Money Management
1-2-3

Seminar Lesson Plan and Class Activities:

Part 1

Consumer Action

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Chinese, English and Spanish spoken

Rev. 7/19

Money Management 1-2-3 Seminar

Seminar purpose:

To make workshop participants aware of the range of financial responsibilities, choices and opportunities that will present themselves over the course of their lives, and to provide them with the knowledge and tools that will enable them to make wise choices, build wealth and achieve financial security.

Seminar objectives for part 1:

By the end of the training, participants will understand:

- How to make the most of their income
- The basics of taxes
- The importance of checking and savings accounts
- How to create and update a budget
- How to achieve their savings goals
- How to build good credit and manage it wisely

Seminar duration:

Each segment of the three-part seminar is two hours long. If conducting just part 1, a 10-minute break about halfway through the presentation is optional. If conducting the entire seminar in a single day, a half-hour break between parts 1 and 2 and parts 2 and 3 is recommended.

Materials:

For instructor:

- Money Management 1-2-3 brochure: 1: Getting a Strong Start
- Money Management 1-2-3 trainer's manual (part 1)
- Money Management 1-2-3 lesson plan and class activities (included with lesson plan) (part 1)
- Money Management 1-2-3 PowerPoint presentation (part 1)

Instructor will also need:

- A computer and an area on which to project the PowerPoint presentation
- An easel and pad, or a whiteboard, and markers

For participants (provide listed materials according to which section(s) you are presenting):

- Money Management 1-2-3 brochure(s): 1: Getting a Good Start
- Copy of PowerPoint slides (optional)
- Money Management 1-2-3 class activities and take-home worksheets:

  Activities and worksheets for part 1:

  - Understanding Your Pay Stub (activity)
  - Checking and Savings Account Comparison Worksheet (take-home tool)
  - Using a Check Register (optional activity)

- Fritter Finder (take-home tool)
- Help Max Create a Realistic Budget (activity)
- Budget Worksheet (take-home tool)
- Credit Card Comparison Worksheet (take-home tool)
- Sample Credit Card Statement (two pages)
- Understand Your Credit Card Statement (activity)
- To Do at Home: Money Management 1 (follow-up checklist)
- Training Evaluation: Money Management 1-2-3—Part 1

Seminar Outline

Welcome and training overview……...(5)

1: Getting a Strong Start

Earning income and paying taxes……..(25)

Checking and savings accounts…….(25)

Budgeting and saving…..…….(25)

Establishing and building good credit……(30)

Questions and answers…….…..(10)

Instructor's notes:

This training module consists of three fact sheets/brochures, a backgrounder written in Q&A format to help trainers answer participants' frequently asked questions, a lesson plan with class activities and a PowerPoint presentation. It was created by the national non-profit organization Consumer Action to be used by non-profit organizations providing consumer education in their communities.

The entire Money Management 1-2-3 curriculum can be presented as a single day-long seminar, which would last approximately six hours, not including breaks between sections. Or, the curriculum can be presented during three separate sessions. The three sections of the Money Management 1-2-3 curriculum can also be used individually, or you can combine selected parts of each section to create a customized presentation that meets the specific needs of your group.

Before conducting the training, familiarize yourself with the brochure(s) for the Money Management 1-2-3 sections that you will be teaching today, as well as those sections of the lesson plan, the trainer's manual (Q&A), and the PowerPoint visual teaching aid.

The Money Management 1-2-3 PowerPoint presentation contains notes for each slide (appearing below the slide when in Normal view or Notes Page view). These notes offer talking points and detailed information about the items appearing on the slide. The learning objectives for each section, along with key points and questions to generate discussion, are included in the lesson plan, as are indicators telling you when to move to the next PowerPoint slide.

Why Adults Learn, a PowerPoint training for educators, provides tips for teaching adults and diverse audiences—it will be helpful to you even if you have taught similar courses before. The slide deck is available at www.consumer-action.org/outreach/articles/why_adults_learn/.

WELCOME AND TRAINING OVERVIEW (5 minutes)

➡**SLIDE #1** (onscreen as participants arrive; direct early arrivals to begin reading the fact sheet)

Welcome participants and introduce yourself.

If you have a small group, you can ask individuals to introduce themselves (or, if time permits, ask them to pair off with someone seated near them and then introduce each other to the group) and tell you what they hope to get out of the training. In a larger group, invite a few volunteers to share their expectations. On your whiteboard or easel pad, jot down some of the specific things participants mention. You can come back to this at the end of the class to make sure you've covered these points. (This activity is designed to serve as a brief icebreaker. It will also give you an idea what participants' expectations and needs are.)

Review the contents of participants' packets. Ask the class to take a look inside their packets and make sure they have all the materials needed.

1: GETTING A STRONG START

Introduction: Mastering the basics of personal finance is every bit as important to long-term financial success as investing or buying a home. Only after you know how to make the most of your paycheck, choose essential financial products and services wisely and use credit responsibly are you ready to work toward major financial goals. Part 1 of the Money Management 1-2-3 seminar will help you get on solid footing and prepare you to handle greater financial responsibilities in the future.

➡SLIDE #2

Go over slide notes.

Slide notes:

Present the topics covered in part 1 of the module:

- Earning income
- Paying taxes
- Checking and savings accounts
- Budgeting and saving
- Establishing and building good credit

EARNING INCOME AND PAYING TAXES (25 minutes)

Learning objective: Understand how your net pay is calculated and what your tax obligations are so that you can spot errors, manage your withholdings, fulfill tax filing requirements, take advantage of tax breaks and better manage your income.

Key points (slides 3-7):

- Your pay stub—paper or electronic—contains valuable information that can help you manage your income and taxes.
- Taxes and other deductions will reduce the amount of earned income you receive—important to know so that you don't overextend yourself.
- You can exercise some control over the amount taken out of your gross pay if you understand how withholdings, voluntary savings accounts and other paycheck deductions work.
- It's wise to take advantage of employer-sponsored pre-tax savings plans.
- There can be serious consequences for not filing a tax return and/or not paying your taxes.

- Filing a tax return can give you access to valuable credits such as the Earned Income Tax Credit (EITC).
- It's not that difficult to file your tax return yourself, and there are benefits to doing so, such as saving money on tax preparation fees and learning more about your finances.
- There are non-profit tax filing assistance programs that you may qualify for that will do your taxes for free and/or help you file on your own.
- Early refund products and services offered by some paid tax preparers for a fee are generally not a wise option for taxpayers.

Questions to generate discussion:

- Do you check your pay stub each payday to confirm that the number of allowances is correct, the correct amount is being withheld for your savings plans and other voluntary deductions, your vacation and sick time is calculated correctly, etc.? If not, why not? If so, how has it helped you?
- Can you name two benefits of participating in an employer-sponsored savings plan? (Answer: Payroll deduction (easier!) and tax advantages (account contributions are pre-tax, which reduces your current tax liability, and depending on the type of account, your earnings may grow tax-deferred).)
- Do you complete your own tax returns? Why or why not? What do you think some of the advantages might be of preparing your tax returns on your own?

➡SLIDE #3

Introduction: Employees who receive a paycheck—even if it's deposited directly into their checking account or onto a payroll card—are able to get important information about their earnings, the taxes withheld and any voluntary deductions from the (paper or electronic) pay stub. A pay stub can tell you a lot!

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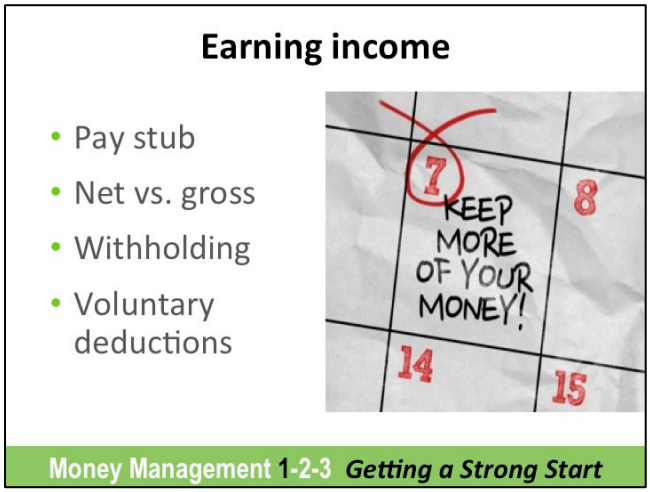

Slide notes:

Pay stub: Your "pay stub," whether provided on paper or electronically, shows identifying information (name, address and SSN); the pay period (usually two weeks, half a month or a month); your filing status per Form W-4 (married or single) and the number of allowances you are claiming (the more allowances, the less income tax is withheld); federal, state and local taxes withheld, including FICA (Social Security and Medicare); voluntary pre-tax and post-tax deductions (insurance, retirement savings, flexible spending account contributions, etc.); and your gross (before taxes and deductions) and net (actual) pay. Your pay stub will show you all amounts for the current pay period and year-to-date. ***Note:*** Many people earn income through self-employment. If you are self-employed, you won't receive a traditional paycheck. Regardless of the source of earned income, however, most money management and tax principles still apply.

Net vs. gross: Gross pay is your total earnings; net pay is gross pay minus all taxes and deductions. The amount taken out of your gross pay for federal income tax will depend on your income, your filing status, the number of allowances you claim and your pre-tax deductions, such as 401(k) retirement plan and flexible spending account contributions. The amount and types of other taxes depend on where you live. For example, some states have no income tax and some states take money out for state-sponsored disability insurance.

Withholding: The greater your number of allowances (from 0 to 10), the less income tax will be withheld (withholding). The number of allowances you should claim depends on the number of jobs you have, whether you and your spouse both work, how much you make, whether you itemize deductions and how many dependents you have. (Even if your withholding was accurate in the past, you may need to adjust your W-4 allowances to avoid over- or under-withholding according to the changes resulting from the new tax law that went into effect beginning with the 2018 tax year. This is particularly important for dual earners—households with more than one job—and itemizers. Learn more: https://www.irs.gov/individuals/understanding-the-withholding-calculator-output.) You can increase or decrease your allowances at any time by filling out a new W-4. To calculate your allowances, use the worksheet on the back of the W-4 form or the online calculator at www.irs.gov/Individuals/IRS-Withholding-Calculator. Beware: If you claim more allowances than you are legitimately entitled to, you could end up owing money to the IRS.

Voluntary deductions: There are many types of voluntary deductions, from retirement plan contributions and health insurance premiums to flexible spending account contributions and charitable donations. Some voluntary contributions (such as to retirement savings and flexible spending accounts) are pre-tax, which means they are deducted from your paycheck before taxes are calculated. This lowers your taxable income and, therefore, the amount of tax you must pay. It also makes saving less painful. For example, if you are in the 24 percent tax bracket, every $100 you put into your 401(k) would only reduce your paycheck by about $76. Other deductions are “after tax,” meaning you must pay taxes on the income before it is deducted from your pay.

Direct participants to take the Understanding Your Pay Stub (activity) from their packets. Stress that this is not a test, it’s a learning activity.

Ask participants to study Rick’s paycheck and answer the questions at the bottom of the page.

Then ask for volunteers to answer each of the questions (refer to answer key). Stop to discuss each answer as a group.

