

# Money Management 1-2-3

## Seminar Lesson Plan and Class Activities

### Part 2

#### Consumer Action

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*Chinese, English and Spanish spoken*

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# 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 2:

By the end of the training, participants will understand:

- How to deal with student loans and other types of debt
- The basics of investing and the benefits of retirement accounts
- The pros and cons of renting and buying, and the basics of mortgages
- The responsibilities of homeownership
- How to protect their assets with insurance

## Seminar duration:

Each segment of the three-part seminar is two hours long. If conducting just part 2, 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: 2: Achieving Financial Goals
- Money Management 1-2-3 trainer's manual (part 2)
- Money Management 1-2-3 lesson plan and class activities (included with lesson plan) (part 2)
- Money Management 1-2-3 PowerPoint presentation (part 2)

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: 2: Achieving Financial Goals
- Copy of PowerPoint slides (optional)
- Money Management 1-2-3 class activities and take-home worksheets:

### Activities and worksheets for part 2:

- Want or Need? (activity)
- My Savings Goals (activity)
- A Question of Investing (activity) (two pages)

- Rent or Buy? (activity)
- To Do at Home: Money Management 2 (follow-up checklist)
- Training Evaluation: Money Management 1-2-3—Part 2

## Seminar Outline

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Welcome and training overview.....	(5)
<b>2: Achieving Financial Goals</b>	
Updating your budget.....	(20)
Dealing with debt.....	(15)
Saving and investing.....	(35)
Homeownership.....	(20)
Insurance.....	(15)
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.

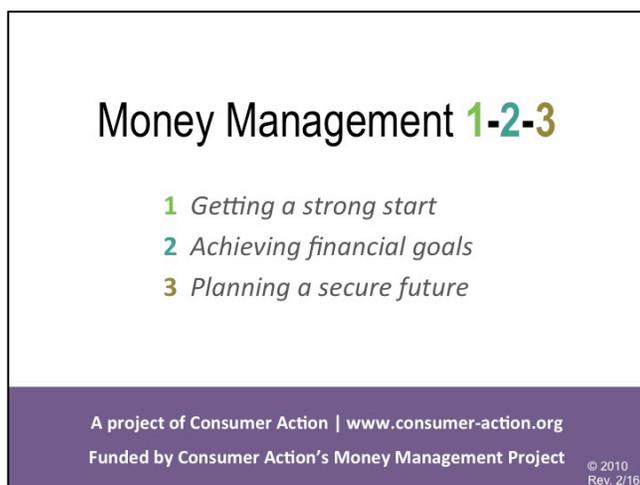
The Money Management 1-2-3 PowerPoint presentation contains notes for each slide (appearing below the slide when in Normal view or Notes Page view). These notes offer talking points and detailed information about the items appearing on the slide. The learning objectives for each section, along with key 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/](http://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)

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



**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.)

***If you presented part 1 of the Money Management 1-2-3 training module today and are continuing to part 2 now:***

**Welcome** participants back from the break.

Ask volunteers to tell you what they hope to get out of this second part of the training. 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.

**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.

## 2: ACHIEVING FINANCIAL GOALS

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**Introduction:** Once you have a handle on the basics of managing your money—creating a budget, establishing checking and savings accounts, and using credit wisely—you're ready to focus on building wealth and protecting your assets. Part 2 of the Money Management 1-2-3 seminar will help you make real progress toward achieving financial security and avoid common pitfalls along the way.

### ➔ SLIDE #2

Go over slide notes.

**Money Management Two:  
Achieving financial goals**



Money Management 1-2-3 *Achieving Financial Goals*

### Slide notes:

Present the topics covered in part 2 of the module:

- Updating your budget
- Dealing with debt
- Saving and investing
- Homeownership
- Insurance

## UPDATING YOUR BUDGET (20 minutes)

**Learning objective:** Understand when and why you should update your budget—or spending plan—throughout your lifetime.

### Key points (slide 3):

- A budget isn't static—it needs to change as your income, expenses and goals change.
- Electronic budgeting worksheets are a great tool because they make updating your spending plan efficient and allow you to try out different scenarios without starting from scratch.

## Questions to generate discussion:

- Why do you think people either don't create a budget or don't update it? Do you think those with a budget are more likely to achieve their financial goals, or not?
- Do you update your budget when your finances change? If so, how does the process help you? If not, why not?

## →SLIDE #3

**Introduction:** A budget isn't set in stone—it has to change along with changes in your income, expenses and goals. That may require rebalancing your budget as little as once a year, because you get an annual raise or your rent increases, or as much as a few times a year because there are multiple changes. The key is having a plan that accurately reflects your income, expenses and goals.

Go over slide notes.



### Slide notes:

You should update your budget whenever your income, expenses or goals change. Using budgeting software or online budgeting tools makes it easy to make changes without having to start from scratch. Electronic tools also make it easy to play around with different scenarios. One purpose of a budget is to make sure your money is going where you want it to go—in other words, it is meeting your needs and helping you achieve your financial goals. Revisiting and updating your budget allows you to make sure you're still on track.

(Note: Slide #27 will cover how to set goals and save

for a purpose.)

**Ask:** “What are some specific reasons you might need to update your budget?” Take a few volunteers' answers; write them on the whiteboard or easel pad if you like. (Answers could include such things as a change in payroll tax deductions (increased or decreased allowances on the W-4), increased retirement account contributions, a new job (and wage/salary), an adjustment to your mortgage payment because your variable interest rate has increased or decreased, a new pet or child joins the family, you get married or divorced, your grown child begins college and you contribute to his/her expenses, you increase your younger child's allowance, you take in a roommate or lose a roommate, you sell or buy a car, you get a better deal on insurance or utility/phone/cable/internet service, you make saving for a particular purchase or goal a priority, your credit card payments go up or down, etc.).

**Ask:** “What are some reasons why somebody might have trouble sticking to their spending plan?” (Following are some thoughts that you can offer if participants do not volunteer them.)

- It's unrealistic: The spending plan uses an inaccurate income amount, it underestimates spending or it doesn't include any money for discretionary spending (wants/fun) or emergencies.

- It's not revised/updated to reflect changes in income or expenses.
- It doesn't allocate enough to savings, forcing a reliance on credit cards to cover any emergency.
- They frequently place themselves in temptation's way. (For example, going to the mall for fun or going to their favorite superstore to pick up "just one" item.)
- There's a lack of commitment to making the budget work.

**Ask:** "What could you do if you were having trouble sticking to your spending plan?" (Following are some ideas that you can offer if participants do not volunteer them.)

- Analyze why you're having trouble so that you are able to address the real issue.
- Update the plan to reflect any changes in income or expenses.
- Make the plan more realistic—track spending to make sure expense estimates are as accurate as possible.
- Increase savings so unexpected expenses don't throw you off track.
- Build in small rewards for success.
- Enlist support from friends and family members.
- Avoid temptation.

**Direct participants** to take the Want or Need? activity sheet from their packets. This exercise can be done individually, or you can break the class into small groups to work on the activity together. Read the instructions at the top of the sheet aloud. Allow a few minutes to complete the exercise.

Go down the list, asking the class whether they identified the item as a want or a need. There are no right or wrong answers, though certain items, such as jewelry and video games, are pretty clearly wants and other items, such as prescriptions and groceries, are clearly needs. Some other items are debatable: An airline ticket to Hawaii for vacation would be a want, but what about an airline ticket to attend a friend's wedding, a funeral or a job interview? When is a pair of shoes a need and when is it a want?

**For discussion:**

- How do you define a need? A want? Why do people sometimes see things differently?
- Were there items on the list that were difficult to categorize as a want or a need? What made it difficult?
- Are there things that you put on your own personal list of "needs" that you know are really "wants"? How does that affect your budget and your goals?
- Would you be willing to use a credit card to finance purchases of your "wants" if you knew you would not be able to pay the bill in full the first month (in other words, you would have to pay interest on the purchase)?
- Are there ways to satisfy your wants or meet your needs less expensively? What are some alternatives? (For example, could you borrow a video game from the library? Could you get help paying your rent by taking in a roommate?)

## DEALING WITH DEBT (15 minutes)

**Learning objective:** Be aware of your options if you find it difficult or impossible to make your credit and/or loan payments.

### Key points (slide 4-5):

- It's best to pay off consumer (non-mortgage) debt as quickly as possible so that it doesn't become a problem or get in the way of your financial goals.
- A reputable credit counseling agency is a good option for help assessing your debt situation and identifying your options.
- Federal student loans offer many more repayment options than private loans.
- There can be severe consequences to ignoring collection calls or your debt.

### Questions to generate discussion:

- Why do you think so many Americans carry credit card and other consumer debt in comparison to consumers in other countries? (Possible answers: Credit is encouraged and relatively easy to get; we have an “instant gratification” mindset/culture (buy now on credit rather than saving up); we have a “consumer” culture (materialism); we've had an economic downturn.)
- Why do you think so many more borrowers have trouble making their student loan payments now than in the past? (Possible answers: Higher college costs mean higher loan amounts and payments; it's more difficult to find good-paying jobs after leaving school; the financial crisis of 2008 has had lasting effects.)

### →SLIDE #4

**Introduction:** There are many reasons why consumers might find themselves in debt and have difficulty repaying it—unemployment, divorce, unexpected medical or repair bills, or even simply overextending themselves are just a few. Of course, the best way to avoid debt problems is to avoid taking on consumer debt in the first place (use credit, but pay it off). But once you have debt that you can't repay, you'll need to be proactive in managing it to avoid serious consequences. Fortunately, there are resources and consumer protections that can help.

