work. But should the gambler in your life invest in any way? Not all gambling experts believe that problem gamblers should avoid investing forever. These experts say that problem gamblers who have stopped gambling for a reasonable period of time and who are in a recovery program may be able to invest responsibly. But ultimately, that decision is up to you and the recovering gambler.

One argument in favor of responsible investing is that problem gamblers need to build a retirement nest egg, perhaps save for their children's college education, and meet other major financial goals just like other people. This usually can be realistically accomplished only through a sound investment program.

You and the gambler will need to decide if the gambler can resist the temptation to use investing as another way of gambling. Instead, can the gambler approach investing as a way to gain a positive focus on long-term goals and re-learn the value of money in reaching these goals?

If you and your loved one who gambles decide to invest, here are some tips to help make it a positive experience.

- Learn and understand the fundamentals of investing. This is good advice regardless of whether there is a gambling problem.
- Develop a specific investment plan with specific objectives. Stick with it.
- Invest for the long term. Don't trade frequently.
- Don't borrow to invest.
- Spread investment money among different types of investments and different investments within those types. This is called diversification and reduces risk.
- Avoid high-risk, volatile types of investments. This includes commodities, options, futures, and day trading.
- If the gambler cannot invest without risking a return to gambling, the nongambler should invest on his or her own to maximize personal savings and retirement funds. If you are concerned that the problem gambler might raid your investments, keep them private by putting them in your name only and having statements mailed to the home of a trusted friend or relative.
- You, as the nongambler, should try to invest at least something, even if you are paying off debts.

- After the gambler has been in recovery for a period of time, he or she might be ready to embark on a limited form of investing, such as participating in a 401(k) retirement plan at work. Whenever possible, take advantage of employer-matching opportunities that may be available to your loved one through his or her 401(k) plan.
- If you and the problem gambler agree to invest, encourage your loved one to ignore the daily ups and downs of the market and to stay removed from the specifics of the investment. For example, you might discuss with the gambler what goals to invest for and what types of investments might be best for achieving those goals. Then, you can assume responsibility for the selection, buying, selling, and monitoring of specific stocks, bonds, mutual funds, and other investments. Or you might enlist the services of a financial planner or other investment advisor to handle these tasks.

Finding Professional Financial Planning Advice

In addition to the services of an attorney and perhaps a debt counseling service, you may want or need the help of a qualified financial planner. This financial professional will look at your overall financial situation and recommend strategies for improving your finances. He or she will help you set clear, achievable goals, solve your debt problems, explain different ways of owning assets, and recommend specific investments. This type of assistance can be especially important in a household recovering from a gambling problem. The planner also can provide advice on budgeting, taxes, insurance needs, and estate planning. A planner will work with an attorney and a debt counseling service to see that the financial recovery goes as smoothly as possible.

A Final Note

Facing the fact that your loved one has a gambling addiction and then taking steps to deal with the problem can be a long, difficult process. We hope that the information in this handbook will help you on the path toward recovery and will give you hope and encouragement that a better financial future is possible.

Please know that you do not have to face these challenges alone. Many organizations and individuals are ready to help. Some of them are listed at the end of this handbook. We hope you will take advantage of them.

Problem Gambling Resources

National Council on Problem Gambling
208 G St. NE, Washington, DC 20002.
Help line: (800) 522-4700.
Web site: www.ncpgambling.org

Gamblers Anonymous
Programs in most cities. International Service Office: P.O. Box 17173, Los Angeles, CA 90017 or call (213) 386-8789.
Web site: www.gamblersanonymous.org

Gam-Anon
Local groups exist in most cities and local hot lines are available. International office: P.O. Box 157, Whitestone, NY 11357 or call (718) 352-1671.
Web site:
www.gamblersanonymous.org/gamanon.html

State and local problem gambling organizations and hot lines
Check the Yellow Pages. The National Council on Problem Gambling also provides a list of state councils and affiliates.

Private therapists and treatment centers
Check the Yellow Pages, guides to therapists, www.counseling.com, or ask for names through problem gambling organizations, your employee assistance program at work, local health center, clergy, or friends.

Financial Resources

Nonprofit Debt Counseling Services
They include the National Foundation for Credit Counseling (www.nfcc.org or (800) 388-2227) and Myvesta.org (800) 680-3328 (formerly Debt Counselors of America).

Financial Planning Association
To locate a Certified Financial Planner professional in your area who can help you with your finances, go to www.fpanet.org and click on the FPA's Consumer Service & Planner Search logo or call (800) 282-PLAN (7526).

Society of Financial Service Professionals
Society members include credentialed financial service professionals. Go to www.financialpro.org or call (800) 392-6900.

National Association of Personal Financial Advisors
To locate a fee-only planner in your area, go to www.napfa.org or call (888) 333-6659.

Certified Financial Planner Board of Standards, Inc.
This board regulates Certified Financial Planner licensees. To locate a CFP practitioner in your area, call (888) 237-6275 or go to www.cfp-board.org.

Spending Plan

STEP 1

Income Sources	Each Month
Wages (gambler)	$
Wages (others in household)	
Tips/Commissions (average each month)	
Investment Income (dividends, interest, etc.)	
Pension/ Retirement Plan Benefits	
Social Security	
Unemployment Benefits	
Welfare Payments	
Food Stamps	
Child Support/ Alimony Payments	
Trust Fund	
Other	
Total Income	**$**

STEP 2

Expenses	Each Month
Rent/Mortgage Payment	$
Groceries (average)	
Utilities (average)	
Telephone	
Home Maintenance/ Repair (average)	
Savings	
Clothing (average)	
Car Payment	
Car Insurance/Gas/Repairs (average)	
Other Transportation	
Life/Medical Insurance Premiums (average)	
Homeowners/Renters Insurance	
Medical Bills (average)	
Child Care	
Gambler's Allowance	
Loans/Credit Card Payments	
Taxes	
Entertainment (average)	
Cable TV	
Meals Out (average)	
Sports Activities/Events (average)	
Charitable Contributions	
Gifts (average)	
Cigarettes/Alcohol (average)	
Long Distance Telephone (average)	
Travel/Vacations (average)	
Gambling Debts (Chapter 6 explains why this should be a low priority)	
Total Expenses	**$**

STEP 3

Compare Income and Expenses

Total Income (from Step 1) . . . . . $_____

Total Expenses (from Step 2) . . . _____

Subtract Expenses from Income $_____

STEP 4

Make Adjustments

If there is not enough income to cover expenses, you have three choices:

- Earn additional income, such as through a second job or a better-paying job.
- Reduce expenses.
- Reduce expenses and boost income.

Income and expenses change over time. Review your budget every few months. Make adjustments if necessary.

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NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

National Council on Problem Gambling

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NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

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The National Council on Problem Gambling, Inc., is a nonprofit health agency whose mission is to increase public awareness of pathological gambling, to ensure the widespread availability of treatment for problem gamblers and their families, and to encourage research and programs for prevention and education. To learn more about the National Council on Problem Gambling, visit the NCPG Web site at www.ncpgambling.org.

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