➡SLIDE #4

Introduction: There are dozens of ways Americans are taxed, from income, Medicare and Social Security tax to sales, excise and gift tax. Since taxes play such a big part in most people’s finances, everyone should have at least a basic understanding of how taxes are calculated on their income, what credits and deductions they might qualify for, how to complete a simple tax return, what their options are for getting help with tax return preparation and what to do if they owe more taxes than they can afford to pay. This knowledge can help you save money, reduce your taxes, avoid scams and questionable products and services, and stay out of trouble with the IRS.

Go over slide notes.

Slide notes:

Filing requirements: Most earners must file a tax return. The return is due on April 15, though you can submit it sooner. It's very important that you file a tax return if you are required to do so. (Find out at https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return.) If you don't file, the IRS will file a substitute return for you. This will always be the worst-case scenario because the return is based only on information the IRS has from other sources. Essentially, the IRS calculates your income, taxes it at the highest rate and deducts any federal tax you paid.

Tax forms: You will use the Form 1040 to file your taxes. Many people will need only that and no additional "schedules." However, if your return is more complicated (for example, you claim certain credits or deductions), you will need to complete one or more of the Form 1040 schedules. Learn more at the IRS website (https://www.irs.gov/forms-pubs/schedules-for-form-1040). If you prepare your tax return yourself using tax preparation software, the software will determine the correct schedules automatically based on the information you provide. If you use a tax preparer, s/he will provide the form and schedules.

Tax preparation assistance: Easy-to-use tax preparation software makes it possible for many people to prepare their own returns. If you need help, the Volunteer Income Tax Assistance (VITA) program (www.irs.gov/Individuals/Find-a-Location-for-Free-Tax-Prep or 800-906-9887), the AARP Tax-Aide program (www.aarp.org/money/taxes/aarp_taxaide/) and the United Way MyFreeTaxes Partnership (www.myfreetaxes.com) all offer tax preparation assistance for individuals who qualify (based on income, disability, limited English proficency, etc.). VITA sites can also help you open a bank account or get a low-cost prepaid card, which enables you to get your refund in as little as 10 days when you e-file your return.

Early refund fees: If you pay someone to prepare your tax return, they may give you the option to get your refund a little bit sooner—at a cost. The fees on refund anticipation loans and other refund products such as a prepaid card or a bank account the preparer offers you are very high, especially considering that you typically receive your money only a couple of weeks earlier than you would get it from the IRS. Plan ahead and avoid such refund offers.

➡SLIDE #5

Go over slide notes.

Slide notes:

Filing status: How much you will be taxed depends not only on your taxable income, it also depends on your filing status. There are four filing statuses:

- **Single:** This applies to unmarried people.
- **Married filing jointly:** For married couples who are combining their income on a single tax return.
- **Married filing separately**: Married couples who are each filing their own federal income tax return.
- **Head of household:** This applies to individuals who are considered single for filing purposes and provide more than half the support for a child.

Federal tax brackets: In addition to four filing statuses, there are seven federal tax brackets. Because the U.S. has a *progressive* tax system, different rates apply to different portions of your income (the more you make, the more you pay). Your tax bracket refers to the highest tax rate charged on th e last dollar you earn. As a simple illustration, say there are three marginal tax rates (brackets): 10 percent on taxable income up to $25,000, 20 percent on taxable income up to $50,000 and 30 percent on taxable income up to $100,000. (Taxable income is your income less deductions and adjustments—the new tax law, implemented for tax year 2018, did away with exemptions: https://www.fool.com/taxes/2019/01/31/wait-a-minute-whered-my-personal-exemptions-go.aspx.) If your taxable income were $100,000, you would be in the 30 percent tax bracket. That doesn't mean you would pay 30 percent of your $100,000 in taxes. It means you would pay 10 percent tax on your first $25,000 of income ($2,500), 20 percent tax on the next $25,000 of income ($5,000), and 30 percent tax on your remaining $50,000 ($15,000). But you really only end up paying about 22.5 percent of your $100,000 income in taxes ($2,500+$5,000+$15,000=$22,500). For the 2019 tax year, income is taxed at 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent and 37 percent. These are *marginal* rates, meaning that each rate applies only to a specific portion of income rather than to your total income. The rate that applies to the top portion of your income is your tax bracket. Tax brackets are reaffirmed or updated by the IRS annually, and income ranges are updated annually to keep up with inflation.

State tax brackets: In addition to paying federal income tax, you may have to pay state income tax (seven states—Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming—don't have an income tax; Tennessee will join them on Jan. 1, 2021). Each state that has an income tax uses its own tax brackets and rates. Learn your state's tax rates at http://www.money-zine.com/financial-planning/tax-shelter/state-income-tax-rates/ or http://www.bankrate.com/finance/taxes/check-taxes-in-your-state.aspx, or visit the website of your state's taxing authority (find it here: http://www.taxadmin.org/state-tax-agencies).

Why are tax brackets important? Knowing your tax bracket can help you plan. For example, it can be helpful to know that if you are in the 10 percent or 12 percent tax bracket, you pay no tax on long-term capital gains and qualified dividends. However, if you sell an asset and take capital gains or you take in certain types of other income, you could get bumped into a higher percent tax bracket and lose your tax break. Likewise, certain retirement planning decisions will be guided by what tax bracket you're in today versus what bracket you expect to be in when you retire. For example, estimating your future tax rate is a significant factor in deciding whether you should make

contributions to a Roth IRA versus a traditional IRA (discussed in part two of the Money Management 1-2-3 module). Your tax rate is also used to estimate your after-tax retirement income in order to determine how much you need to save. Learn more about how tax rates influence retirement planning (http://www.forbes.com/sites/financialfinesse/2014/05/23/why-your-taxes-in-retirement-may-be-less-than-you-think/#75f4eda91d01).

Resource: For an easy-to-read visual of 2016 tax rates for the four filing statuses, visit hhttps://www.forbes.com/sites/kellyphillipserb/2018/11/15/irs-announces-2019-tax-rates-standard-deduction-amounts-and-more/#49a314dc2081. You can also find updated tax rate information at IRS.gov.

➡SLIDE #6

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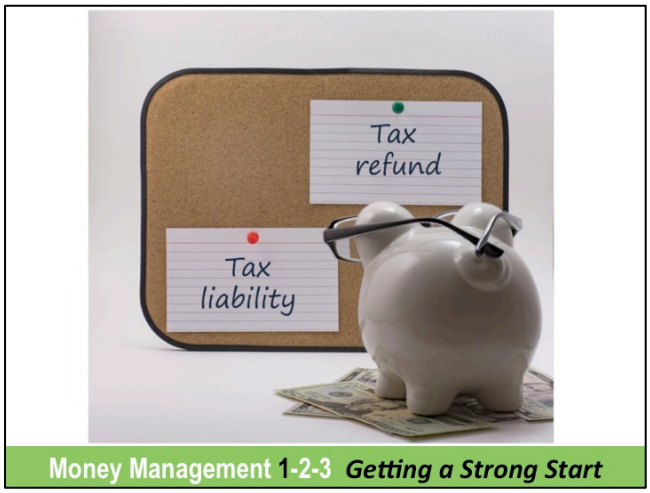

Slide notes:

Refund or tax due: If you are an employee and too much tax was withheld from your pay during the previous year, or if you are self-employed and overestimated the amount of tax you should pay throughout the year, you'll receive a refund when you file. If you did not pay enough, you will owe. If you owe the Internal Revenue Service (IRS) money but cannot afford to pay it, contact the IRS to explain your situation and try to work out a payment plan. Do not ignore the debt! Depending on your circumstances, you may qualify for a payment plan or an "offer in compromise." But if the IRS has to start the collection process, it could place a levy on your wages (garnishment) or bank accounts, seize assets or place a lien on your property. Continued non-filing and non-payment could result in additional penalties and/or criminal prosecution. For help, contact the Taxpayer Advocate Service at www.irs.gov/Advocate or 877-777-4778.

Avoid using a credit card: There's usually a "convenience" fee of around 2.5 percent to charge your taxes, plus interest charges on the balance if you can't pay it off when the credit card bill arrives. If you carry the balance for an extended period, you'll end up paying much more than the original tax bill. You'd almost certainly be better off, financially speaking, taking money from your emergency savings or setting up a payment plan with the IRS. They'll charge interest and penalties, but that will most likely still be considerably less than you'd pay the credit card company.

Make adjustments: If you consistently owe or get a refund, consider changing the number of allowances on your Form W-4 (more allowances will reduce the tax taken out of your paycheck; fewer allowances will increase the amount taken out) or trying to estimate your self-employment income more accurately. While it's nice to get a refund, it's better to pay the correct amount of tax as you earn your income so that you can spend or save your money throughout the year.

➡SLIDE #7

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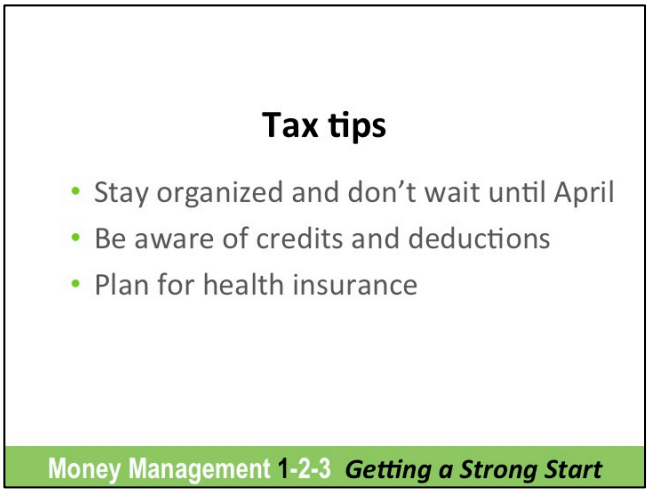

Slide notes:

Stay organized: Keep a file folder, large envelope or box where you place documents, receipts, forms and other items that will be needed to prepare your return so you don't have to hunt for them. If you can't complete your return by April 15, you must request an extension (IRS Form 4868). This will give you until Oct. 15 to file. This is only an extension to *file* your return, not to pay what you owe. You still must pay your taxes by April 15. If you don't, you'll be liable for penalties and interest charges on any unpaid portion of your tax. To avoid rushing or being late, start your taxes by March 1.

Be aware of credits and deductions: Tax credits are very valuable because, unlike deductions, they reduce your tax liability dollar for dollar. It's important to learn which credits you qualify for. For example, the Earned Income Tax Credit (EITC) puts money back into the pockets of low-income workers. However, you ***must*** file a return to get the credit, even if your income is so low you normally wouldn't file. Learn more in Consumer Action's publication *Get Credit for Your Hard Work* (www.consumer-action.org/english/articles/get_credit_for_your_hard_work_eng). (If you expect to qualify for the EITC in the current tax year, you can ask your employer to include a portion of your credit in each paycheck instead of waiting for a tax refund. Fill out a new IRS Form W-5 and give it to your employer.) Deductions are also valuable because they reduce your taxable income. Some people take the "standard deduction" the IRS allows. Other people itemize their deductions if the total is greater than the standard deduction. Learn about available credits and deductions at the IRS website (https://www.irs.gov/Credits-&-Deductions).

Plan for health insurance: If you purchased insurance from a government "marketplace," you will receive IRS Form 1095-A in January. All you have to do is enter the form info when prompted by the tax preparation software. If you received an advance premium credit for health insurance purchased through the marketplace (HealthCare.gov or your state's exchange), you might receive a bigger tax credit or have to repay some or all of the credit you received if your income for the year was higher or lower than you estimated when signing up for coverage. If you had employer-sponsored or individual health insurance during the year, nothing will be different about your taxes.