Go over slide notes.



### Slide notes:

**Prioritize debt repayment:** One budget category that eats up a big chunk of income that could otherwise be used for needs, wants and savings is debt repayment. Getting rid of debt as quickly as possible not only allows you to direct your money to more rewarding uses, it ensures you don't end up defaulting on debt payments if you have a job loss, medical emergency, expensive home or car repairs, divorce, etc. Use raises, bonuses, cash gifts and/or income from a second job to pay down your debt.

**Getting help:** Avoid expensive consolidation loans, converting your unsecured debt (credit cards, student loans, etc.) to secured debt (home equity loan or line of credit), and offers to settle your debt for a fee. Instead, contact a reputable credit counseling agency for guidance. A counselor can go over your options and may be able to help you reduce your monthly payments through an agency-administered debt management plan. To find an accredited non-profit agency, contact the National Foundation for Credit Counseling at [www.NFCC.org](http://www.NFCC.org) or 800-388-2227. Bankruptcy also might be an option, but there is a lot you must know before deciding to file. Learn the basics in Consumer Action's publication *Personal Bankruptcy: Your financial fresh start* ([http://www.consumer-action.org/modules/articles/bankruptcy\\_your\\_right\\_to\\_a\\_financial\\_fresh\\_start](http://www.consumer-action.org/modules/articles/bankruptcy_your_right_to_a_financial_fresh_start)). Servicemembers and veterans have some extra legal protections against predatory loans (the Military Lending Act) and high interest rates (the Servicemembers Civil Relief Act), and may qualify for government-sponsored benefits or non-profit programs that can help. Get details in Consumer Action's *Economic Survival Guide for Servicemembers and Veterans* ([http://www.consumer-action.org/downloads/english/Vet\\_Service\\_Guide\\_2014.pdf](http://www.consumer-action.org/downloads/english/Vet_Service_Guide_2014.pdf)) and *Veterans Financial Empowerment Resource Sheet* ([http://www.consumer-action.org/english/articles/servicemembers\\_and\\_veterans](http://www.consumer-action.org/english/articles/servicemembers_and_veterans)).

**Collections:** If you are receiving calls from collectors, don't ignore them. Doing so could allow the collector to get a "default judgment" against you and garnish your wages or seize your assets. Learn about your rights and how to protect yourself in Consumer Action's debt collection publications ([www.Consumer-Action.org/english/library/C428](http://www.Consumer-Action.org/english/library/C428)).

## → SLIDE #5

Go over slide notes.



### Slide notes:

#### **Student loan repayment assistance programs:**

One particular type of debt that many people carry for a long time is student loan debt, and many borrowers have trouble making their student loan payments. Defaulting on student loans can result in damaged credit, wage garnishment or even loss of your tax refunds. If you're having trouble making payments, it's important to address the issue head-on to avoid these consequences. If you have federal loans, you will have more repayment options than if you have private student loans. These options might include an income-based repayment plan

(<https://StudentAid.ed.gov/sa/repay-loans/understand/plans/income-driven>), which reduces your payments if your income is too low to handle the regular payment; forbearance or deferment (<https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance>), which give you a break from monthly payments for a set period of time; and loan forgiveness for those who work for a non-profit or in the public sector (<https://StudentAid.ed.gov/sa/repay-loans/forgiveness-cancellation/charts>). Private lenders don't offer these programs, but may work something out with you—allow you to make interest-only payments, for example—if you are struggling.

**Consolidation:** Another option, if you have multiple loans, is consolidation, which could lower your interest rate or monthly payments. But beware of scams that offer to consolidate your loans for a fee. Learn more in *Should I Consolidate or Rehabilitate My Federal Student Loan?* from the National Consumer Law Center ([www.StudentLoanBorrowerAssistance.org/wp-content/uploads/2013/05/information-sheet.pdf](http://www.StudentLoanBorrowerAssistance.org/wp-content/uploads/2013/05/information-sheet.pdf)).

**More info:** Learn more about managing your student loans in Consumer Action's *Student Loan and Education Resource List* ([http://www.consumer-action.org/english/articles/student\\_loan\\_and\\_education\\_resource\\_list](http://www.consumer-action.org/english/articles/student_loan_and_education_resource_list)). This concise, five-page guide also provides resources to help beginning students figure out what their college education financing options are, what they can afford, which schools are worth the cost and how to get the student loan process started. Current and former students can benefit from the sections on loan repayment and what to do if the loan goes into default. The publication includes resources specifically for veterans. Learn about vocational/job training school options in Consumer Action's *Guide to Finding the Right Job Training School* ([www.consumer-action.org/english/articles/job\\_training\\_schools](http://www.consumer-action.org/english/articles/job_training_schools)).

## SAVING AND INVESTING (35 minutes)

**Learning objective:** Understand the importance of saving and investing and the difference between the two, as well as key concepts for beginning investors and the advantages of retirement accounts.

### Key points (slide 6-15):

- Goals are necessary to stay on track and gauge progress.
- Saving is easier when you take steps to automate the process.
- Starting early is crucial to long-term savings success.
- There are many places to put your money, but not all are right for every person or every goal.
- You must invest (rather than just save) in order to be financially prepared for retirement.
- Retirement accounts are a strong tool for achieving your retirement savings goals.
- Mutual funds allow the average investor to reap the potential rewards of the stock market while reducing risk (diversification).
- Investors must consider their objective, their time frame, their expected return, their risk tolerance and the tax consequences of an investment before making an investment decision.

### Questions to generate discussion:

- Do you set goals (personal, career, financial, etc.)? Why or why not? If so, how do you think they help you?
- What would you say to a young adult to convince him/her to start saving and investing today?
- What do you think of when you hear the term "investor"? What kind of person do you think invests money? Do you think that that word scares some savers away? If so, why?

### →SLIDE #6

**Introduction:** Everyone knows they should be setting aside money for emergencies, retirement and financial goals, but many people still do not do it. Often, they say they will start saving when they have fewer bills, higher income or nothing else they need the money for. But that day never comes, and those procrastinators inevitably find themselves without the savings they need to achieve their goals and financial security. It's true, saving can sometimes be challenging, but there are ways to make it much easier.

Go over slide notes.

Saving for a purpose						
Goal	Total needed	Current savings	Need to save	Target date	Savings/month	Savings/pay period
Buy a computer	\$800	\$240	\$560	10 months	\$56	\$28
Pay off credit card	\$3,000	\$0	\$3,000	30 months (2½ yrs)	\$100	\$50
Home down-payment	\$30,000	\$0	\$30,000	60 months (5 yrs)	\$500	\$250

**Money Management 1-2-3 Achieving Financial Goals**

**Slide notes:**

**Set goals:** Before you can succeed at saving, you need to set savings goals. Goals are normally broken down into short-term (within a year), medium-term (more than a year but less than three to five years) and long-term (more than three to five years). This slide shows an example of a short-, medium- and long-term goal. (Someone may have more than one goal in each category.)

*Questions for participants:*

- How much will this saver have to put aside each month and each pay period to achieve all

these goals? (\$656 per month/\$328 per pay period)

- How often does this saver get paid? (Twice a month)
- What potential problem can you see with this saver’s plan to pay off a \$3,000 credit card balance in 30 months by saving \$100 per month? (This calculation doesn’t take into account the interest charges that will be accruing on the debt—paying off a current \$3,000 balance will cost more than \$3,000 over the course of 2½ years. Use an online calculator such as the one at Bankrate.com (<http://www.bankrate.com/calculators/credit-cards/balance-debt-payoff-calculator.aspx>) to figure out how long it will take to pay off a debt at a given interest rate.)
- What are some ways the average consumer could achieve such goals?

**Segregate accounts:** It might be easier and more motivating to save if you have separate accounts for each purpose (for example, one for your emergency fund, one for your home downpayment, one for a vacation, etc.). If you do this, make it a priority to look for a financial institution that does not charge a fee on your savings accounts.

**Automate deposits:** Pay yourself first: Have money transferred from your checking account to your savings account(s) on payday or the day after. You can’t miss the money (or spend it) if you never see it.

**Earmark windfalls:** Depositing a windfall such as a cash gift, tax refund, bonus or inheritance can give your savings a real boost and make reaching your goals much easier.

**Start early:** Someone who starts saving early, just a little bit at a time on a regular basis, will have a much easier time than someone who starts later and has to save more each week or month to achieve the same balance.

**Direct participants** to take the My Savings Goals worksheet from their packets. Allow participants a few minutes to work on their goals worksheet. Then ask for volunteers to share one of their goals. After a few responses, engage participants in a discussion.

**For discussion:**

- What makes a goal achievable or unachievable? (An achievable goal is reasonable, clearly defined, and within your power to achieve through your own actions.)

- Can you name a short- or medium-term goal that should be on everyone’s list? (Everyone should save enough money in an emergency fund to cover three to six months of living expenses.)
- Can you name a long-term goal that should be on every person’s list? (Everyone should save for retirement.)
- Can you name a short- or medium-term goal that should be on many people’s list? (Anyone with revolving debt should make a goal to pay it off as quickly as possible.)
- Should you reward yourself for reaching your goals? What might be an appropriate reward? (Rewards can motivate you. However, the greatest reward should be the satisfaction of achieving your goal. Any other reward should be reasonable and proportional to the goal you have achieved. For example, a dinner at your favorite restaurant after you have saved three months’ expenses in an emergency fund might be appropriate. Whatever reward you decide on should not be so expensive that it sets you back.)
- Where are some safe places to put your short-term savings? Reveal the next slide to discuss options.

