Money Management
1-2-3

Seminar Lesson Plan and Class Activities

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:

By the end of the training, participants will understand:

- How to make the most of their income
- The basics of taxes
- The importance of checking and savings accounts
- How to create and update a budget
- How to achieve their savings goals
- How to build good credit and manage it wisely
- 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
- How to overcome retirement planning challenges
- How to fund their retirement
- The pros and cons of tapping their home equity
- Some ways they can manage their health care expenses
- Why they might need to reevaluate their insurance coverage
- Where to get financial and emotional support if raising grandchildren
- The key components of an estate plan

Seminar duration:

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

Instructor will also need:

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

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

- Money Management 1-2-3 brochure(s): 1: Getting a Good Start; 2: Achieving Financial Goals; and 3: Planning a Secure Future
- Copy of PowerPoint slides (optional)
- Money Management 1-2-3 class activities and take-home worksheets:

  Activities and worksheets for part 1:

  - Understanding Your Pay Stub (activity)
  - Checking and Savings Account Comparison Worksheet (take-home tool)
  - Using a Check Register (optional activity)
  - Fritter Finder (take-home tool)
  - Help Max Create a Realistic Budget (activity)
  - Budget Worksheet (take-home tool)
  - Credit Card Comparison Worksheet (take-home tool)
  - Sample Credit Card Statement (two pages)
  - Understand Your Credit Card Statement (activity)
  - To Do at Home: Money Management 1 (follow-up checklist)
  - Training Evaluation: Money Management 1-2-3—Part 1

  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

  Activities and worksheets for part 3:

  - Pre-planning Retirement Worksheet (take-home tool) (two pages)
  - Personal Net Worth Statement (take-home tool)
  - Credit or Equity: Which Would You Advise? (activity) (two pages)
  - Insurance Match-up (activity)
  - Estate Planning Worksheet (take-home tool) (two pages)
  - To Do at Home: Money Management 3 (follow-up checklist)
  - Training Evaluation: Money Management 1-2-3—Part 3

Seminar Outline

Instructor's notes:

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

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

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

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

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

WELCOME AND TRAINING OVERVIEW (5 minutes)

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

Welcome participants and introduce yourself.

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

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

Note: Proceed to the section (1, 2 or 3) that you will be presenting now.

1: GETTING A STRONG START

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

→SLIDE #2

Go over slide notes.

Slide notes:

Present the topics covered in part 1 of the module:

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

EARNING INCOME AND PAYING TAXES (25 minutes)

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

Key points (slides 3-7):

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

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

Questions to generate discussion:

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

→SLIDE #3

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

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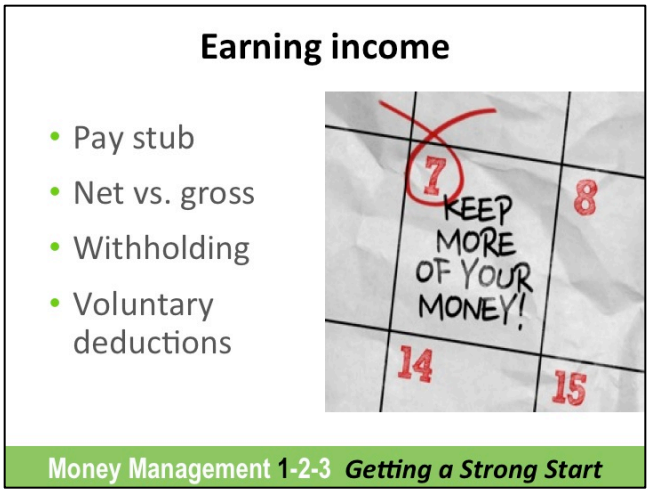

Slide notes:

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

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

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

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

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

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

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

→SLIDE #4

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

Go over slide notes.

Slide notes:

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

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

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

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

→SLIDE #5

Go over slide notes.

Slide notes:

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

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

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

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

Why are tax brackets important? Knowing your tax bracket can help you plan. For example, it can be helpful to know that if you are in the 10 percent or 12 percent tax bracket, you pay no tax on long-term capital gains and qualified dividends. However, if you sell an asset and take capital gains or you take in certain types of other income, you could get bumped into a higher percent tax bracket and lose your tax break. Likewise, certain retirement planning decisions will be guided by what tax

bracket you're in today versus what bracket you expect to be in when you retire. For example, estimating your future tax rate is a significant factor in deciding whether you should make contributions to a Roth IRA versus a traditional IRA (discussed in part two of the Money Management 1-2-3 module). Your tax rate is also used to estimate your after-tax retirement income in order to determine how much you need to save. Learn more about how tax rates influence retirement planning (http://www.forbes.com/sites/financialfinesse/2014/05/23/why-your-taxes-in-retirement-may-be-less-than-you-think/#75f4eda91d01).