CHECKING AND SAVINGS ACCOUNTS (25 minutes)

Learning objective: Understand the benefits of checking and savings accounts, how to choose an account and how to manage your accounts wisely.

Key points (slides 8-10):

- Checking and savings accounts are crucial money management tools that all consumers should make use of.
- Credit unions, because they are non-profit membership institutions, often offer advantages over banks.
- Checking and savings accounts offer a great deal of safety through FDIC/NCUSIF account insurance (up to $250,000) and limited liability for unauthorized transactions on your debit card.

- It is possible to get free or low-cost checking if you shop around for the best account and you manage your account to avoid overdraft, ATM and other fees.
- If you get turned down for an account, you should ask why so that you can resolve the issue (either by fixing the problem or trying another financial institution).

Questions to generate discussion:

- What would you say to a friend to convince them to open a checking account? A savings account?
- Do you take steps to avoid fees on your checking account? If so, what money-saving choices do you make (for example, visiting an in-network ATM a block away rather than using the out-of-network ATM next door, or signing up for "low balance" notifications so that you can avoid overdrawing your account)?

➡SLIDE #8

Introduction: It can be challenging to manage your finances without a checking or savings account. A checking account lets you deposit money, withdraw cash, write checks and pay bills online. Joint accounts allow co-owners, such as spouses, to have equal access to the account. And a savings account gives you someplace safe to stash your emergency fund and money you want to put toward other financial goals.

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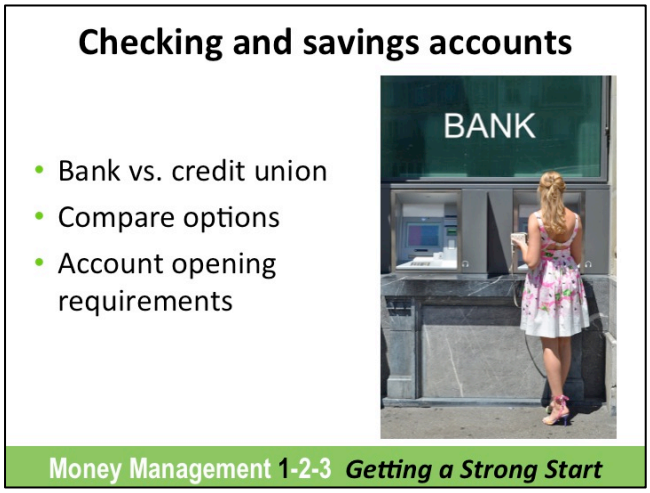


Slide notes:

A checking account allows you to write checks, use a debit card or log in to online banking to view transactions, pay bills and more. A good checking account typically is significantly less expensive, more convenient, safer and a better money management tool than check cashers, money orders, etc. A savings account provides a safe place to keep your money until you need it, and it pays a small amount of interest. Most checking and savings accounts carry government insurance (FDIC for banks and NCUSIF for credit unions) for up to $250,000. Having a banking relationship with a mainstream financial institution can be valuable when you need a loan or other financial services in the future, or a reference for landlords, phone service carriers and utility companies. Learn more about checking and savings accounts at www.consumer-action.org/modules/module_checking_savings_accounts.

Bank or credit union: You can set up your accounts at a bank or a credit union. Banks are for-profit corporations. They typically offer many branches and automated teller machines (ATMs), 24/7 customer service and a variety of investment products. Credit unions are non-profit cooperatives—in other words, they are owned by their members. They tend to have lower overhead costs because they are exempt from most taxes and do not typically pay huge executive salaries. Members benefit from these savings in the form of lower account service fees, lower interest rates and fees on credit and loans and higher interest rates on deposits. Most credit unions are local and, therefore, tend to offer more personal service. However, they are unlikely to offer as many conveniences as large

banks do. Although credit unions require membership, most consumers can find one or more that they qualify to join based on location, employer, etc. (http://www.mycreditunion.gov/about-credit-unions/pages/how-to-join-a-credit-union.aspx or http://www.asmarterchoice.org). Locally owned and operated "community" banks may also offer some benefits similar to credit unions.

Compare options: Shop around for an account—they're not all the same. For example, one account might be better suited for someone who keeps a high balance and writes many checks, while another might be better suited for someone who keeps a lower balance and writes few checks. Compare monthly and transaction fees, initial deposit and minimum balance requirements, interest rates and other account terms. Compare accounts in your area at www.bankrate.com. Internet banks (no branches) typically offer better interest rates and lower fees, but they are not right for consumers who want to visit a teller.

Account opening requirements: Most financial institutions require two pieces of ID to open an account, one with a picture on it. If you are a non-citizen and non-permanent resident who is opening only a non-interest-bearing checking account, the financial institution might accept a consular ID card or non-U.S. passport. If you want to open an interest-bearing (savings) account but you don't have a Social Security number, you'll need an Individual Taxpayer Identification Number (ITIN). If one bank is not satisfied with your ID, try another one—requirements vary. If you are denied an account, ask why. It may be because your name is in the ChexSystems database, which collects information about mishandled checking and savings accounts and reports it to banks that request the information when evaluating an account applicant. You have the right to one free copy of your ChexSystems report each year or whenever your account application is rejected. Request yours at www.consumerdebit.com or call 800-428-9623.

Direct participants to take the Checking and Savings Account Comparison Worksheet from their packets. Go over the various costs and features that consumers should compare when shopping for a checking account.

➡SLIDE #9

Go over slide notes.

Slide notes:

Checking account deposits: When you open a checking account, you are given an account number. This allows you to deposit money into your account. You can do this through direct deposit; by check in the mail or via smartphone app (photo); using cash or checks at an ATM or with a teller; or through an electronic funds transfer (from your savings account, for example). Direct deposit of your paycheck or government benefits payment is the easiest, fastest and safest way to deposit your income—and direct deposit often qualifies you for free checking.

Accessing account funds: To get cash from your account, you can write a check made out to yourself and take it to a teller; use your debit card and personal identification number (PIN) to make a cash withdrawal at an automated teller machine (ATM) or inside a branch; or use your card with PIN to get "cash back" when making a purchase at a business, such as a grocery store, that has a "point-of-sale" (POS) machine. You can also spend the money in your account by writing checks,

using your debit card wherever credit cards are accepted, or by paying bills or transferring funds online or by telephone.

Check-writing tips: Always use a pen (not a pencil); never have your Social Security number or driver's license number printed on your checks; don't make a check payable to "Cash" unless you are in the presence of a teller because, if lost, anyone who found it could cash it; never sign a blank check.

➡SLIDE #10

Go over slide notes.

Slide notes;

Debit card purchases: A debit card with a Visa or MasterCard logo can be used to make purchases anywhere those cards are accepted. However, a debit card is not a credit card. The cash you withdraw at the ATM and the money you spend with the card will be deducted directly from your account.

Getting cash: You can use your debit card with your personal identification number (PIN) to make cash withdrawals at an automated teller machine (ATM) or inside a branch. You can also use it to request "cash back" when you make a purchase at businesses such as grocery stores that have a "point-of-sale" (POS) machine (where you slide or insert your card). You can use either your PIN (called a "debit" transaction) or your signature (called a "credit" transaction, even though the money comes right out of your account). There are pros and cons to each option. Generally, signature transactions offer greater consumer protections, but you'll want to understand your bank's policies and if there is a fee associated with either transaction type.

Liability for unauthorized use: Your liability for transactions made with your lost or stolen debit card is only $50 if you report the loss within two business days of the time you become aware that it's missing. If you bring the unauthorized transactions to the bank's notice after two days but within 60 days of the statement date, your losses will be limited to $500, no matter how much money was stolen. But, you could lose all the money in your account and the unused portion of your overdraft line of credit if you fail to report an unauthorized transaction within 60 days. Sometimes it's safer to use a credit card (if you have the option), which limits your liability for unauthorized transactions to $50 no matter when you report them. Whenever possible, use a credit card when making online purchases or when buying big-ticket items (credit cards provide dispute rights if anything goes wrong).

Temporary funds hold: When you use your debit card in situations where the final transaction amount is unknown—such as at hotels, gas stations or restaurants—the business can ask your bank to place a hold on some of the funds in your checking account. This is done to ensure that you have enough to cover the final bill when it is eventually processed. No money leaves your account until the purchase clears, but the hold is active until the transaction is settled, which could take one or more days. While the hold is in place, your available balance is reduced by that amount, which could cause checks you've written to bounce if you haven't planned ahead. If you're concerned about a hold on your money, ask the merchant what its policy is before presenting your card. At the

pump, selecting the “debit” (PIN) option could allow you to avoid a hold and have just the amount you’ve spent debited from your account.

Optional activity: Checking account owners must be very careful to track their account activity to catch bank errors, avoid overdrawing their account, know if a check hasn’t been cashed, etc. This is typically done with a “check register.” This exercise is designed to give participants the opportunity to try using a check register if they have not done so before. If you choose to do this exercise, you can copy and paste the correctly completed check register, found in the answer key, into a slide for display. **If you will be doing the exercise, direct participants** to take the Using a Check Register activity from their packets and have the class complete the exercise individually or in a group. After a few minutes, ask for a volunteer to reveal what the final balance should be? After taking one or more answers, reveal the slide showing the correctly completed register and refer to the answer key.

BUDGETING AND SAVING (25 minutes)

Learning objective: Understand what a budget (or spending plan) is, how it can enable you to achieve your financial goals, and how to create and update your own realistic spending plan.

Key points (slides 11-13):

- A budget, or spending plan, is a vital tool for every individual and household because it ensures your spending is consistent with your priorities.
- “Savings” should be a fixed monthly expense, and building up an emergency fund should be a top priority.
- A budget is a living document—it needs to be adjusted as income, expenses and goals change.

Questions to generate discussion:

- Do you have a written budget? Why or why not? In what specific areas do you think a budget could help you, personally (e.g., get you to save more, help you manage daily spending on drinks and food, enable you to see where you’re frittering away your money)?

➡SLIDE #11

Introduction: Many people avoid creating a budget because they equate budgeting with going on a diet—a spending diet. A budget, like a diet, can be hard to stick to if you look at it as something that keeps you from having any fun or enjoyment. But, if you think of a budget as a “spending plan” instead, it might be easier to follow. Why? Because a plan is a conscious effort to achieve a desired goal. In the case of a spending plan, your goal is to spend your money on what is most important to you and not to waste it on things that don’t give you much satisfaction.

Go over slide notes.

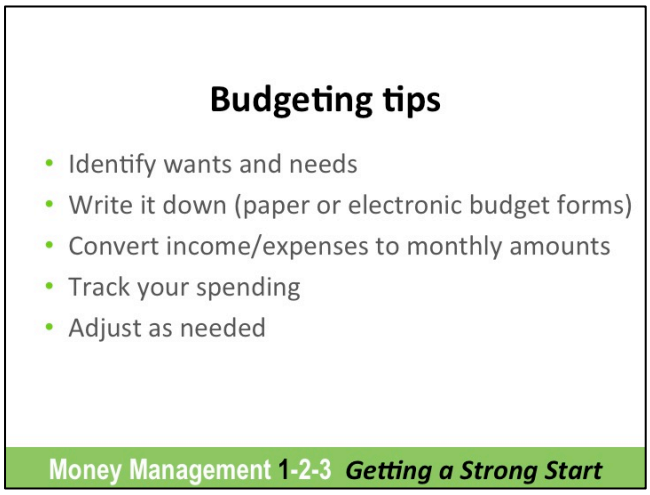
Slide notes:

Setting priorities: A budget, or spending plan, is a way of prioritizing how you use your income. It allows you to pay for necessities (rent, utilities, insurance, student loans, etc.), control non-essential spending (workday lunches, to-go coffee drinks, etc.), save to achieve your goals (an emergency fund, a downpayment, etc.) and make room for some discretionary spending (vacations, entertainment, etc.). If you only save when there's money leftover at the end of the month, you will rarely, if ever, achieve your financial goals. Make your savings deposit a bill you must pay every month, before you spend any money on discretionary budget items. An emergency fund (enough money to cover three to six months of essential expenses) should be the top savings priority for anyone who doesn't already have one.