## SLIDE #7

Go over slide notes.

### Savings vehicles

- Passbook or statement savings account
- Money market account (MMA)
- Certificate of deposit (CD)
- Individual development account (IDA)
- U.S. savings bond



**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

Where you put your savings depends on what your goals are for the money. Generally speaking, savings that will be needed relatively soon or that may be needed with little notice (an emergency fund) should go into accounts where you have essentially no risk of losing your principal and you earn at least a small amount of interest. There are a few options.

**Passbook or statement savings account:** This standard savings account was named for the small, passport-sized booklet that used to be used to record transactions. Passbooks have mainly given way to “statement” savings accounts—essentially the same

account, but without the booklet. In either case, this type of account typically charges no or low fees, may or may not have a minimum initial deposit and/or minimum balance requirement, pays very low interest rates and is FDIC- or NCUA-insured up to \$250,000.

**Money market account:** An MMA offers a higher interest rate than a passbook/statement account and typically requires a higher minimum balance to earn interest or avoid monthly fees. You can also write checks on most money market accounts, but those that are FDIC-insured allow only a limited number of monthly transactions.

**Certificate of deposit:** CDs have a specific, fixed term (often three months, six months, or one to five years) and, typically, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest. In exchange for keeping the money on deposit for the full term, you get a higher interest rate than a passbook/statement or money market account offers. Withdrawals before maturity are usually subject to a substantial penalty, which is a certain portion of the interest you would have earned. CDs at insured banks and credit unions are covered up to \$250,000.

**Individual development account:** IDAs are matched savings accounts for low-income working families. IDAs can be used by low-to-moderate-income savers to pay for job training or education, buy a first home or start a business. Visit [www.idanetwork.org](http://www.idanetwork.org) to find local programs.

**U.S. savings bond:** When you buy a savings bond, you loan the amount you paid for the bond to the federal government. Because the federal government is the borrower, savings bonds are very safe, and they are exempt from state and local taxes. The interest rates can be higher than those on a standard savings account, and earnings can be tax-deferred until the bond is redeemed. But bonds are not as liquid as some other options: You can't redeem a savings bond until one year has elapsed. And you'll forfeit three months worth of interest if you redeem a bond before five years. Savings bonds are best suited for financial goals with a timeframe between five and ten years. U.S. savings bonds can be purchased online in denominations ranging from \$50 to \$10,000. Learn more at [www.treasurydirect.gov](http://www.treasurydirect.gov).

## SLIDE #8

Go over slide notes.

The power of starting early		
Investor:	Dwayne	Dan
Monthly deposit:	\$50	\$100
Starting age:	30	50
Ending age:	70	70
Years of deposits:	40	20
Annual return*:	8%	8%
Total invested:	\$24,000	\$24,000
Final balance:	\$174,575	\$58,907

Dan would have to save \$300/month to achieve the same balance as Dwayne.

\*Compounded monthly

**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

**Start saving early:** “Start early” is the mantra of successful savers because that is the only way to benefit from the power of “compounding.” Compounding is the process of generating earnings on your earnings. For example, if you saved \$1,000 this year at 10% growth, your earnings after one year would be \$100. Next year, your earnings would be \$110 (\$1,000 initial investment plus last year’s \$100 earnings) x 10%. Growth accelerates over time, which is why it’s so important to start saving and investing early and not touch your money for as long as possible. The longer compounding

continues, the greater an impact it has. (Many accounts, including mutual funds (covered on slide 35), give you the option to have earnings automatically reinvested.)

*Note: Calculated using the SEC’s online compound interest calculator at <https://investor.gov/tools/calculators/compound-interest-calculator>.*

**Instructor:** Go over the example. Dwayne and Dan both ultimately invested the same amount: \$24,000. But by starting much earlier, Dwayne put time (compounding) to work for him, ending up with three times as much as Dan! Starting early is the only way to get in enough years to make such a big difference. Dan would have to save \$300 per month—six times as much as Dwayne—to end up with the same amount of money at retirement.

### For discussion:

- Why do you think many people wait until their 30s or 40s or even later to start saving and investing?
- Do you think they would wait so long to start saving and investing if they knew the value of time?

- Do you think it would be easier to save a much smaller amount each month for more years, or to save much more each month for fewer years?
- How do you think what you've learned about compounding will affect your own savings/investing decisions?

## SLIDE #9

**Introduction:** Investing is different from saving. When you invest, you willingly take more risk with your money in exchange for the potential for greater returns (earnings). Investing is necessary because it's the only way your money will grow enough to maintain your lifestyle in retirement. Even though there is more risk associated with investing than with simply saving, it is not the same as gambling: Investors can manage their risk by making educated choices.

Go over slide notes.

Saving vs. investing		
Value of \$10,000 in 10 years at hypothetical rates of return		
Annual return	Balance in 10 years	Types of investments
1%*	\$11,051	Savings accounts
3%	\$13,493	Longer-term CDs
5%	\$16,470	Certain bonds
7%	\$20,096	Stocks
9%	\$24,513	Stocks

\* All rates are hypothetical; for example, interest rates on standard savings accounts and MMAs at the time of publication ranged from around .01% to around 1%

Money Management 1-2-3 *Achieving Financial Goals*

### Slide notes:

**Saving vs. investing:** The hypothetical figures in this example reflect the potential returns of savings and investment options *relative to each other*. While actual interest rates and returns will vary among accounts and can change significantly based on the economy, generally speaking, you're always going to earn a bit more in a CD than in a passbook/statement savings account, and stocks always offer the *possibility* of a significantly greater return than any of the other options in the list. (They also offer the risk of loss, which a savings account does not.) That doesn't mean that lower-earning

savings vehicles aren't a better option than stocks for certain goals, such as your emergency fund. But for other goals, such as retirement many years away, you'll need stocks to get the kind of return that will beat inflation and make your money grow.

### Key points about investing:

- The idea behind investing is that you accept some added risk in exchange for the opportunity for greater returns. Theoretically, as the opportunity for higher returns increases, so does the risk of losing some or all of your money.
- While it might seem tempting to avoid all risk, you will need your savings to grow at a rate that far outpaces inflation—usually expected to be in the 3%-4% range—if you want it to last you a lifetime. That is not possible with savings accounts, savings bonds and CDs.
- The money you invest in stocks, bonds and other things (gold or real estate, for example) is not federally insured the way savings accounts are. In other words, you risk losing your "principal" (the amount you've invested). Risk tolerance refers to how anxious you are about losing your principal. If an investment keeps you awake at night, it's too risky for you. When choosing investments, understand and manage your risk.
- The stock market fluctuates (goes up and down) continuously. The shorter your investment horizon, the greater the odds that you're going to sell during a down period and lose money. The longer your timeframe, the better the odds that, despite fluctuations during that period, the value of your investment will be higher than when you started.

- Diversification (not putting all your eggs in one basket) means spreading your money among different investments so that you don't lose everything if one particular investment does poorly. For example, it would be safer to split your money among U.S. stocks, international stocks and bonds than to put it all in just one of those places—the odds are more favorable that not all of those investments will do badly at the same time.
- There are fees associated with most investing options. Know what the fees are for the investment you're considering and shop around to see if it is reasonable compared to similar types of investments.
- Everyone—even if they hire a professional adviser—should know enough about investing to understand their options and which would be appropriate for their particular goals; be able to recognize scams (offers that are too good to be true); and be able to evaluate a prospective adviser.

## SLIDE #10

Go over slide notes.

<b>Life stage investing</b>			
Hypothetical asset allocation through life stages			
Asset	30s	50s	70s
Cash	5%	10%	20%
Bonds	10%	20%	45%
Stocks	85%	70%	35%

**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

**Life stage investing:** Life stage investing refers to structuring your investment portfolio according to your age and where you are in relation to retirement.

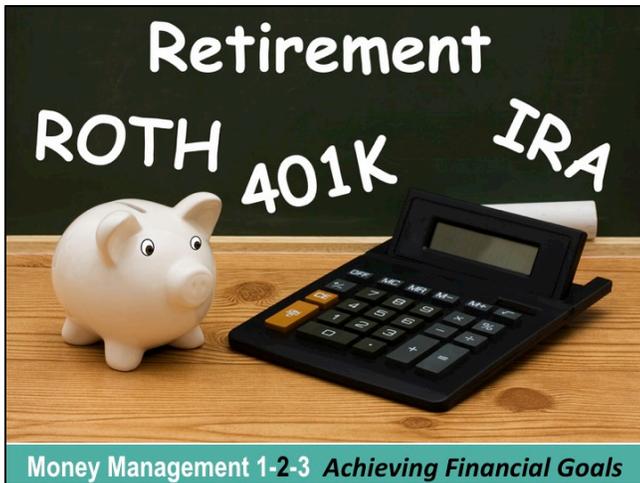
**Asset allocation:** Asset allocation refers to what percentage of your entire investment portfolio you put into a particular asset class. For the average saver/investor, asset classes include cash (or cash equivalents, such as CDs and money market accounts), bonds (this includes bond mutual funds), and stocks (this includes stock mutual funds).