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

→SLIDE #6

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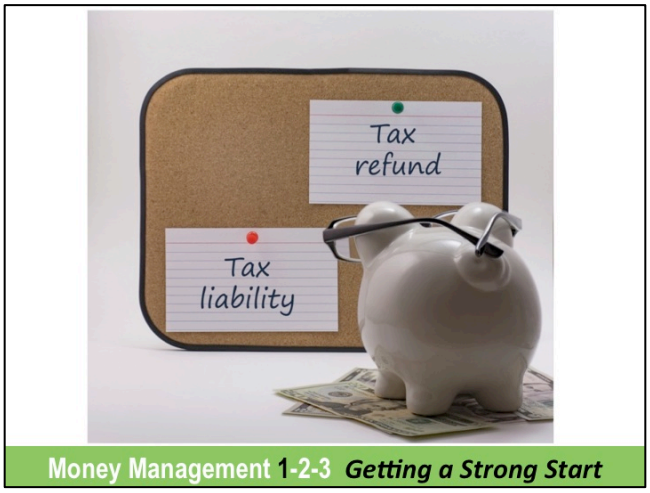

Slide notes:

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

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

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

→SLIDE #7

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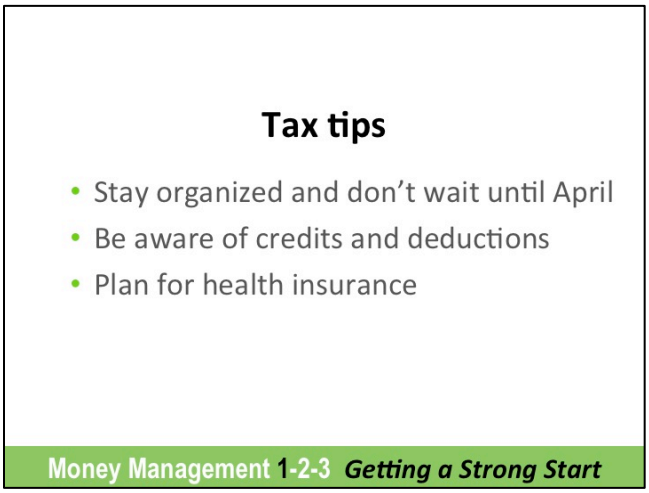

Slide notes:

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

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

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

CHECKING AND SAVINGS ACCOUNTS (25 minutes)

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

Key points (slides 8-10):

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

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

Questions to generate discussion:

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

→SLIDE #8

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

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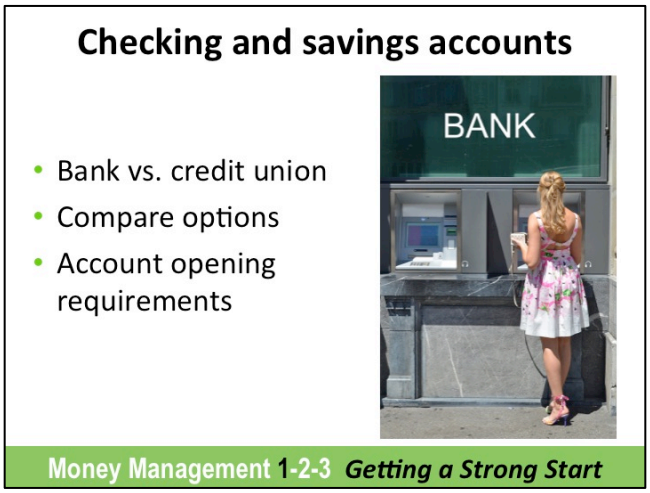


Slide notes:

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

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

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

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

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

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

→SLIDE #9

Go over slide notes.

Slide notes:

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

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

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

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

→SLIDE #10

Go over slide notes.

Slide notes;

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

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

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

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

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

BUDGETING AND SAVING (25 minutes)

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

Key points (slides 11-13):

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

Questions to generate discussion:

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

→SLIDE #11

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

Go over slide notes.