Balancing y our budget: A budget doesn't always balance (or "zero out") without some adjustments. To balance your budget, make cuts in spending, increase your income or do a combination of both. A reputable, non-profit credit counseling agency (www.nfcc.org or 800-388-2227) can help you design a manageable budget, tell you how your spending compares to that of other similar households, give tips for cutting expenses and/or increasing income, and offer information and options if you are having difficulty paying your debts.

➡SLIDE #12

Go over slide notes.



Slide notes:

Wants vs. needs: Needs, or "essential" expenses, are things you can't live without (housing, electricity, food, etc.). Wants, or "non-essential" or "discretionary" expenses, are things you *can* live without (restaurant meals, jewelry, an expensive car, etc.). Sometimes the distinction is not so clear-cut. For example, a car might be a necessity for you to get to work, but a fancy sports car is not. Food is a necessity, but daily take-out lunches are not. Clothing is a necessity, but another pair of designer boots is not. Make savings a fixed, essential expense. In other words, enter this amount into your budget before allocating money to discretionary spending.

Write it down: A budget doesn't work if it's just in your head. Use either paper or electronic forms to create and update your budget. Many forms are available online (at www.huffingtonpost.com/bot-lotich/5-household-budget-templa_b_5696244.html, for example, or from a credit counseling agency website). Paper forms can be printed out or requested from a credit counseling agency.

Convert: Your budget should be based on monthly amounts, which means you'll need to convert certain income and expenses. For example, divide annual income (such as a tax refund or bonus)

and expenses (such as property taxes or magazine subscriptions) by 12 to get the monthly amount. Do the same for any other income and expenses that you don't receive or pay monthly.

Track: To determine how much you really spend, track your daily spending for a month. To track your spending, use a small notebook, an envelope to collect receipts, an online form or software, or the Fritter Finder provided in your packet. (Make copies of the blank sheet, cut down the middle to create two forms, and carry one with you to track money you fritter away during the day on things like coffee and snacks.)

Adjust: Your budget isn't set in stone—adjust it as needed to align your income, expenses and goals. (The advantage of electronic/online budgets is that you can quickly and easily make adjustments without starting over, and can even experiment with different scenarios.)

Direct participants to the Fritter Finder worksheet in their packets. Explain that they can make copies of the blank sheet, then cut each sheet in half down the middle and carry a Fritter Finder with them to track all their miscellaneous expenses, from the morning coffee to the evening snack.

Direct participants to take the fictional budget sheet (Help Max Create a Realistic Budget) from their packets. Read Max's profile (directly beneath the budget) to the class. Allow participants some time to answer the questions that appear at the bottom of the sheet. (This exercise can be done individually, or you can break the class into small groups to work on it together.) Ask for volunteers to answer the questions (refer to the answer key).

Direct participants to remove the blank take-home budget worksheet from their packets. Encourage them to use this worksheet or, preferably, an online worksheet to create and update their own budget. (Participants can make copies of the blank worksheet to revise and update their budget over time if they prefer to use a handwritten form to an online one.)

Here are some questions to guide discussion:

- *Do you think this budget worksheet is detailed enough to be a good tool?*
- *What might be some "other" categories that you would add?* (Examples include: estimated quarterly taxes, personal loan payments to a friend or family member or union dues.)
- *Do you think that having a budget that allocates every dollar you earn would feel restrictive, or would it make you feel like you were gaining more control over your money?*
- *What would your options be if you had a negative bottom line?* (A: Increase income or reduce expenses.) *What would be some smart ways to use a surplus (money left over)?* (A: You could use the extra funds to pay down debt more aggressively or put more money into savings.)
- *What are some ways to reduce expenses or increase income?* (Refer to this section of the trainer's manual for a list of some ways to cut expenses and increase income.)

➡SLIDE #13

Go over slide notes.

Slide notes:

Segregate savings: The best way to avoid spending your savings is to not make the money easily accessible. Keep your savings in a separate account from your spending money—not in your checking account. In most cases, savings accounts are FDIC- or NCUSIF-insured up to $250,000 in case the financial institution fails, and they pay interest (credit unions call it "dividends"). You can have separate savings accounts for each major goal (choose accounts that don't charge a monthly fee), and set up automatic deposits/transfers from your checking account on the day you choose (payday, for example). Access your money via in-person withdrawals, debit card transactions and online transfers. ***Note:*** If you are on public assistance, there may be limits to how much you are allowed to have in your savings account(s). Check with your benefits counselor.

Compare accounts: When shopping around for an account, compare fees, balance requirements and interest rates. Since interest rates on savings accounts are very low, the priority should be to avoid account fees. The Bankrate (www.bankrate.com) and NerdWallet (www.nerdwallet.com) websites can help you compare fees and interest rates.

Linking accounts: Linking your savings account to your checking account has pros and cons: On the one hand, your savings account may serve as a less expensive overdraft protection plan (money can be transferred to checking when necessary). On the other hand, it makes it easier and more tempting to tap the money to cover routine expenses or impulse purchases.

IDAs: Individual development accounts (IDAs) are sponsored savings accounts that help low-income families save money to pay for post-secondary education or job training, buy a home or start their own business. Contributions are matched by private and public institutions. Most participants in IDAs also take part in mandatory money management classes. Visit http://cfed.org/programs/idas/directory_search/ to find local IDA programs. There may be other sponsored savings programs—ask your community bank or credit union.

Note: Additional savings vehicles, as well as investing options, will be discussed in part two of the MM123 module.

ESTABLISHING AND BUILDING GOOD CREDIT (30 minutes)

Learning objective: Understand why good credit is important, how to establish credit and manage it wisely, why you should monitor your credit reports and score and what types of loans you should avoid.

Key points (slides 14-21):

- Building good credit is worthwhile because it can help you achieve many of your goals throughout your lifetime.
- Bad credit can cost you in the form of higher interest rates, lost opportunities and inconveniences.
- There are specific steps you can take to establish credit and increase your credit score.
- There are different types of credit—some are better suited than others for certain uses.

- Though there are many credit/loan products available to consumers with bad credit, many are bad for your financial wellbeing and should be avoided.
- Shopping around for financing can result in better interest rates, which can save you significant money over the life of the loan.

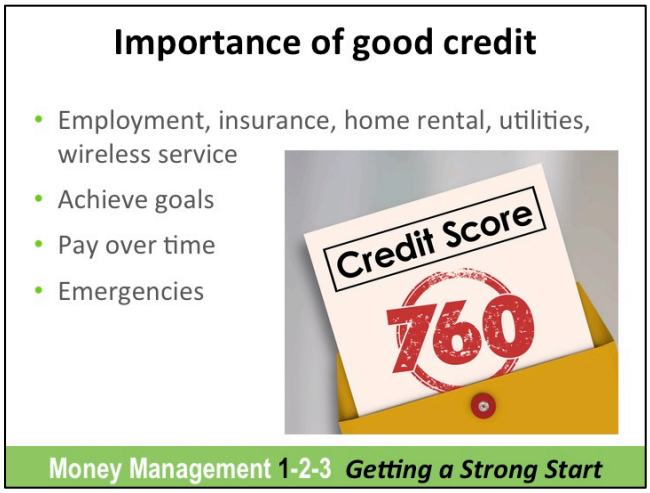
Questions to generate discussion:

- In what specific ways has having good credit helped you? What could you *not* have achieved without your good credit?
- Why do you think payday loans, auto title loans, subprime loans, etc. are often referred to as "wealth-stripping" financial products?

➡SLIDE #14

Introduction: What is credit? Credit is the opportunity to buy something today and not have to pay for it until later. These days, though, having good credit is important for reasons other than being able to pay for purchases over time. Good credit has become a necessary financial tool that everyone should make an effort to have.

Go over slide notes.



Slide notes:

App approval: Many businesses besides lenders (including employers, insurance companies, landlords, and utility and telecommunications service providers) check applicants' credit reports before making a decision to do business with them. Establishing credit and building a good credit history makes it easier to have your application approved.

Financial goals: Few people can pay for a home without a mortgage or finance a business or education entirely out of pocket, so having access to credit is an important goal in and of itself.

Pay over time: While it's not a good idea to purchase consumer goods, restaurant meals, vacations, etc. with credit and pay for them over time, sometimes there is an immediate need or an excellent opportunity that you couldn't respond to without the option to make payments.

Emergencies: Even if you have the money to pay for an emergency expense, being able to put it on a credit card can be a huge convenience and offer important consumer protections. (For example, if your car broke down on the road far from home, you most likely wouldn't be carrying the cash to have it repaired—this is when a credit card comes in handy.)

➡SLIDE #15

Go over slide notes.

Financial cost of bad credit

48-month car loan of $20,000

Credit score:	650	725
Interest rate:	9.364%	3.26%
Monthly payment:	$501	$445
Total interest paid:	$4,056	$1,359

Cost of a low credit score: $2,697 (almost $700 per year additional interest!)

Source: http://www.myfico.com/crediteducation/calculators/loanrates.aspx. Scoring is on a scale of 300 to 850.

Money Management 1-2-3 ***Getting a Strong Start***

Slide notes:

Importance of good credit: Without a good credit history, it can be difficult to buy or rent a home, start a business, get insurance, set up utility service, borrow money or even get a cell phone. Some employers reject job applicants with bad credit. If you do manage to get credit without a good credit history, you will pay more for it (higher interest rate).

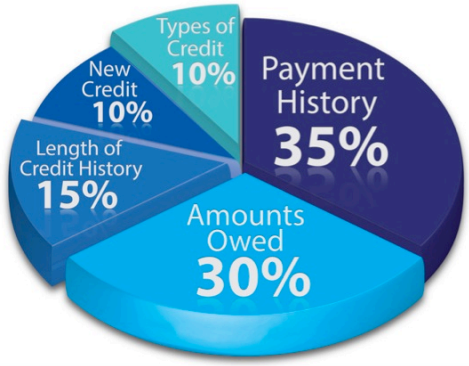
Credit score: Your credit score is a three-digit number that reflects the information in your credit report. It is supposed to tell lenders how likely you are to repay money you've borrowed. The higher your credit score, the lower a risk you are perceived to be by the lender, and the lower your interest rate. Even a small difference in the rate on an auto or home loan can mean a savings of hundreds or thousands of dollars in finance charges over the life of the loan. (*Note:* The average consumer has many different credit scores. This is partly because there are three different credit bureaus (Equifax, Experian and TransUnion), and each one is likely to have slightly different data on any consumer. There are also many different scoring models, used by different businesses for different purposes. However, someone with good credit according to one credit bureau or scoring model should have good credit across the board. Likewise, someone with a low credit score according to one source is likely to have low scores from all sources.)