**Slide chart:** This is a hypothetical asset allocation—how much any individual allocates to each asset class will depend on risk tolerance, age, goals, etc. However, this example does make the key points that:

- Investors at any age should have some money in each of the main asset classes.
- The younger you are, the more of your long-term (i.e., retirement) savings you should put into stocks, which offer the potential for greater growth.
- Your allocation should shift from more aggressive (riskier) to more conservative (safer) as you age. That means that you'll shift a greater percentage of your money into cash and bonds and out of stocks as you get older. The reason you still need to have some of your money in stocks during retirement is because, even at the age of 75, you could still have decades of life to fund.

## SLIDE #11

Go over slide notes.



**Slide notes:**

What sets retirement accounts apart from non-retirement accounts are their tax benefits. Saving money in a “tax-advantaged” account such as a 401(k) (or other similar employer-sponsored plan) or an IRA (individual retirement account) allows your money to work harder because, depending on the type of account, either taxes on contributions and earnings are deferred until you withdraw the money or the earnings in the account grow tax-free.

**Employer-sponsored defined contribution plans:**

Many employers offer their workers access to a retirement plan. Under the most common plans (defined contribution plans, such as a 401(k) or 403(b)), the employee chooses a contribution amount to be deducted from his or her paycheck before taxes are taken out and invested as he or she chooses from the available investment options. (There usually is a range of investment options to meet the goals and risk tolerance of all participants.) Many employers who offer such a plan also offer matching dollars—money that they kick in for every dollar you contribute, up to a limit. When you leave the company, you can leave your account where it is, or you can roll it over into a “rollover IRA” at a financial institution you choose. There is no tax liability on a rollover transaction. However, if you were to withdraw the money before age 59½, you would, under most circumstances, have to pay taxes and a 10 percent penalty. Participation in a 401(k) or similar plan is so vital to a financially secure retirement that Congress passed legislation—the Pension Protection Act of 2006—that encourages employers to automatically enroll workers in the company’s retirement plan (you do have the option to opt out—but shouldn’t). However, don’t get a false sense of security just because you’re enrolled: The default salary deferral rates typically are set so low that you won’t end up with the account balance you need to retire comfortably unless you make the effort to increase the contribution amount. For more information to help you understand your retirement plan, visit the Department of Labor’s Employee Benefits Security Administration (EBSA) online at [www.DOL.gov/ebsa/](http://www.DOL.gov/ebsa/). You can also ask your Human Resources (HR) department for assistance; the HR representative may refer you to the plan administrator.

**Employer-sponsored defined benefit plans:** Very few employers still offer the traditional pension plan. Pension plans provide a set income (defined benefit) in retirement, often without employee contributions (private sector)—*and* without employee input regarding investment decisions. The amount of monthly payments in retirement is based on salary history and years of service. Even if you are eligible for a pension, you should contribute to a separate retirement account if you are able to so that you have complete control over some of your retirement funds (including investment choices).

**IRAs:** Individual retirement accounts are just that—individual, meaning they are not part of an employer’s group plan. The account holder chooses the financial institution to open the account, makes all contributions directly to the account (though typically you can set up automatic transfers from your checking account on payday, similar to a paycheck deduction) and makes all investment choices. One of the biggest decisions IRA account holders have to make is whether to contribute to a traditional IRA or a Roth IRA. Whether your traditional IRA contributions are tax-deductible or you can contribute to an IRA at all depends on your income and whether you (or your spouse, if married) has access to an employer-sponsored retirement plan. (IRAs are discussed in detail on the next slide.)

## SLIDE #12

Go over slide notes.

Individual retirement account (IRA)	
Traditional	Roth
No income limits on contributions	Income limits on contributions
Tax-deductible contributions*	After-tax contributions
Tax-deferred growth	Tax-free growth
Min. required distributions at 70½	No required distributions
Taxable withdrawals	Tax-free withdrawals

\*For those who meet requirements

**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

**IRAs:** An IRA is an individual (not employer-sponsored) retirement account. There are two types of IRA: traditional and Roth. There are some big differences between the two, highlighted in this chart.

- **Traditional IRA:** Almost anyone who earns taxable income and is under age 70½ can contribute to a traditional IRA (no income limits), but the tax deductibility of your contributions depends on your income and whether your employer offers a retirement account for employees. If neither you nor your spouse (if married) has access to a retirement

plan at work, you can contribute the maximum allowed (see “Annual contributions” below) to your IRA and deduct the entire amount from your taxes. If you have access to an employer-sponsored plan, your IRA contribution for 2019 is fully deductible only if your modified adjusted gross income (MAGI) is below \$64,000 (single) or \$103,000 (married filing jointly). Your deduction is phased out completely if your MAGI is \$74,000 or more (single) or \$123,000 or more (married filing jointly). If you are married and one spouse has access to an employer-sponsored retirement plan and the other doesn't, you can fully deduct traditional IRA contributions if your joint MAGI is less than \$193,000; deductibility phases out over \$203,000. There is some deductibility allowed in between the high and low incomes. (Find updated limits and other information at the NerdWallet site (<https://www.nerdwallet.com/article/investing/ira-contribution-limits>) or at IRS.gov). You will be taxed on any contributions you deducted plus all the account earnings when you withdraw the money in retirement, which you must begin to do starting at age 70½.

- **Roth IRA:** To contribute to a Roth IRA, you cannot exceed the income limitations. For 2019, your AGI must be \$122,000 or less (single) or \$193,000 or less (married filing jointly) to qualify for full contributions. You may still be able to make partial contributions at higher incomes, but they phase out completely at \$137,000 (single) and \$203,000 (married filing jointly). The money you contribute is taxed when you earn it, but you are not taxed when (if) you withdraw your deposits or your earnings in retirement. (Unlike a traditional IRA, a Roth IRA does not require you to start taking distributions at a particular age—or ever.)

**Annual contributions:** Both types of IRA allow the same level of contributions (these numbers change from year to year). In 2019, the amounts are \$6,000 (\$7,000 if you are 50 or older) or 100% of employment compensation, whichever is less.

**Traditional vs. Roth IRA:** If you qualify for both types of IRA, which one to contribute to requires some thought. (You can contribute to both, but your total contributions to both accounts can't exceed the annual limit.) To get insights from multiple reputable sources (NerdWallet, Bankrate, Schwab, Fidelity, Vanguard, U.S. News, etc.), do an online search for “Traditional IRA vs. Roth IRA.”

## SLIDE #13

Go over slide notes.

### Retirement plan advantages

<b>Targeted monthly savings:</b>	<b>\$125</b>
Years until income needed:	30
Hypothetical rate of return:	8.00%
Your current tax rate:	22%
After-tax value in 30 years:	\$133,431
Tax-deferred value in 30 years:	\$187,537

Assumes a 22% federal tax rate. Taxes must be paid on the earnings when you withdraw the money from the tax-deferred account.  
Source: Tax deferred investment calculator, <https://www.calcxmi.com/calculators/inv07>

**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

**Tax deferral:** Compounding is the process of generating earnings on your earnings (slide 29). It is even more powerful in a tax-deferred account because growth can occur on *all* the earnings—none has to go toward paying taxes (at least for a period). In addition to maximizing compounding by deferring taxes on *earnings*, saving money in a Traditional IRA or employer-sponsored retirement plan means the money deposited isn't taxed when it's earned. So, in this example, every \$100 put into the retirement plan would reduce the earner's paycheck/income by only about \$78 (in the 22

percent tax bracket).

**Matching funds:** Many employers match employee contributions up to a predetermined limit—free money for you! If your employer offers a 401(k), 403(b) or similar tax-advantaged retirement plan and matches a portion of your savings, you should save enough to maximize the company match. Whether you contribute beyond the match depends on your other account options compared to your employer-sponsored plan. (If your company *doesn't* offer any matching funds, you might be better off putting your money into an IRA.)

**Instructor:** Go over slide chart. This example shows how deferring taxes (in other words, allowing all the account earnings to continue compounding rather than having to use some of the money to pay annual taxes) results in a far greater final balance. In this example, the saver is in the 22% tax bracket. The results would be even more impressive if he were in a higher tax bracket or if his employer offered matching funds. Saving in a tax-deferred account doesn't mean you avoid taxes entirely, only that you don't have to pay them until retirement, when you presumably will be in a lower tax bracket.

## → SLIDE #14

Go over slide notes.

**Money Management 1-2-3 Achieving Financial Goals**

### Slide notes:

**What's a mutual fund:** Many investors use mutual funds to manage their investment risk. A mutual fund pools the money of many investors to purchase a portfolio of investments (the stocks of many companies, for example, or many different bonds). Each investor owns a portion of all the individual investments (stocks, bonds, pieces of real estate, etc.) in the portfolio and shares in the fund's gains, losses and expenses. This allows individual investors to achieve a greater level of risk-reducing diversification than they could on their own. In an actively managed fund (one where a fund manager

chooses which investments to buy and sell), investors might also benefit from professional portfolio management. However, some unmanaged funds, called “index” funds, which hold investments that meet a stated criteria, such as mimicking the S&P 500 stock index, actually do even better than some managed funds and charge much lower fees. Retirement plans (employer-sponsored and IRAs) typically offer a variety of selected mutual funds for participants to choose from. If you invest outside a retirement account, you will be able to select from many more mutual funds, but you will have to do your own fund research to narrow down your options.

**Mutual fund types:** There are many types of mutual funds—ones that invest in bonds, ones that invest in stocks, ones that invest in real estate, ones that invest in a mix of assets, etc. And there are hundreds or thousands of mutual funds in each of those categories, all of which will have a fund objective (for example, long-term growth and low current income vs. current income through dividends) and method for achieving it (for example, only investing in “green” companies, or municipal (state, city and county) bonds, or large companies, or short-term bonds, or foreign companies, etc.). All of this information about the fund, found in the fund’s “prospectus,” helps investors determine whether the fund fits their *own* investment objectives.