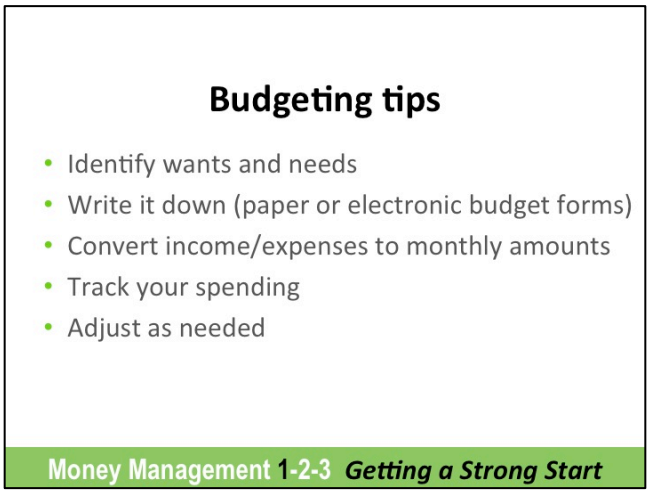
Slide notes:

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

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

→SLIDE #12

Go over slide notes.



Slide notes:

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

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

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

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

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

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

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

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

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

Here are some questions to guide discussion:

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

→SLIDE #13

Go over slide notes.

Slide notes:

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

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

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

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

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

ESTABLISHING AND BUILDING GOOD CREDIT (30 minutes)

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

Key points (slides 14-21):

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

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

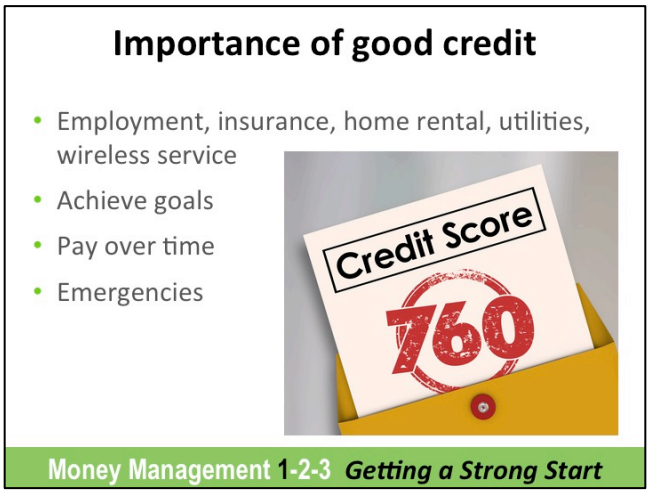
Questions to generate discussion:

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

→SLIDE #14

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

Go over slide notes.



Slide notes:

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

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

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

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

→SLIDE #15

Go over slide notes.

Financial cost of bad credit

48-month car loan of $20,000

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

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

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

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

Slide notes:

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

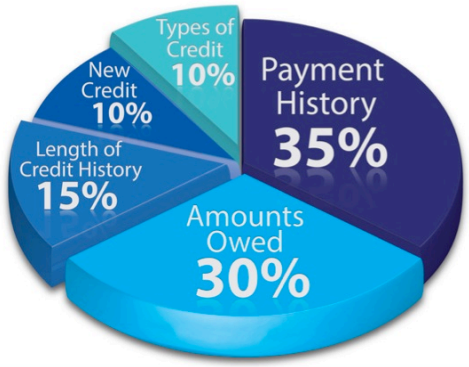
Credit score: Your credit score is a three-digit number that reflects the information in your credit report. It is supposed to tell lenders how likely you are to repay money you've borrowed. The higher your credit score, the lower a risk you are perceived to be by the lender, and the lower your interest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

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

→SLIDE #16

Go over slide notes.

FICO score calculation



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

Slide notes:

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

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

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

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

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

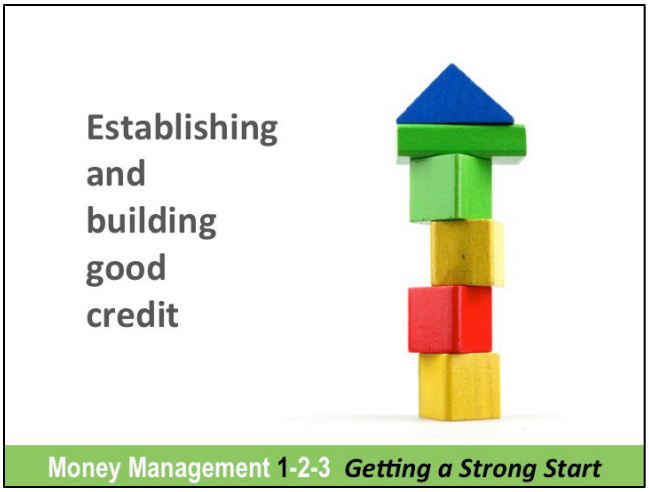
- Excellent credit = 750+
- Good credit = 700-749
- Fair credit = 650-699
- Poor credit = 600-649
- Bad credit = below 600

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

→SLIDE #17

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

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



Slide notes:

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

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

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

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

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

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

is a small fee.)