Slide example: Note that the first borrower must pay an interest rate nearly triple what the second borrower has to pay, and his monthly payment is $56 higher. A good credit score not only qualifies you for more credit, it makes it possible for you to pay less for the money you borrow.

➡SLIDE #16

Go over slide notes.

FICO score calculation



Money Management 1-2-3 ***Getting a Strong Start***

Slide notes:

These are the five categories of information that your FICO credit score—the most widely used credit scoring system—takes into account. The percentages are based on the importance of the five categories for the *general population*. But the exact weight of these categories in the calculation of any individual's score may be different depending on their credit history (i.e., for some people, one factor may have a larger impact that it would for someone with a much different credit history). Information about how your credit score is calculated is useful to help you maintain your good credit going forward.

- Payment history (35%): whether or not you've paid your bills on time in the past
- Amounts owed (30%): the total amount of money you have borrowed as compared to the total amount you are allowed to borrow (credit utilization)
- Length of credit history (15%): how long you've had your accounts (the longer, the better)

- Types of credit (10%): the mix of credit accounts, such as mortgages, retail accounts and credit cards (experience managing both revolving credit and installment loan accounts well can raise your score)
- New credit (10%): multiple recently opened accounts represent higher risk

Source: http://www.myfico.com/crediteducation/whatsinyourscore.aspx

On a credit scoring scale where the range runs from 300 to 850, you can generally assume the following:

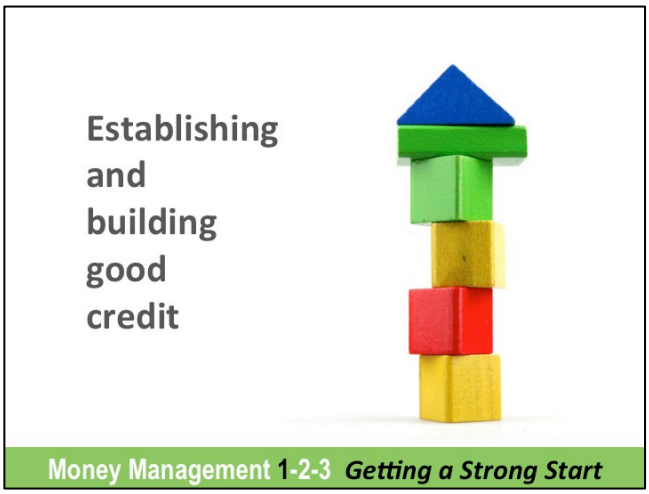
- Excellent credit = 750+
- Good credit = 700-749
- Fair credit = 650-699
- Poor credit = 600-649
- Bad credit = below 600

Source: http://www.credit.com/credit-scores/what-is-a-bad-credit-score/

➡SLIDE #17

Ask: "What are some specific ways you can establish and build good credit?" Write participants' answers on your whiteboard or pad.

Go over slide notes, pointing out those strategies that participants mentioned.



Slide notes:

In order to build a positive credit history, you must first obtain credit. Some ways to do that:

Open a credit account. It might be easier to get credit through a small local bank or a credit union, or to get a department store card or gas card rather than a Visa, MasterCard, American Express or Discover card.

Become an authorized user on someone else's account—but only if they have good credit. If they're concerned you might rack up debt in their name, you could offer not to have the account information/card in your possession.

Have someone cosign a loan or credit line for you. However, if you don't make payments as promised, your cosigner's credit will be damaged and he or she will be responsible for the debt.

Get a secured credit card, which requires you to put down a cash deposit that serves as collateral for the small credit line until the card company upgrades you to a traditional "unsecured" card (if you have paid your bills on time) and refunds the deposit.

Report your own recurring non-credit payments such as rent and/or utilities to reporting services that track this information for those who have not yet established credit, or ask those you make payments to if they can report on your behalf. (If you rent your home or apartment, you may be able to report rental payments to the bureaus using new online services such as RentTrack.com. There

is a small fee.)

Repair past-due accounts and/or correct inaccurate information in your credit reports. (Get your free credit reports once every 12 months at www.annualcreditreport.com.)

Ask your bank or credit union about products (such as credit-builder loans) or suggestions for establishing credit.

Learn more about establishing credit at www.consumer-action.org/english/articles/credit_scores_in_the_us.

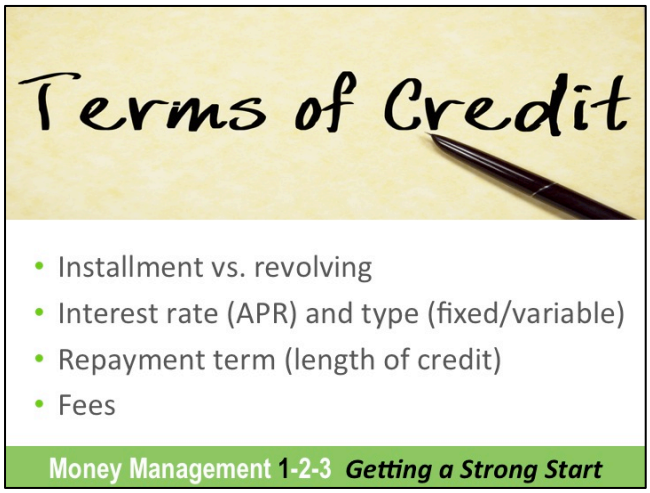
Here are some tips for managing your credit so that it works *for* you rather than *against* you:

- Make at least the required minimum payment by the due date. Pay more than the minimum whenever possible.
- Pay your balance in full as soon as possible. This not only helps you avoid interest charges, it reduces the percentage of available credit used, which improves your credit score. Make a point of not using more than 30 percent of each credit line. (Example: It's better to use $500 on each of two credit lines with limits of $1,000 than to use the entire $1,000 limit on one credit line.)
- Don't accumulate debt. The more debt you carry, the riskier you look to lenders, and the lower your credit score.
- Don't apply for credit you don't need unless you are trying to establish credit.
- Contact a credit counselor if you're having money troubles (www.nfcc.org). A non-profit credit counseling agency can help you revise your budget, get out of debt and understand your rights.

Direct participants to the Credit Card Comparison Worksheet. Briefly go over the list of terms. If you need help explaining any of the terms, refer to the Consumer Action publication Credit Cards: What you Need to Know, available in print, online or as a PDF download at www.consumer-action.org/english/articles/credit_cards_what_you_need_to_know; the Consumer Action publication Paying with Plastic, at www.consumer-action.org/english/articles/paying_with_plastic; or the Consumer Action/Visa financial literacy website KnowYourCard.org.

➡SLIDE #18

Go over slide notes.



Slide notes:

Installment vs. revolving credit:

Installment credit:

- You borrow a pre-determined amount, which typically is the amount of the purchase. Car loans, mortgages and student loans are a few examples of installment credit.
- In many cases (car loans, for example), the loan is *secured* by the property or item you purchase with the borrowed money, which means that if you *default* on the loan (don't pay as agreed), the lender may have the right to repossess the property or item

you financed. (In the case of a home, repossession is known as foreclosure.) Not all installment credit is secured; student loans are an example of unsecured installment credit.

- You make the same monthly payment throughout the life of the loan until it is paid off, regardless of a decreasing balance. Once you reach a zero balance, the account is closed.

Revolving credit:

- The lender approves you for a credit limit based on factors such as your credit score. Credit cards, home equity lines of credit (HELOCs), gas cards and department store cards are widely used types of revolving credit.
- You can use the credit line up to the assigned limit. Your available credit is the unused portion of that. Your payments will fluctuate based on the outstanding balance and the interest rate, which typically fluctuates. You only pay interest on the outstanding balance.
- You have the option to pay your outstanding balance off at any time, thereby avoiding finance charges. If you can't afford to pay it off, you can pay just a portion each month (at least the required "minimum payment"). A zero balance does not close the account.

Interest: Interest is what you pay someone to use their money. It is expressed as a percentage of the loan amount. The annual percentage rate (APR) takes into account certain loan fees (such as "points" paid on a home equity loan). Interest can be fixed (the rate stays the same throughout the life of the loan) or variable (the rate fluctuates based on economic conditions). It is very important to know what interest rate you are being charged, what the true cost of the loan is (APR) and whether it (and your payments) can fluctuate before you accept the credit offer.

Repayment term: The "term" is the period over which you are expected to repay an installment loan. The longer the term, the lower the monthly payments, but the more total interest you will pay over the life of the loan.

Fees: Fees can include things like an application fee, a credit report fee and an annual fee (typical on some "charge" cards, such as American Express). It's important to know exactly what fees will be charged, as well as the interest rate, so that you can make an apples-to-apples comparison of credit options.

➡SLIDE #19

Ask: "What do you think the biggest advantages of having a credit card are?" Write answers on your whiteboard or pad. **Then ask:** "Are there any disadvantages, or risks, associated with credit cards?"

Ask: "Can you think of any alternatives to credit cards (i.e., other types of "plastic")?"

Go over slide notes, noting where participants' answers matched.

Slide notes:

Credit cards: Obtaining and managing a credit card responsibly is one way to help you establish and build a good credit history. Credit cards also have several advantages of other types of "plastic," including that they:

- Are widely accepted and safer than carrying cash
- Provide the best protection against fraud, unsatisfactory/undelivered merchandise and billing errors
- Make it possible to shop online, buy airline tickets, rent a car, reserve a hotel room and use peer-to-peer services such as Uber
- Function as an interest-free loan if you pay your balance in full when the bill is due and have not carried a balance over from the previous month (grace period)
- Make it easier to deal with some emergencies
- May offer rebates/rewards

Credit cards also carry some risks, including that they:

- May encourage you to spend more than you can afford
- Make purchases more expensive if you accrue interest charges
- Are a relatively expensive form of credit (high interest rates, fees on cash advances, etc.)
- Have the potential to redirect future income away from savings and into debt payments—in some cases, indefinitely
- Could lead to judgments, wage garnishment or bankruptcy if you cannot pay the monthly bills

Debit cards: A debit card tied to your checking account is another payment option, though it won't help you establish or build credit. Debit cards offer some advantages over credit cards, including providing access to a "plastic" payment option if you can't obtain a credit card, preventing you from accumulating debt and allowing you to take cash out of your account with no fees (if you use a network ATM or the cash-back option with a merchant) or interest charges. However, a debit card does not allow you to spend more than you have in your account (to cover an emergency, for example) unless you overdraw the account, which can result in high fees; is not as safe as a credit card in the case of fraudulent use or unsatisfactory/damaged/undelivered merchandise, and could result in your account being temporarily drained by someone who finds or steals your card; and may result in greater difficulty returning purchases and getting a refund since a debit card transaction is treated as a cash transaction.

Prepaid cards: A prepaid card is easy to get—generally speaking, if you have the money to load onto the card, you can get one—and offers the convenience of plastic (ability to shop online, etc.) even if you can't get (or don't want) a credit card and/or checking account (debit card). It also prevents you from accumulating debt (since, in most cases, you can only spend up to the card balance), and may offer some protections against loss or unauthorized use. However, a prepaid card won't help you to establish or build credit the way a credit card will, it will typically impose much higher fees than a checking account debit card does, and it may leave you helpless if you have an emergency expense that exceeds the balance on the card.