**Choosing a fund:** You can lose money in mutual funds, but their portfolios of many, many investments are generally much safer than your portfolio of just a few similar investments. And some mutual funds are safer than others. For example, a mutual fund that invests for long-term growth by purchasing shares in a wide range of large, established companies will typically be less risky than one that invests for aggressive growth by purchasing shares in fledgling renewable energy companies. Which mutual fund(s) you invest in should be based on your risk tolerance, your investment objectives (including time frame), the fund’s historical performance (past returns), its operating expenses (cost of management, marketing, etc.) and its minimum initial investment requirement (this can range from \$100 to thousands of dollars). When choosing a mutual fund, look for one that has good long-term performance, charges no “load” (fee to purchase) and keeps annual management and miscellaneous fees to a minimum. Learn more in the Wall Street Journal’s *How to Buy a Mutual Fund* (<http://guides.wsj.com/personal-finance/investing/how-to-buy-a-mutual-fund/>) and the SEC’s *An Introduction to Mutual Funds* (<http://www.sec.gov/investor/pubs/inwsmf.htm>).

## →SLIDE #15

Go over slide notes.

### Key considerations for investors

- Objective
- Time frame
- Expected return
- Risk tolerance
- Tax consequences

Money Management 1-2-3 *Achieving Financial Goals*

### Slide notes:

Regardless of when and where you invest—in a mutual fund or on your own, in a retirement account or outside it, etc.—there are things that every investor must consider when making investment choices:

**Objective:** For example, are you trying to maximize growth potential, minimize current taxes on earnings, or achieve just enough growth to keep up with inflation while avoiding any potential loss of principal? Always know your goal before choosing an investment—and adjust your portfolio if your objective changes.

**Time frame:** If you might need the money in, say, 6 months, you would make different investment choices than if you will need the money only in 20 years. Generally speaking, the longer the investment time frame, the more risk you can take. As your time frame changes (for example, you get closer to retirement), you should re-evaluate your portfolio.

**Expected return:** Generally speaking, if you expect higher returns, you have to accept more risk, and you must choose your investments accordingly. Of course, everyone wants higher returns, but you have to balance that with the potential to lose your investment principal.

**Risk tolerance:** Risk tolerance often is defined as the amount of risk you're willing to take without losing sleep (i.e., worrying about loss of your investment). Risk tolerance varies among individuals. While a certain amount of risk is necessary to beat inflation over the long term, there is a wide enough range of risk among investment options that you should be able to find many candidates that match your personal risk tolerance. You can also balance your desire for higher returns with your need for safety by putting some of your money into higher-risk investments and some into lower-risk investments.

**Tax consequences:** There are always tax consequences to investing, but they can vary greatly. For example, you'll pay less tax on your profit if you sell an investment you've held for longer than a year than you will if you sell it within the first year. (The tax rate on capital gains—profit from the sale of assets—is much lower (0%, 15% or 20% for most investors) on assets held longer than a year (long-term capital gains) than on those held less than a year (short-term capital gains, which are taxed at your ordinary income tax rate). Gains may be offset by losses, if you sell assets for less than you purchased them for.) Some investments generate greater current income (dividends), which is taxable, while others do not. Some earnings, such as interest from municipal bonds, are federal tax free, and some may offer state income tax benefits as well. And taxes on deposits, earnings or both are deferred if your investments are held in certain tax-advantaged accounts, such as a 401(k) or an IRA. If you invest in mutual funds outside a tax-advantaged retirement account, you'll pay tax on any capital gains resulting from the fund selling some of its holdings even if you don't sell shares of the fund yourself, though funds focused on reducing current taxes for shareholders will avoid that. A basic understanding of investment taxes can help you assemble the right portfolio for your goals.

**Direct participants** to take the A Question of Investing activity sheet from their packets. Instruct them to circle the best answer of the choices given. Let them know that some of the material has not been covered—this is a learning exercise, not a test—so, where necessary, they should make an educated guess. After participants have completed the exercise, invite volunteers to give their answers (refer to answer key).

## HOMEOWNERSHIP (20 minutes)

**Learning objective:** Understand the pros and cons of renting and owning a home, how to make wise mortgage choices and how to protect your home from foreclosure.

### Key points (slide 16-18):

- There are advantages and disadvantages to both owning and renting.
- Homeownership is a source of security and wealth for many people.
- Your ability to get a mortgage depends on many factors that you typically have at least some control over, including how much debt you have and your credit score.
- Choosing the right mortgage can save you money and reduce the chances of foreclosure.

- Successful homeownership means fulfilling your financial obligations and protecting your investment.

### Questions to generate discussion:

- What would you say to convince someone that it's better to rent? What would you say to convince someone that it's better to own?
- What does "successful homeownership" mean to you?

### →SLIDE #16

**Introduction:** As with most major financial decisions, there are advantages and disadvantages to both renting and buying a home. Which option is right for you will depend on many factors, including your employment situation, your savings and income, your lifestyle and your goals for the future. If you do choose to buy, you can improve your odds of success by choosing the best mortgage that fits your needs and by taking steps to protect your investment for the long term.

Go over slide notes.



### Slide notes:

**Renting vs. owning:** Whether to buy or rent is a personal choice. In the U.S., the greatest source of wealth for most households is the value of their homes, but there is no guarantee that the value of the property you purchase will go up. And the higher level of responsibility and commitment is not right for everyone. To help you weigh your options, here are some pros and cons of renting and buying. Learn more by enrolling in a first-time homebuyers class. Find one at [www.HUD.gov/buying](http://www.HUD.gov/buying) or 800-569-4287.

### Pros of renting:

- Typically less expensive (no downpayment, no property taxes, no maintenance costs; renters insurance is cheaper than homeowners insurance; in the early years of ownership, a monthly mortgage payment is often—but not always—higher than rent)
- Less responsibility (you can just call the landlord when something breaks)
- Easier to move/relocate (you don't have to wait until your home sells before you can leave)

### Cons of renting:

- Can become more expensive due to rent increases over time (particularly if there are no rent control laws in your area or you move)
- Little to no flexibility to make changes to your living space without permission from your landlord (even if you do get permission, you won't want to sink a lot of your own money into a property that is not yours)
- Could be forced to move (evicted) for a variety of reasons

## Pros of buying:

- Provides an opportunity to build wealth over time (equity) and borrow against it (home equity loan)
- Provides most buyers with valuable tax breaks (mortgage payments and property taxes are deductible, subject to new limits as of the 2018 tax year: <https://www.marketwatch.com/story/how-home-owners-win-and-lose-under-the-new-tax-law-2018-06-11>)
- Allows you the freedom to make changes to your home
- Nobody can force you to sell or move as long as you pay your mortgage(s) and property taxes

## Cons of buying:

- Can be much more expensive than renting
- Not as much flexibility to relocate quickly (your home might not sell for a long time)
- More responsibility (homeownership costs and property maintenance)
- Could lose your home—including everything you have invested so far—if you can't pay your mortgage

## SLIDE #17

**Introduction:** Very few people can afford to buy a home with cash from savings—most people need a home loan, or mortgage. Understanding your mortgage options and the specific terms of any loan you're considering will enable you to get the best deal and avoid loan products that could put you in a difficult position down the road.

Go over slide notes.

### Mortgages

- Lenders
- Loan types
- Loan terms
- Loan approval



Postal  Telephone   
of a 3rd piece of ID for each applic  
1st applicant

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### Slide notes:

**Lenders:** A loan secured by a home is called a mortgage (meaning that if you do not repay the loan as promised, the lender can foreclose on, or repossess, the property). There are many sources of mortgage loans: banks, credit unions, non-bank financial institutions, mortgage brokers (who don't lend the money, but facilitate the loan process), the federal government and some government and non-profit housing agencies. Be sure to vet the source to make sure it is a legitimate lender with an excellent track record of fair terms and customer satisfaction.

**Loan types:** There are fixed-rate mortgages, where the interest rate and monthly payment stay the same for the length of the loan, and there are adjustable-rate mortgages (ARMs), where the interest rate can fluctuate during the life of the loan. ARMs can be more affordable in the beginning because they start out with a lower introductory (teaser) rate and payment. But before choosing an adjustable-rate (or variable-rate) loan, find out how high the interest rate and payment could go, and be sure you can afford the increase.

## Loan terms:

- **Interest rate (fixed-rate loan):** While this is not the only loan term you should base your decision on, it is a critical consideration. For example, just a .5% difference in the interest rate on a \$150,000 fixed-rate loan would cost you \$125 more each month. A fixed-rate loan is one where the monthly payment stays the same for the life of the loan.
- **Initial interest rate (ARM):** The “teaser” interest rate is offered for a specific period—say a year or three years—at the beginning of an adjustable-rate mortgage. It’s often lower than prevailing rates, which serves to attract borrowers to ARMs.
- **Rate adjustments and caps (ARM):** How frequently (annually, semiannually, etc.) the interest rate on an ARM can be adjusted, and the maximum increase allowed per adjustment period and over the life of the loan, is very important to know. Before accepting an adjustable-rate loan, consider how you would manage the monthly payment at the highest possible rate.
- **Points and fees:** These are the costs of getting the loan. Some fees, such as the application fee, are stated in dollars. Others, such as origination fees, are stated as a percentage of the loan amount (one point equals one percent of the loan amount). Fees can vary widely from lender to lender, so shop around. The APR (annual percentage rate) will be higher than the quoted interest rate because it factors in the loan fees, making it easier to compare loans.
- **Repayment period (loan term):** The “term” is the length of the loan, or how many years of regular monthly payments it will take until the loan is paid off. The most common loan term is 30 years, though many loans are 15 years. A shorter loan term results in a higher monthly payment but less total interest paid over the life of the loan.

**Loan approval:** Approval of your loan application will depend on many things, including your credit score, downpayment, debt-to-income ratio and property appraisal. The higher your (FICO) credit score (on a scale from 300 to 850), the more likely you are to be approved for the loan. The bigger your downpayment, the less risk for the lender. The standard downpayment is 80 percent, but many government-insured and first-time homebuyer programs require less. Debt-to-income ratio refers to your total monthly debt payments (mortgage, credit cards, car loans, etc.) as a percentage of your gross income. Many lenders prefer that your debt payments not exceed 36 percent of gross income (a good reason to pay off other debt before you try to buy a home), though this number varies. Many lenders also prefer that your monthly housing cost (mortgage, insurance, taxes, etc.) not exceed 28 percent of gross income. The lender typically hires an appraiser to determine the market value of the property, and then takes that value and multiplies it by the percentage it is willing to lend. For example, if the lender is willing to lend up to 90 percent of a property’s value (loan-to-value ratio), and the home you want to buy appraises for \$200,000, the lender would be willing to lend up to \$180,000 on that particular property ( $\$200,000 \times 0.90 = \$180,000$ ). You might hear about being prequalified or preapproved for a mortgage. Prequalification is a lender’s estimate of how much of a loan you might qualify for—it is not a firm commitment. Preapproval is a firm commitment from a lender for a specific loan amount. The approval can be valid for as little as 30 days or as much as 120 days or more. In a competitive housing market, showing a buyer that you are preapproved for a loan can give you an advantage over other prospective buyers who do not have financing lined up.

Learn more about buying a home in the publications featured on Consumer Action’s housing education website: [www.housing-information.org](http://www.housing-information.org).

**Direct participants** to take the Rent or Buy? activity sheet from their packets. Break the class into groups to work on the scenario together. Before groups start working, ask for a volunteer to read the scenario aloud (or do so yourself), along with the questions at the end. Point out that there are no

right or wrong answers to this scenario. It is reflective of what virtually all prospective homebuyers go through—narrowing their options, weighing the advantages and disadvantages of each, and making compromises.

Allow some time for groups to complete the exercise. At the end of that time, ask for a spokesperson from each group to tell the class how that group would advise Lee and Gerry. Refer to the answer key for a guide to assist you during the discussion.

**Ask:** If you thought that Lee and Gerry should buy rather than rent, what advice would you give them about being successful homeowners? What do they need to do to protect their home and their investment?

After taking answers from volunteers, reveal the next slide.

## SLIDE #18

Go over slide notes.



### Slide notes:

Eight keys to successful homeownership:

1. Make your monthly mortgage payments on time.
2. If you have an adjustable-rate mortgage, be prepared to make a higher payment if the rate jumps.
3. Stay current on property taxes and, if applicable, your homeowners association (HOA) dues.
4. Maintain adequate homeowners insurance.
5. Keep the home well maintained and in good shape.
6. Build an emergency fund that you can tap to pay for emergency repairs or to cover mortgage payments, taxes and insurance if you become temporarily unemployed.
7. Don't borrow against your equity for consumer purchases.
8. Get help from a HUD-approved housing counseling agency at the first sign of trouble, or if you need advice ([www.HUD.gov/offices/hsg/sfh/hcc/hcs.cfm](http://www.HUD.gov/offices/hsg/sfh/hcc/hcs.cfm)).

## INSURANCE (15 minutes)

**Learning objective:** Be aware of the most widely needed types of insurance and the protections each one offers, and understand the key considerations when shopping for insurance coverage.

### Key points (slide 19-21):

- Insurance is crucial because it protects you from losses that could be devastating.
- Not everyone needs every type of insurance, but virtually everyone needs some insurance.

- It's necessary to shop around for insurance to ensure you are getting a good price for the coverage you want, from a financially sound company with a strong customer satisfaction record.

### Questions to generate discussion:

- What do insurance and gambling have in common? How are they different? (They are similar in that you are making a decision based on your perception of risk, and also in that you might not ever get back the money you put in. They are different in that gambling offers the opportunity for gain as well as loss, while insurance simply ensures you are restored to your original position (no gain or loss).)
- What three types of insurance do you think are most important for yourself and/or your family? Why?

**Introduction:** Insurance is a way of greatly reducing the risk of serious financial loss due to unforeseen incidents. Virtually everyone needs at least one type of insurance (health), and most people need more than one type to protect their current and future assets from a wide range of risks—a house fire, auto accident, serious medical condition, premature death, etc. Understanding which types of coverage you might need and how to find the right policy from the best company can give you peace of mind *and* save you money.

### →SLIDE #19

Go over slide notes.



### Slide notes:

Insurance protects you from a loss that could be financially damaging or devastating. There are many different types of insurance. Here are the types that many consumers need, though not necessarily every consumer will need every type.

**Health insurance** pays all or some of the costs of medical care. If you do not have coverage through an employer or a government program, you must obtain it on your own unless you qualify for an exemption. Under the Affordable Care Act, you may be eligible for a subsidy that makes coverage more affordable. Visit [www.HealthCare.gov](http://www.HealthCare.gov) for more

information.

**Renters insurance** protects you from loss of or damage to your possessions due to theft, fire or other covered perils. It also typically includes some liability coverage for accidents and injuries that occur in your home. Renters coverage is relatively inexpensive. (Your landlord's insurance does *not* cover your possessions.)

**Homeowners insurance** pays to repair or replace your home and possessions in the event of a covered loss, and the liability component pays if anyone is injured on your property. Coverage for damage caused by a flood or earthquake typically must be purchased separately.

**Auto insurance** protects you and others from financial loss as the result of an accident, theft or other peril. Forty-nine states require drivers to carry a minimum amount of liability insurance. If you have an auto loan, the lender may also require collision and comprehensive coverage.

**Disability insurance** replaces a percentage of your income if you are unable to work due to an illness or accident. There is short-term disability and long-term disability insurance. If your employer doesn't offer coverage, consider purchasing an individual long-term disability policy.

**Life insurance** pays money (a "death benefit") to your beneficiaries when you die. If anyone (a spouse, partner, children or parents, for example) depends on you for financial support, then you should consider buying life insurance. There is term and cash-value (also known as "whole life," or permanent) insurance. Term is less expensive and eventually expires or can be renewed for a higher premium, while cash-value continues indefinitely and includes an investment component but is more expensive.

## →SLIDE #20

Go over slide notes.



### Slide notes:

Here are some important things to be aware of regarding the different types of insurance:

**Health:** The Affordable Care Act, sometimes referred to as Obamacare, has made health insurance more affordable (through a wide range of plan prices and the availability of subsidies for qualifying applicants) and more accessible (no more denials because of pre-existing conditions). Even if you've been turned down for coverage or found it unaffordable in the past, you should visit [HealthCare.gov](http://HealthCare.gov) to learn about your options and possible financial assistance.

**Renters:** "Actual Cash Value" coverage pays to replace your possessions minus a deduction for depreciation. "Replacement Cost" coverage pays the actual cost of replacing your possessions up to the limit of your policy. You should purchase "Replacement Cost" coverage. If you have valuables (jewelry, collectibles, artwork, computers, etc.), ask if they are covered under a standard policy or if you have to purchase a separate "floater."

**Homeowners:** (Same applies regarding "actual cash value" vs. "replacement cost" coverage and floaters, above.) Mortgage lenders require borrowers to maintain adequate homeowners insurance, but you should maintain your coverage even after you pay off your loan or you could be wiped out by a fire or other loss. If you have difficulty obtaining insurance on your property because you're in a "high risk" area or home (prone to severe weather conditions or other perils), contact your state's department of insurance to find out about high-risk insurance programs, or learn about Fair Access to Insurance Requirements (FAIR) plans at <http://www.insure.com/home-insurance/fair-plan.html>.

**Auto:** The six main components of a policy are: bodily injury liability, property liability, comprehensive, collision, medical payments/PIP and uninsured/underinsured motorist. Liability coverage is required by law; minimums vary by state. However, the minimum required by your state may be too low to protect your assets if you are sued, so you might need to purchase more. Learn more in Consumer Action's "Auto Insurance" module ([http://www.consumer-action.org/modules/module\\_auto\\_insurance](http://www.consumer-action.org/modules/module_auto_insurance)). California drivers, learn about the state-sponsored low-cost insurance program at [http://www.consumer-action.org/modules/articles/californias\\_low\\_cost\\_automobile\\_insurance\\_program](http://www.consumer-action.org/modules/articles/californias_low_cost_automobile_insurance_program). Elsewhere,

contact your state's department of insurance ([http://www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)) if you need insurance but can't afford it.

**Disability:** Statistically, you're far more likely to become disabled during your working life than to die, so disability insurance is important for anyone who earns a paycheck. Find out what coverage you have through work (short-term, long-term, both or none). Some employers don't provide long-term disability, but they make it available to employees who want to purchase it. The Motley Fool offers some tips for purchasing coverage (<http://www.fool.com/insurancecenter/disability/disability05.htm>). Workers' compensation offers some income, but only if you get sick or injured on the job. Social Security only provides disability payments to workers who suffer a disability expected to last at least 12 months and so severe that no gainful employment can be performed.