Tips:

- Try not to use credit to purchase everyday items such as groceries and gas, and save up for purchases to avoid long-term debt at high interest rates.
- Use your debit card to get cash. Most, if not all, credit cards impose a transaction fee for cash advances. Plus, interest starts accruing immediately—there's no grace period on cash advances.
- Make at least the minimum required payment on your credit card by the due date each month. A penalty interest rate can be assessed if you don't (including if your payment "bounces"). It can be significantly higher than your regular interest rate and can last six months or longer.
- Do not opt in to over-limit transactions on any type of payment card. If you do, you will be allowed to exceed your credit limit or the balance in your account, and will be charged a fee.
- Pay your credit card balance in full as soon as possible to avoid finance charges and be able to focus on saving rather than managing debt.

Direct participants to remove the Sample Credit Card Statement and the Understand Your Credit Card Statement activity from their packets.

Explain that, as a cardholder, you will receive a monthly billing statement. It's important to review your credit card statement carefully every month. Not all card statements will look exactly like this, but they will all contain these key pieces of information. Let's see how well you can find your way around a credit card statement.

Allow participants a few minutes to answer the questions about Sara and Luis' credit card statement.

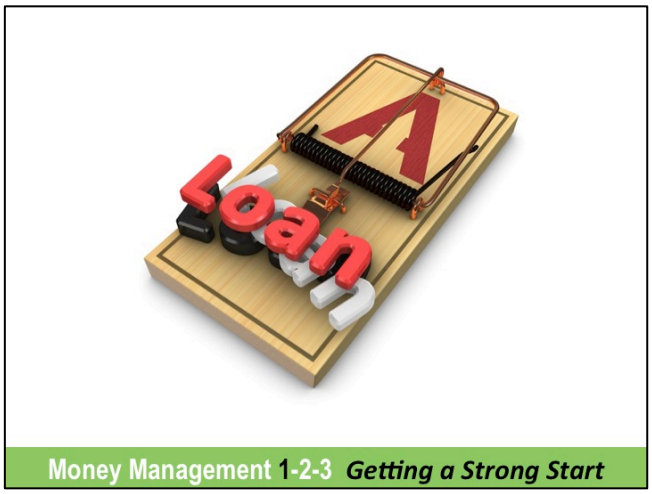
Ask for volunteers to answer the questions (refer to answer key).

For discussion:

- Why is it important to review your credit card, charge card or debit card (checking account) monthly statement? To make sure payments and credits have been posted; to check for errors in charges and fees; and to look for fraudulent charges, charges for merchandise you didn't accept or charges for an item or service that was not delivered.
- Would it be worth it to you to cut expenses elsewhere to pay an extra $18 per month if it meant you would get out of debt in three years instead of 16, and that you would save nearly $2,500 in interest?

➡SLIDE #20

Go over slide notes.



Slide notes:

Some loan products are a bad deal for borrowers. They typically have consumer-unfriendly terms, such as exorbitant interest rates, very high fees, unaffordable payments, and/or repossession of property put up as collateral that is worth far more than the credit extended. These types of loans are often described as wealth-stripping because consumers who use them pay an inordinately high proportion of their income on fees and finance charges, and risk losing their only assets if they use them as collateral. Because the loans are often granted without regard to the borrower's ability to repay and are readily refinanced along with additional fees, they tend to facilitate a cycle of increasing indebtedness that is difficult or impossible to break.

Tax refund loans: Products that allow you to get your tax refund early typically charge steep fees when calculated as an annual percentage rate—and only get you your refund a week or so earlier than you would receive it from the IRS if you e-file your return.

Payday loans: These small-dollar loans typically must be repaid the next payday via a post-dated check or bank account debit authorization that includes principal, interest and fees. Many borrowers must refinance the loan one or more times, incurring more fees and interest and making it increasingly difficult to pay off the debt and end the cycle.

Vehicle title loans: Auto title loans require you to give the lender the title to your vehicle. If you can't repay the loan, including fees and interest, by the due date, you must renew the loan, if that is an option, or forfeit the collateral (vehicle). Typically, the collateral for a vehicle title or pawnshop loan is worth much more than the amount of the loan, resulting in a very damaging loss if you can't make the payments as agreed.

Pawn shop loans: These are similar to vehicle title loans, except the collateral—typically assets such as jewelry, electronics, computers, musical instruments and family heirlooms—is different, and you don't get to keep using it while the loan is outstanding. If the loan is not repaid, the lender can sell your personal property.

Subprime auto loans: Subprime loans can come from an independent lender or from the auto seller. Regardless of the source, these loans have very high interest rates. In the case of "Buy here, pay here" car lots, the unaffordable loans often result in repossession of the financed vehicle.

Mortgages w/balloon or interest-only payments: A balloon payment is a lump-sum pay-off of the remaining loan balance. Some loans are designed to require a balloon payment after a few years of interest-only payments. If you can't come up with the single, large sum when it's due, the lender will most likely foreclose on the property (take your home). Interest-only payments are risky because you don't make any headway on the principal (amount you borrowed) for the first few years of the loan, and then you are required to either start making larger monthly payments (that include some principal), which might be unaffordable for you, or pay off the balance (balloon payment). If you're home hasn't appreciated during your interest-only payments, you will not be able to sell it or refinance it to pay off the loan.

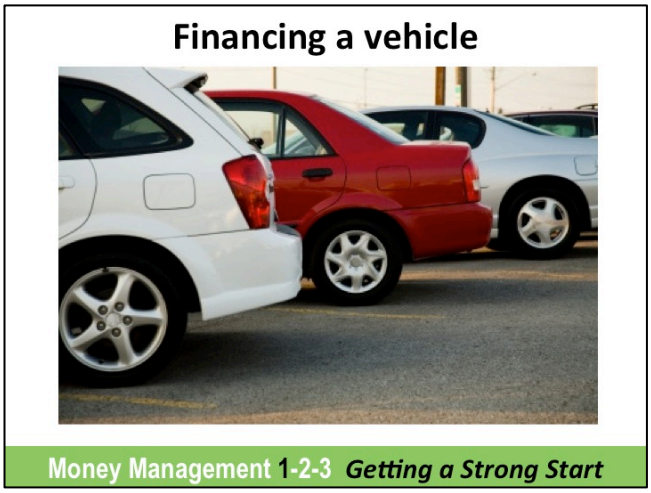
Learn more in these online articles:

- http://money.usnews.com/money/personal-finance/articles/2014/07/15/5-types-of-bad-credit-loans-to-avoid
- https://blog.creditkarma.com/debt/loans/3-risky-loans-and-how-to-avoid-them/
- http://wallethub.com/edu/types-of-mortgages/833/

➡SLIDE #21

Introduction: For many people, a car is a necessity because it is the only way they can get to work, school, medical appointments or other important places. It is also a purchase that many people can't make without financing. Desperation and a negative—or no—credit history can often lead buyers to accept bad auto loans—those with high interest rates and difficult terms. You can avoid a bad deal by understanding what to look for when financing a car and ways to buy a vehicle even if you don't have a great credit score.

Go over slide notes.



Slide notes:

Because a car is such a large purchase, it's important to understand your financing options, how to comparison shop and how to avoid an unaffordable loan or one with consumer-unfriendly terms.

Loan sources: Car loans come from a variety of sources: credit unions, banks, online direct lenders, auto finance companies and brokers, and auto manufacturers (through "dealer financing"). The rates and terms you get from each of these sources can vary widely, so you should determine your options before you ever walk onto a car lot. Thaway you can compare other loans to the one the dealer offers you and make the best choice. When deciding whether to give you a loan, any source will check your credit score. The three major credit reporting agencies—Equifax, Experian and TransUnion—charge a fee for your credit score, but you can get it for free at Credit Karma website. Paying for your credit score at myFICO website will give you access to the actual score that auto lenders use to vet customers. In most cases, people with a credit score above about 620 have good credit, and consumers with scores above 700 or 720 are considered "prime" borrowers. Those with scores below 550 may have trouble getting a loan at all. If you haven't pulled your free annual credit reports within the past 12 months at AnnualCreditReport.com, get at least one of them right away to make sure there are no errors or outdated items that could result in a lower score. If you know what's on your credit report, you'll be on guard for unscrupulous dealers claiming your credit is poor just to justify a higher interest rate.

Interest rates: Check the weekly interest rate roundup on the Bankrate.com website to find national averages on auto loan rates. It's a good idea to get preapproved for a loan from a non-dealer source—credit union, bank, etc.—before visiting a dealership. Dealers often advertise 0% and other attractive interest rates. However, only people with the best credit can qualify for the best financing. Interest rates on loans for people with so-so credit can be 60 percent higher than the rates available to people with excellent credit. People with poor credit may be asked to pay a rate that is two to four times higher. They may also be required to have a co-signer—someone with a good credit history

who is willing to be responsible for repaying the loan without having ownership of the car (unless buyer and co-signer agree to put the co-signer on the title).

Loan term (length): The time you can take to pay back a car loan (the term) varies—usually you can choose terms of 36 months (three years), 48 months (four years) or 60 months (five years). In recent years, term options have continued to increase, so that now loans of six years are common, and some are even longer than that. You can lower your monthly payments by choosing a longer loan period. However, the longer the term, the higher the total interest you will pay over the life of the loan. Also, when you have a very long loan term, you risk the chance of still owing on your current car when you are ready to purchase your next one.

What you can afford: Free online calculators can help you determine how much you can afford to borrow and how different interest rates and loan terms will affect your monthly payment. Go to www.Bankrate.com and click on the Auto tab near the top of the page—then scroll down to Auto Loan Calculator. Principal Financial Services (https://www.Principal.com/planning-tools-calculators) also has a good selection of interactive calculators on its site. It is easy to be tempted by a shiny car and a smooth-talking dealer, so set your budget before you start shopping—and stick to it.

What to avoid: 1) Most auto finance companies that work with dealers let them mark up the interest rate to the consumer and keep the difference or a portion of it. The best way to avoid a dealer markup is to determine your credit rating and what interest rates you would qualify for with an online lender, bank or credit union before visiting dealerships. Armed with this knowledge, you will be in a stronger position to negotiate the best deal (the markup is negotiable). 2) Some dealers allow you to drive off the lot in your new car without the financing being fully approved. They then call you back and say that your loan was denied at the quoted rate and you'll need to either pay a higher rate or bring the car back (if you won't pay the new rate or your loan application was rejected entirely). To avoid this, make sure your financing has been fully approved before signing a contract and leaving with the vehicle. 3) Loan-packing is what it's referred to when a dealer adds "after-market" extras—rustproofing, a security system, VIN etching, gap insurance, tire protection and extended warranties, for example—to increase the cost of the vehicle or the amount of the loan. Although the add-on(s) might increase your monthly payment only a small amount, the total cost over the life of the loan can be much more than the add-on is worth. Only buy what you really need, and ask yourself if the purchase would be as attractive if you had to pay cash for it on the spot. 4) Beware of "Buy here, pay here" auto dealers, who typically sell and finance used autos in-house for consumers with no or poor credit. The interest rates are very high, the terms are sometimes difficult to fulfill and the seller repossesses the vehicle (and resells it) as soon as the borrower defaults. It's best to avoid these dealerships.

Learn more in Consumer Action's Get a Car Loan That's in Your Best Interest (www.consumer-action.org/english/articles/get_a_car_loan_english).

QUESTIONS AND ANSWERS (10 minutes)

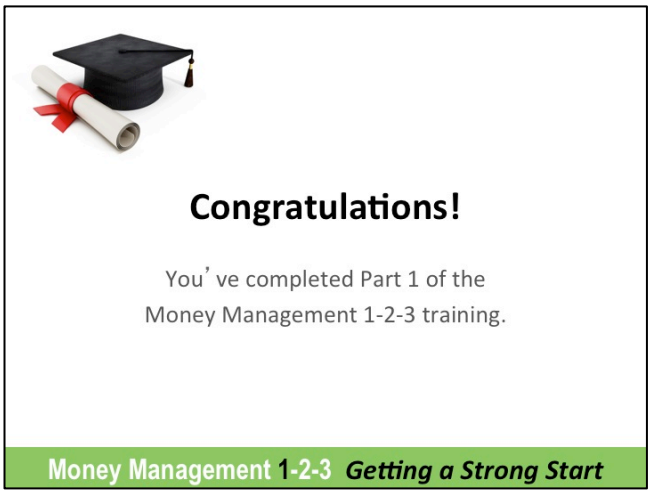
Preparation: Review the Getting a Strong Start brochure and part 1 of the Money Management 1-2-3 trainer's manual (Q&A).

Open the floor to questions.

After questions have been answered, ask participants to remove the To Do at Home: Money Management 1 checklist from their packets. Encourage participants to use the checklist to act on some of the things they have learned today.

Reveal the next slide.

➡SLIDE #22



If you are presenting only part 1 of the Money Management 1-2-3 training today:

Thank participants for attending. Ask them to take a few minutes to fill out the evaluation form that is in their folders and leave it in a large envelope you provide or face down on a table at the front or back of the room. If you will be conducting parts 2 and 3 of the Money Management 1-2-3 training at a future time, announce that now.

If you are presenting all three parts of the Money Management 1-2-3 training today:

Ask participants to take a few minutes to fill out the evaluation form for part one and leave it in a large envelope you provide or face down on a table at the front or back of the room. Instruct them to return for part 2 after the break.

Understanding Your Pay Stub (activity)

Examine this sample pay stub and answer the questions at the bottom of the page.

Best Business, Inc. 123 Prosper Blvd. Mt. Washington, CA 93476	Pay Period: 5/1/2019 – 5/15/2019 Pay Date: 5/20/2019 Check No: 6755 Gross Pay: $1,200.00 Check Amount: $1,012.20		
Rick Reynoso 7890 Long Road Mt. Washington, CA 93476 SS#: XXX-XX-4321 Marital Status: Married Exemptions/Allowances: Federal: 2 CA: 2 Hourly Rate: $15.00 Hours Worked: 80	Pre-tax Deductions	Period	Year-to-Date
	401(k) retirement	$50	$100
	Taxable wages	*$1,150*	*$2,300*
	After-tax Deductions	Period	Year-to-Date
	Federal income tax Social Security tax Medicare tax CA state income tax CA SUI/SDI tax	$27.28 $74.40 $17.40 $5.52 $13.20	$54.56 $158.80 $34.80 $11.04 $26.40

1. *How many times do employees of Best Business, Inc. get paid in one year?*
2. *How long has Rick worked here?*
3. *Why are some of the digits in Rick's Social Security number blocked out?*
4. *Does Rick have children?*
5. *How does having his retirement contribution deducted "pre-tax" help Rick's bottom line?*
6. *What is the largest deduction from Rick's gross pay?*
7. *What is CA SUI/SDI?*
8. *Why do you think there is no deduction for medical insurance?*
9. *How could Rick have less taken out of his check?*

Understanding Your Pay Stub (answer key)

1. *How many times do employees of Best Business, Inc. get paid in one year?*
   A. They get paid 24 times per year—two times per month. If you look at "Pay Period" at the top of the top right-hand box, you see that this pay period is the first half of the month, from 5/1 through 5/15. That means the second half of the month, from the 16th through the last day of the month, is the second pay period.
2. *How long has Rick worked here?*
   A. One month—the year-to-date figures are two times the current pay period figures.
3. *Why are some of the digits in Rick's Social Security number blocked out?*
   A. This is a safety measure to reduce the chance of identity theft. However, the last four digits of a Social Security number often are all that is required to conduct certain transactions, so you still should be careful to keep this information private.
4. *Does Rick have children?*
   A. Probably not, since his pay stub indicates that he is married and is claiming only two allowances—one for himself and one for his wife.
5. *How does having his retirement contribution deducted "pre-tax" help Rick's bottom line?*
   A. Rick is taxed on a lower amount of money—$1,150 instead of $1,200 (gross pay). What that means is that if Rick were in the 24% tax bracket, for example, he would have paid an additional $12 (approximately) in federal income tax on that $50 ($50 x 24% = $12). So, while $50 goes into his retirement account, he really is only missing about $38 from his net pay. Pre-tax deductions make it easy to save more.
6. *What is the largest deduction from Rick's gross pay?*
   A. Social Security tax of $74.40.
7. *What is CA SUI/SDI?*
   A. This is a contribution to California's state unemployment insurance (SUI) and state disability insurance (SDI). Each state is different; other states may or may not collect these or other taxes.
8. *Why do you think there is no deduction for medical insurance?*
   A. Rick's employer may not offer medical insurance, the company may pay the entire premium, or Rick may not be allowed to enroll until he has been on the job a certain amount of time (say, three months).
9. *How could Rick have less taken out of his check for taxes?*
   A. He could increase his allowances from 2. But he should do this only if he has consistently received a tax refund or his situation has changed and he is confident he will not owe tax the next time he files his return.

Checking and Savings Account Comparison Worksheet

Checking Account	#1	#2	#3
Name of financial institution			
Monthly maintenance fee			
Monthly fee waived w/minimum balance or direct deposit?			
Debit card availability (Visa/MasterCard)			
Cost of checks			
Per check fee			
Stop payment fee			
Overdraft fees			
ATM fees			
Other fees/costs			
Online banking/bill pay? Fees?			
Mobile banking?			
Ability to link to savings account/ set up automated transfers			
Text/email alerts available?			
Other features/services			

Savings Account	#1	#2	#3
Name of financial institution			
Monthly maintenance fee			
Balance required to waive fee			
ATM access?			
Automatic transfers available?			
Link to checking account?			
Other fees/costs			
Other features/services			

Using a Check Register (activity)

For each checking account transaction, record the:

- Check number or transaction type
- Date
- Description (for example, the source of a deposit, such as a paycheck or a tax refund, or the recipient of a payment, such as your landlord or cellular phone service provider)
- Amount
- New balance (add to or subtract from the previous balance)
- Be sure to include automated payments, direct deposits, account transfers, and account fees

Number or Code	Date	Transaction Description	Payment, Fee, Withdrawal	Deposit, Credit	✔	Balance

1. Start with a balance of $500.
2. Write a check in the amount of $49.00 to ClearView Cable on 4/14. The check number is 2104.
3. Make an ATM withdrawal of $40 on 4/15. There is a $2 transaction fee for using a non-network automated teller machine.
4. On 4/20, your employer deposits your paycheck in the amount of $765.33.
5. Record an automatic student loan payment of $175 on 4/25.
6. Record a debit card purchase of $38.50 at Shoe Warehouse on 4/27.
7. Transfer $100 to your savings account on 4/30.
8. Record a monthly account maintenance fee of $5.00 on 4/31.

What is your final balance? _____

Using a Check Register (answer key)

Number or Code	Date	Transaction Description	Payment, Fee, Withdrawal	Deposit, Credit	✔	Balance
	4/12	Balance forward				$500.00
2104	4/14	Clearview Cable	49.00			49.00 451.00
ATM	4/15	Cash withdrawal	40.00 + 2.00			42.00 409.00
	4/20	Direct deposit (paycheck)		765.33		765.33 1,174.33
Auto	4/25	Student loan	175.00			175.00 999.33
Debit	4/27	Shoe Warehouse	38.50			38.50 960.83
Online	4/30	Transfer to savings	100.00			100.00 860.83
	4/31	Account fee	5.00			5.00 855.83

Go through each of the register entries. Then ask the following, allowing participants to volunteer answers:

1. What was the account holder's balance on 4/17/16?

A. $409.00—the balance didn't change from what it was on 4/15 until there was a deposit on 4/20.

2. How could the account holder have avoided the $2.00 ATM fee on 4/15/16?

A. There typically is not an ATM fee if you use your own bank's or credit union's machines. Try to plan your ATM visits for a time when you are near a network machine.

3. Why does the student loan payment not include a check number?

A. It is an automatic electronic payment.

4. What might happen if this account holder forgot to record her automatic student loan payment?

A. She might think she still had the $175.00 available in her account to spend, and overdraw her account..

5. How many checks did the accountholder write between 4/12 and 4/31?

A. Just one—check #2104.

6. How many times did she use her debit card?

A. Twice—to get cash on 4/15 and to buy something at Shoe Warehouse on 4/27.

7. What do you think the column with the check mark is for?

A. It's to check off transactions that have been processed by the bank or credit union and are reflected in the balance the institution shows for the account.

8. Why do you think are there no check marks in that column?

A. There are no check marks because the account holder has not reconciled his/her printed or online statement (in other words, has not matched up the transactions recorded in the register with the transactions that have "cleared" the bank).

9. Do you have to wait until you receive your monthly statement to reconcile your account?

A. If you have online access to your checking account, you do not have to wait for your monthly statement—you can log on and check your account activity any time.

Make copies of this blank sheet and cut down center to track spending for two weeks.

Fritter Finder

Carry the Fritter Finder with you and track every penny you spend. Total your spending at the end of the week. Make adjustments in future spending to stay within your budget.

WEEK OF: _____

PURCHASE	AMOUNT
Example: Coffee	$3.25

TOTAL_____

Fritter Finder

Carry the Fritter Finder with you and track every penny you spend. Total your spending at the end of the week. Make adjustments in future spending to stay within your budget.

WEEK OF: _____

PURCHASE	AMOUNT
Example: Coffee	$3.25

TOTAL_____

Help Max Create a Realistic Budget (activity)

Expense Item	Monthly cost	Revised/Recommended
Rent	$650	
Renters insurance	$145	
Gas & electricity	$45	
Water/garbage	$0	
Telephone	$50	
Groceries	$140	
Medical/dental/vision	$30	
Car payment	$250	
Gas	$80	
Auto insurance	$100	
Laundry	$30	
Clothing	$50	
Basic cable	$75	
Internet service	$60	
Dog food	$40	
Cell phone	$65	
Student loans	$180	
Other:		
Other:		
Other:		
Other:		

Max, a recent college graduate, has just started his first full-time job and moved into his own apartment. To help him manage his money, he has created a budget—but there are some problems with it. Help Max stay on track by examining his budget and noting anything that looks inaccurate or appears to be missing from his list of expenses. Where necessary, change Max's numbers (in the Revised/Recommended column), and include missing expenses in rows labeled "Other."

Here are some questions to guide you:

1. *Why is Max's renters insurance premium so high?*
2. *Why is Max's entry for water and garbage $0?*
3. *In which category(ies) does it appear that Max has underestimated his monthly spending?*
4. *Do you see any places where Max may be able to reduce his expenses?*
5. *What categories of spending are obviously missing from Max's list?*
6. *Do you think Max's budget is detailed enough to be a good tool?*

Help Max Create a Realistic Budget (answer key)

1. *Why is Max's renters insurance premium so high?*

   A. Max has neglected to divide the annual premium by 12 to get the monthly amount. This entry should read $15, not $180.

2. *Why is Max's entry for water and garbage $0?*

   A. Since he is renting an apartment, his landlord probably pays for water and garbage for all tenants.

3. *In which category(ies) does it appear that Max has underestimated his monthly spending?*

   A. Max's grocery bill seems low—less than $40 per week—particularly since he has not entered anything for food away from home. He should track all his food expenditures—at the grocery store, restaurants, vending machines, fast food places, etc.—for at least one month to get an accurate figure.