**Life:** Term (or temporary) insurance is ideal for many consumers because it can provide a high amount of coverage for a limited number of years for a more affordable premium. Whole life insurance (also known as permanent or cash-value), is more expensive because it uses part of your premiums to pay for the death benefit and part to invest. Group life insurance that you get through your employer, association or another source is generally less expensive than an individual policy and there is typically no medical exam or medical history review. It's generally advisable to avoid very limited coverage, such as fee-based products tied to your credit/loan accounts that only pay off your account balance if you die.

## →SLIDE #21

Go over slide notes.



### Slide notes:

**Insurance sources:** There are three main sources of individual (not group) insurance policies: an insurance company that sells directly to the public (Geico, for example); an insurance company agent (a State Farm office, for example); or a broker (online or brick-and-mortar) who sells insurance for more than one company. In the case of health insurance, you have another option that is likely to be the best: the HealthCare.gov (federal) marketplace or your state's health insurance exchange (<https://www.healthcare.gov/marketplace-in-your-state/>), if it has one. A great way to find a good insurance company or agent is to talk to

people you know. You should also do an online search for consumer reviews, check complaints with the state insurance department ([http://www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)), check reviews/rankings from companies such as Consumer Reports ([www.ConsumerReports.org](http://www.ConsumerReports.org)) and J.D. Power (<http://www.jdpower.com/ratings/industry/insurance>), and find out how financially sound an insurer is (in other words, how likely it is that the company will be able to pay future claims) (<http://www.iii.org/article/how-to-assess-the-financial-strength-of-an-insurance-company>).

**Pricing:** The difference in coverage and price (premiums) among insurers can be hundreds of dollars per year. It's very important to make sure the quotes you are comparing are for the same policy—that includes coverage types and amounts, deductibles, co-pays and exclusions (losses not covered). Shopping online can be quick and convenient—you can visit insurers' sites, or use a site like Insure.com, which gathers price information from many insurance providers. There are many

discounts available, especially on auto and homeowners/renters insurance policies. Most people qualify for at least one discount, and some qualify for many (for example, more than one car, or both car and home policies with the same company, no accidents for a certain period, safety equipment, etc.). You might have to ask about available discounts rather than expect them to be offered to you.

**Ask:** What are some ways to save money on insurance? How can you reduce your premiums? Write down participants' answers. Offer any of the following that they don't mention:

- Opt for a higher deductible, co-pay (health insurance) or elimination (or waiting) period (disability insurance)
- Claim-free for several years
- No moving violations for several years (auto)
- Multi-policy discount—more than one type of coverage (auto and renters or homeowners, for example) from a single insurer and/or more than one car
- Drop comprehensive coverage on an older car (you would not be able to place a claim if your car were stolen or damaged)
- Alarm systems (home burglar/fire alarm; auto antitheft alarm)
- Safety features (airbags, antilock brakes, home smoke detectors, deadbolt locks, etc.)
- AAA membership
- Defensive driving course; student driver with good grades
- Low annual mileage
- Nonsmoker
- Senior citizen

## **QUESTIONS AND ANSWERS (10 minutes)**

**Preparation:** Review the Achieving Financial Goals brochure and part 2 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 2 checklist from their packets. Encourage participants to use the checklist to act on some of the things they have learned today.

➔ SLIDE #22



**Congratulations!**

You've completed Part 2 of the Money Management 1-2-3 training.

**Money Management 1-2-3 *Achieving Financial Goals***

***If you are presenting only part 2 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 part 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 two 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 3 after the break.

## Want or Need? (activity)

Being able to distinguish between wants and needs can make the difference between achieving your financial goals and finding yourself drowning in debt. Determine which items in the list below are wants and which are needs—not all are clear-cut. Be prepared to discuss your choices.

Expense	Want (✓)	Need (✓)	Why?
<i>Example: Coffee shop latte</i>	✓		<i>Could make coffee at home</i>
Spa treatment			
Groceries			
Gym membership			
Airline ticket			
Jewelry			
Fast food lunch			
Prescription (antibiotics)			
Auto repair			
Auto detailing (wash/wax)			
Friend's birthday gift			
Video game			
Computer			
Cosmetic surgery			
Shoes			
Daycare			
Cable television			
Telephone			

## My Savings Goals (activity)

### Short-term goals (*within one year*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/month	Savings/pay period

#### Steps to achieve goals:

1. \_\_\_\_\_
2. \_\_\_\_\_

### Medium-term goals (*more than one year but less than three to five years*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/month	Savings/pay period

#### Steps to achieve goals:

1. \_\_\_\_\_
2. \_\_\_\_\_

### Long-term goals (*more than five years*)

Goal	Total needed	Current savings	Need to save	Target date	Savings/month	Savings/pay period

#### Steps to achieve goals:

1. \_\_\_\_\_
2. \_\_\_\_\_

## A Question of Investing (activity)

- 1) If you buy a company's stock:
  - a) You are lending money to the company
  - b) You are guaranteed to make money
  - c) You own a part of the company
  - d) You will not owe taxes on the money you make
- 2) If you buy a corporate bond:
  - a) You are lending money to the company
  - b) You are guaranteed to make money
  - c) You own a part of the company
  - d) You are liable for the company's debts
- 3) Which of the following is a type of bond?
  - a) Corporate
  - b) Municipal
  - c) U.S. Savings
  - d) All of the above
- 4) Over the 70 years from 1930 to 2000, the investment that provided the highest return is:
  - a) Savings bonds
  - b) CDs
  - c) Stocks
  - d) Bonds
- 5) Over the three years from 2007 to 2010, the investment that had the biggest loss is:
  - a) Stocks
  - b) Corporate bonds
  - c) Gold
  - d) U.S. Savings bonds
- 6) How do you make money from owning stock?
  - a) The price of the stock rises if the company does well—called *capital gains* or *appreciation*
  - b) The company pays interest to shareholders
  - c) The company pays out dividends to shareholders
  - d) A and C
- 7) If you buy stock in a new technology company, you:
  - a) Could lose all of the money you invested
  - b) Could double your money
  - c) Could lose just a portion of your investment
  - d) All of the above
- 8) A mutual fund:
  - a) Pools the money of many investors
  - b) Invests it in a *portfolio* of stocks, bonds or other assets
  - c) Can make money or lose money, depending on how the portfolio performs
  - d) All of the above

- 9) Read this to learn about a mutual fund's fees, portfolio holdings, and past performance:
- Annual report
  - Marketing materials
  - Prospectus
  - Most recent tax return
- 10) Which of the following offers a guaranteed return on your money?
- Mutual fund shares
  - Paying off your revolving debt on a credit card that charges 18% interest
  - Real estate
  - B and C
- 11) Where should 25-year-old Sam invest most of his 401(k) contributions?
- A money market mutual fund
  - A bond mutual fund
  - His company's stock
  - A stock mutual fund
- 12) Rank the investments in order of risk, from lowest to highest:
- Shares in a large-company stock mutual fund; an insured money market account; stock in a single company; a municipal bond
  - An insured money market account; a municipal bond; shares in a large-company stock mutual fund; stock in a single company
  - Stock in a single company; shares in a large-company stock mutual fund; a municipal bond; an insured money market account
  - A municipal bond; stock in a single company, an insured money market account; shares in a large-company stock mutual fund
- 13) Which of the following is a type of investment?
- 401(k)
  - IRA
  - Corporate bond
  - All of the above
- 14) What is the "rule of 72"?
- The age at which you must start withdrawing money from your retirement accounts
  - The amount you must save each month in order to have \$1 million in 50 years
  - A formula for estimating how quickly your investment will double at a given interest rate
  - None of the above
- 15) An investment may be a scam if:
- The seller pressures you to act quickly
  - Guarantees a high rate of return
  - Discourages you from asking questions or investigating the investment
  - All of the above

## A Question of Investing (answer key)

- 1) **C.**
- 2) **A.** That is why bonds pay interest—because a bond is a loan.
- 3) **D.** Corporate bonds are issued by companies, municipal bonds are issued by state or local governments to raise money for civic projects, and U.S. Savings Bonds are issued by the federal government.
- 4) **C.** The stock market fluctuates constantly, but over the long term (many years), the stock market has risen. That's why it's less risky to "buy and hold" than to try to "time the market" (buy and sell frequently, attempting to hit the high and low points).
- 5) **A.** The shorter your investment time frame, the more volatile (risky) the stock market is.
- 6) **D.** The share price of a stock can go up or down, meaning that you gain or lose money if you sell. Also, some companies pay out dividends, which are a share of the company's profits.
- 7) **D.** When you invest in any company, you could gain or lose. Investing in a new company rather than an established one is even riskier. Always learn as much as possible about a company before you invest, and never invest more than you can afford to lose.
- 8) **D.**
- 9) **C.** Mutual funds and public companies (those that sell shares of stock) are required by law to issue a truthful prospectus, which provides essential information for prospective investors. Do not invest in any company or mutual fund before reading the prospectus. You can request a prospectus by contacting the company by phone or visiting its website.
- 10) **B.** Few investments can match an 18 percent interest rate. It doesn't make much sense to invest your money at, say, 8% while you're paying the credit card company 18%. If you have more than one credit card with a revolving balance, pay at least the minimum on all the cards and apply any extra to the card with the highest interest rate. When that's paid off, apply any extra to the card with the next highest interest rate, and so on until all your credit card debt is gone.
- 11) **D.** Since Sam has approximately 40 years before he plans to access his 401(k) retirement funds, a stock mutual fund is a good option for him. The short-term volatility of the market won't affect him, and a stock mutual fund reduces his risk through diversification.
- 12) **B.** An insured money market account pays slightly more interest than a regular savings account, but it is also FDIC-insured, so there is no risk at all; bonds pay higher interest than savings or money market accounts but offer lower returns, and are less risky, than stocks; shares in a large-company stock mutual fund gives you the potential for a higher return than you could get from bonds while reducing your risk through diversification—and investing in large companies is considered safer than investing in small companies or specific industries such as technology; stock in a single company means all your eggs are in one basket—a very risky prospect.
- 13) **C.** The other choices are types of tax-advantaged accounts. Within each of these accounts, you must choose specific investments, such as shares of a mutual fund or company stock. Otherwise, the money you contribute will sit in a very low-paying default savings vehicle such a money market mutual fund, and that will not help you to achieve your long-term financial goals.
- 14) **C.** To figure out roughly when your money will double, divide 72 by the interest rate you earn. For example, if you earn 6% interest, your money will double in approximately 12 years ( $72/6=12$ ).
- 15) **D.** Don't ever invest under pressure. And remember, if something seems too good to be true, it probably is.