4. *Do you see any places where Max may be able to reduce his expenses?*

   A. Max is currently spending $50 on landline phone service and $65 on cellular phone service. If he feels like he could get by with just a cell phone, he could drop the landline and save $50 per month. Also, he is spending $65 on basic cable and $60 on high-speed internet service. He may be able to find a "bundle" where the cost for cable and internet and landline telephone from a single carrier is less than the combined $175 he is paying now. Or he could get a package with just the cable and internet service if he drops his landline. Max should shop around.

5. *What categories of spending are obviously missing from Max's list?*

   A. As mentioned above, dining out/food away from home is a missing budget item—it's unlikely Max spends nothing on meals or snacks or drinks away from home. Also, Max has a budget item for dog food, so there must be at least occasional vet bills and associated expenses he should budget for. Likewise, Max indicates he has a car (he has entered $250 for a car payment and $80 per month for gas). Accordingly, he must have auto expenses such as registration/tags, repairs, and oil and maintenance. A few other missing budget items that Max most likely spends something on: haircuts, entertainment and gifts. Last but not least, Max should be budgeting a certain amount each month to go into savings to build an emergency fund or work toward other goals.

6. *Do you think Max's budget is detailed enough to be a good tool?*

   A. Max's budget is missing a number of key items, which makes it a less powerful tool than it could be. He should track his expenses as long as possible and add categories as needed.

Budget Worksheet

Category	Expense Item	Current	Goal
Housing	Mortgage/rent		
	2nd mortgage/equity line		
	Condo/HOA dues		
	Maintenance		
	Property taxes		
Utilities/Services	Gas & electric		
	Water		
	Garbage		
	Phone (landline)		
	Cable		
	Internet		
	Cell phone		
Food	Groceries		
	Food at work/school		
	Dining out		
Transportation	Car payment(s)		
	Gas		
	Maintenance/oil/repairs		
	Registration		
	Parking/tolls		
	Public transportation		
Childcare	Daycare/babysitting		
Insurance	Homeowners/renters		
	Health/dental/vision		
	Auto		
	Life		
	Other		
Debt	Student loans		
	Credit cards		
	Previous years' taxes		
Savings	Emergency fund		
	Goals		
Personal	Hair/beauty		
	Clothing		
Other	Alimony/child support		
	Out-of-pocket medical		
	Pet care/food		
	Cigarettes/alcohol		
	Charity		
	Postage/bank fees		
	Vacation/travel		
	Movies/books/entertainment		
	Gifts		
	Laundry		

Total Monthly Income	Total Monthly Expenses	Monthly Shortfall/Overage
$	– (minus) $	= $ (– /+)

Credit Card Comparison Worksheet

Terms & Conditions	Card A	Card B	Card C
Card name/issuer			
Credit limit			
Fixed or variable interest rate			
APR calculation (index + %)			
Interest Rates:			
Purchase APR			
Intro rate/length			
Balance transfer APR			
Intro rate/length			
Cash advance APR			
Penalty/default APR			
Penalty APR terms			
Fees:			
Account opening/Application			
Annual			
Balance transfer			
Cash advance			
Currency conversion			
Late payment			
Over-limit (if opting in)			
Bounced check			
Other fee:			
Other fee:			
Minimum finance charge			
Grace period			
Rewards/benefits			
Rewards/benefits			
Rewards/benefits			

Sample Credit Card Statement

SPEND-EASY CARD

From: **YOUR BANK**

How to reach us:
www.cards.com or
1-800-PLASTIC

Sara & Luis Consumer

Account 5566 7786 9934 5242

Billing Period: Sept 1 – Sept 30

Summary of Account Activity

Previous Balance	$400.00
Payments	$400.00
Other Credits	0.00
Purchases	$672.00
Balance Transfers	0.00
Cash Advances	$250.00
Past Due Amount	0.00
Fees Charged	$32.00
Interest Charged	$3.53
New Balance	$957.53
Credit limit	$1,500.00
Available credit	$542.47
Statement closing date	Sept. 30
Days in billing cycle	30

Payment Information

New Balance	$957.53
Minimum Payment Due	$20.00
Payment Due Date	Oct. 25

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APR may be increased up to the Penalty Rate of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance: For example:

If you make no additional charges using this card and each month you pay…	You will pay off the balance shown on this statement in about…	And you will end up paying an estimated total of…
Only the minimum payment	16 years	$3,808.53 *(interest of $2,851)*
$38	3 years	$1,362.53 *(interest of $405)*

If you would like information about credit counseling services, call 1-866-300-5238.

Activity Detail:

09/01	Online payment		-$400.00
09/01	Sam's Auto Body		$332.00
09/10	Cash advance		$250.00
9/10	Cash advance fee		$15.00
9/15	Pierre Hotel		$340.00
9/15	Foreign currency conversion		$17.00
		Sub Total:	**$954.00**
09/30	Interest charged		$3.53

Account 5566 7786 9934 5242 - Page 1 of 2

Continued on the next page

Finance Charge Information:

	Annual Percentage Rate	Periodic Finance Charge	Days in Billing Cycle	Balance Subject to Finance Charge	Finance Charge
Purchases:	15.02%	0.0412%	30	$0.00	$0.00
Cash Advances:	24.52%	0.0672%	30	$250.00	$3.53
				Total Finance Charge:	**$3.53**

PAYMENT COUPON: Please detach and return with payment in the envelope provided.

Account Number: 5566 7786 9934 5242

New balance:	$957.53
Minimum amount due:	$20.00
Payment due date:	Oct 25
Amount enclosed:	

TO:
YOUR BANK
PO Box 676767
Financeville, NY 11967

Notes:

Source for minimum payment calculations: http://www.federalreserve.gov/creditcardcalculator/

Source for finance charge calculation:
http://www.debtsolution-strategies.com/intcalc.php

Understand Your Credit Card Statement (activity)

Using the sample credit card statement for Sara and Luis Consumer, answer the following questions.

1. How much did Sara and Luis charge over the past month?

2. If Sara and Luis started this billing cycle with a $0 balance, why are they being charged $3.53 in interest? Isn't there a grace period?

3. What is the real, total cost of the cardholders' cash advance?

4. Did Sara and Luis use their card overseas during the past month?

5. How much higher is the cash advance APR than the regular purchase or balance transfer APR?

6. What is the Periodic Finance Charge, and how is it calculated?

7. What will happen if Sara and Luis pay their bill late?

8. If Sara or Luis lost their credit card, how much would they be liable for?

9. How long would it take and how much would it cost for Sara and Luis to pay off their current balance if they only made the minimum payment of $20 per month? What if they increased their monthly payment to $38?

10. If Sara and Luis wanted the convenience of using "plastic," but also wanted to avoid any possibility of getting into debt, what options would they have?

Understand Your Credit Card Statement (answer key)

1. How much did Sara and Luis charge over the past month?

A. $922: $672 in purchases ($332 at Sam's Auto Body and $340 at the Pierre Hotel), and $250 in cash advances.

2. If Sara and Luis started this billing cycle with a $0 balance, why are they being charged $3.53 in interest? Isn't there a grace period?

A. There is no grace period for cash advances. As you can see on the second page, the cardholders are being charged interest for the 21 days since they took the cash advance (9/10-9/30).

3. What is the real, total cost of the cardholders' cash advance?

A. $18.53: $3.53 in interest charges, plus a cash advance fee of $15.00.

4. Did Sara and Luis use their card overseas during the past month?

A. Yes, there is a currency conversion fee of $17 in the transactions list.

5. How much higher is the cash advance APR than the regular purchase or balance transfer APR?

A. 9.5% (24.52 minus 15.02).

6. What is the Periodic Finance Charge, and how is it calculated?

A. It is the amount of interest charged in a particular period of time—in this case, per day. To calculate the interest charge for the cash advance, the card issuer took the annual rate of 24.52% and divided it by 365 days to get .0672%. The issuer then multiplied the $250 cash advance amount by .0672 to get the daily interest charge of 16.8 cents. The issuer then multiplied 16.8 cents by the 21 days since the cash advance was taken (9/10-9/30) to get an interest charge of $3.53.

7. What will happen if Sara and Luis pay their bill late?

A. They will be charged a late fee of $35 and their interest rate may jump to 29.99%.

8. If Sara or Luis lost their credit card, how much would they be liable for?

A. The maximum amount a cardholder is liable for, *if s/he notifies the credit card company immediately* that the card was lost or stolen, is $50.

9. How long would it take and how much would it cost for Sara and Luis to pay off their current balance if they made only the minimum payment of $20 per month? What if they increased their monthly payment to $38?

A. It would take 16 years and cost a total of $3,808.53 ($2,851 of that would be interest). At $38 per month, it would take them three years and would cost $1,362.53 ($405 of that would be interest).

10. If Sara and Luis wanted the convenience of using "plastic," but also wanted to avoid any possibility of getting into debt, what options would they have?

A. A debit card or a prepaid card—and, if used according to terms, a charge card (for example, American Express).

To Do at Home: Money Management 1

Task	Completed (✓)	Notes
Review your pay stub. Ask HR to explain anything you don't understand.		
Adjust your allowances (Form W-4), if appropriate. If you have low income, find out if you qualify for the Earned Income Tax Credit. Visit www.irs.gov for info.		
Create a space for collecting receipts/forms for next year's taxes. Use an online tool to try to complete your tax returns on your own. Or, find out if you qualify for free tax prep assistance from a non-profit program.		
Enroll in tax-advantaged accounts (401(k), FSA, etc.) offered by your employer.		
Create a detailed spending plan. Use the Fritter Finder or another tool to track your spending for at least one month.		
Set up automatic transfers from your checking account to your emergency fund.		
Request your free credit reports from www.AnnualCreditReport.com. Dispute any errors. Find out your credit score.		
Take steps to establish/improve your credit.		
Check, and understand, the terms of any credit/loans you currently have. Shop around to see if you could get a better deal.		
Adopt new practices and take advantage of tools to avoid credit and debit card fees.		
Pay off credit card debt. (Strongly consider canceling any fee-based card services such as credit monitoring, credit protection, etc.)		
Start preparing for your next car purchase now so that you can avoid bad loans and high payments.		

Training Evaluation: Money Management 1-2-3—Part 1

Before you leave, please help us improve future presentations by giving us your opinion of today's seminar. Circle the response that best reflects your feelings about each statement:

1. I have a better understanding of how to read my paystub and manage my withholdings.

Strongly agree Agree Disagree Strongly disagree

2. I have a better understanding of my tax filing/payment responsibilities and my tax preparation options.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of how checking and savings accounts can help me manage my money and achieve my savings goals.

Strongly agree Agree Disagree Strongly disagree

4. I have a better understanding of why credit is important and how my credit score can affect me.

Strongly agree Agree Disagree Strongly disagree

5. I feel better prepared to use credit wisely and to avoid predatory loans.

Strongly agree Agree Disagree Strongly disagree

6. I can use the information provided today to make improvements in my financial life.

Strongly agree Agree Disagree Strongly disagree

7. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

8. The materials I received are easy to read and understand.

Strongly agree Agree Disagree Strongly disagree

9. I would like to attend another class like this.

Strongly agree Agree Disagree Strongly disagree

Please let us know how we could improve future trainings (use back, if necessary):

_____

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Thank you for attending!