## Rent or Buy? (activity)

Lee and Gerry have been renting a one-bedroom apartment close to downtown, where they both work, for the past four years. Thanks to the city's rent control laws, their rent has increased very little since they moved in—only 4 percent per year. They now spend approximately 20 percent of their monthly income on rent and renters insurance. They also pay for gas and electricity, but not for water or garbage.

The couple is considering buying their first home. Currently, they don't itemize their deductions because they don't have any deductions that exceed the standard allowance, and although they get a sizable tax refund every year, they feel like they are allowing too high a percentage of their income to go to income taxes. They also would like some more space—an additional bedroom, to use as a guest room/office; a yard that they and their dog can enjoy; and a garage, since they now have to park on the street and manage to get at least one fifty-dollar parking ticket every month. (On the positive side, they can walk or bike to work when the weather is nice, and can take a quick and inexpensive bus ride when it isn't. And they can—and do—take advantage of the many great restaurants within walking distance of their apartment.)

Lee and Gerry have saved \$20,000 towards a downpayment. They could borrow an additional \$20,000 from their employer-sponsored retirement plans to come up with the 20 percent downpayment they would need for the type of suburban house they want. That would leave them a cushion of \$5,000 in their emergency fund. (There are smaller homes in the area that cost about \$30,000 less—in the \$170,000-to-\$175,000 range.)

Though the couple has been pre-qualified for a loan up to \$160,000, they know their finances will be tight as homeowners: Their monthly housing expense (mortgage, property taxes and insurance) will jump from 20 percent to about 28 percent of their gross income, not including maintenance and higher commuting costs. Plus, they will have to repay the 401(k) loans they took to make the downpayment. Lee expects to get a raise in about a year. Gerry is trying to find a better job but has not had any serious leads in the first six months of looking. One option the couple has for cutting the cost of homeownership is to take out an adjustable rate, rather than a fixed rate, mortgage. The initial rate on an ARM is 3%—much lower than the 5.5% charged on a fixed rate loan. That translates to a monthly savings of \$233. (The monthly payment on the fixed rate loan of \$160,000 is \$908; the payment on the ARM is \$675.) The rate on the ARM can adjust for the first time 24 months after the purchase, and then every 12 months after that. The maximum increase is 2%, with a cap of 6% over the life of the loan.

Making the decision even more complicated: There is a one-bedroom condominium (no yard or garage) for sale just a few blocks away from Lee and Gerry's current home. The price is \$155,000.

- What would you advise Lee and Gerry to do?
- Which property should they buy—the suburban home with all the features they want, a less expensive suburban home, or the nearby condominium? Or should they stay put in their rent-controlled apartment?
- If they buy, which loan should they take—the low-rate ARM or the fixed rate mortgage?
- What should they consider when making their decisions?

## Rent or Buy? (answer key)

Lee and Gerry have four options:

- Buy the suburban home that has all the features they want;
- Buy a smaller, less expensive suburban home;
- Buy the nearby condo; or
- Stay in their rent-controlled apartment.

If Lee and Gerry buy the suburban home that has all the features they want, their finances will be stretched. That would be fine for some couples, and difficult or at least unpleasant for others. Lee and Gerry have to decide if giving up some things (like dinners out) is worth it to have the home they want. They might find that their finances are not as tight as they expected if they have not factored in the absence of parking tickets and frequent restaurant bills.

Lee and Gerry could get a little more breathing room in their budget if they bought the smaller suburban home. They would still get the benefits of homeownership—tax deductions and the opportunity to build equity—without have to borrow quite as much from their 401(k) plans or take out quite as big a mortgage. But they will still have the longer commute. Would you stretch your budget further to get exactly what you wanted, or would you buy something more affordable with plans to upgrade some years down the road?

If Lee and Gerry buy the nearby condo, they get many of the benefits of homeownership (tax deductions and equity), but they do not improve their living situation (no extra room, no yard and no garage). In addition to a smaller downpayment and lower monthly mortgage payments than they would have if they bought either of the suburban homes, they will avoid commute expenses—though they may still get parking tickets and be tempted by nearby restaurants! They will also have to pay homeowners association (HOA) dues, a monthly fee that pays for maintenance of common areas and features such as landscaping, exterior painting and roofing.

Regardless of which property the couple buys, they will reduce their tax bill. As homeowners, they'll now be able to itemize their deductions and reduce their taxable income by their mortgage interest payments and property taxes. And, in the first year, they can deduct the points they pay for originating the loan. To make it easier to make ends meet each month, Lee and Gerry could fill out new W-4 forms at work to increase their exemptions and get more money in their paychecks rather than waiting to get a tax refund.

Choosing a loan is not so difficult in this case. Because 5.5% is near historical lows for a fixed rate mortgage, Lee and Gerry should do what they can with their budget to lock in that rate if they plan on staying more than two years in the home that they buy. The 3% teaser rate on the ARM is very enticing, but it could jump the full 2% allowable when it adjusts in two years. At 5%, it is still slightly better than the 5.5% fixed rate. But it could jump another 2% just a year later. The reasons for Lee and Gerry to choose the ARM would be if the lower payment were the only way they could get their dream house; if they planned to sell or refinance within the first three years (before it could adjust a second time and go as high as 7%); or, if they were sure their income would increase significantly in the first three years, so that the payments at a rate higher than 5.5% would still be affordable if they couldn't sell or refinance. Should Lee count on getting a raise in a year? Should Gerry count on finding a better-paying job?

Of course, doing nothing is always an option—Lee and Gerry could just stay in their rent-controlled apartment for now. They know their rent won't increase significantly, and they could use the extra time with lower housing costs to save more for a down payment and increase their income. Then, they could conceivably be in position to buy a home without borrowing from their retirement plans or stretching their budget so tightly to make the monthly payments.

Whatever the couple does—buy or stay put—they should make it a goal to increase their emergency fund.

**To Do at Home:  
Money Management 1-2-3—Part 2 Checklist**

<b>Task</b>	<b>Completed (✓)</b>	<b>Notes</b>
Revise your budget. Adjust it to increase savings, pay off debt and/or reduce any shortfall.		
Get help if you are having trouble paying bills and/or covering living expenses.		
Complete your savings goals worksheet. Implement steps for reaching your goals.		
Set up automatic transfers from your checking to your savings account(s).		
If you're not already contributing to a retirement plan, sign up with your employer or open an IRA. Or, increase contributions to an existing account.		
Learn more about investing so that you can make decisions confidently. A good place to start is at <a href="http://www.sec.gov">www.sec.gov</a> .		
Review your retirement plan investment selections to make sure they meet your goals for growth and your risk tolerance.		
If you want to buy a home, attend a local first-time homebuyer workshop. Work on saving a downpayment, reducing your debt and improving your credit.		
If you already own a home, maintain an adequate emergency fund to cover mortgage payments and other expenses.		
Check current mortgage interest rates to find out if it makes sense for you to refinance.		
Do an insurance checkup to make sure you have the coverage you need ( <a href="http://www.consumer-action.org/downloads/english/insurance_checkup_2016.pdf">www.consumer-action.org/downloads/english/insurance_checkup_2016.pdf</a> ).		
Shop around for better insurance rates. Ask about discounts you might qualify for.		

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

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 feel better prepared to manage my debt and achieve my savings goals.**

Strongly agree

Agree

Disagree

Strongly disagree

**2. I understand the difference between saving and investing and why investing for the long-term is a necessary part of achieving my financial goals.**

Strongly agree

Agree

Disagree

Strongly disagree

**3. I understand the advantages of retirement accounts and why they are important.**

Strongly agree

Agree

Disagree

Strongly disagree

**4. I have a better understanding of basic investing principles and what to consider when making investment decisions.**

Strongly agree

Agree

Disagree

Strongly disagree

**5. I feel better prepared to make wise decisions regarding homeownership.**

Strongly agree

Agree

Disagree

Strongly disagree

**6. I feel more knowledgeable about the different types of insurance coverage I might need.**

Strongly agree

Agree

Disagree

Strongly disagree

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

Strongly agree

Agree

Disagree

Strongly disagree

**8. The instructor was well informed.**

Strongly agree

Agree

Disagree

Strongly disagree

**9. The materials I received are easy to read and understand.**

Strongly agree

Agree

Disagree

Strongly disagree

**10. 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!**