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

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

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

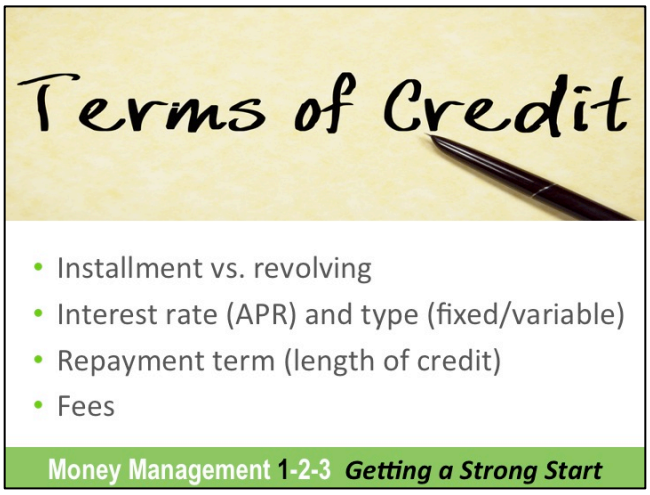
Here are some tips for managing your credit so that it works *for* you rather than *against* you:

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

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

→SLIDE #18

Go over slide notes.



Slide notes:

Installment vs. revolving credit:

Installment credit:

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

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

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

Revolving credit:

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

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

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

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

→SLIDE #19

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

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

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

Slide notes:

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

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

Credit cards also carry some risks, including that they:

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

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

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

Tips:

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

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

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

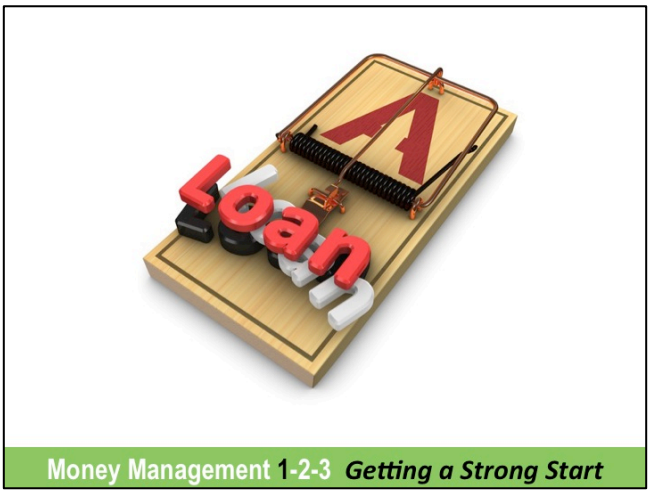
Allow participants a few minutes to answer the questions about Sara and Luis' credit card statement.

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

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

→SLIDE #20

Go over slide notes.



Slide notes:

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

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

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

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

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

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

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

Learn more in these online articles:

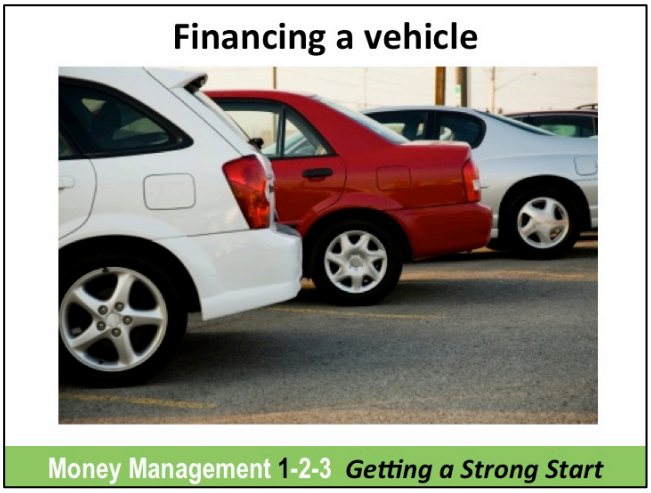
- https://www.capitalone.com/learn-grow/money-management/credit-types-avoid/

- https://www.creditkarma.com/auto/i/what-are-subprime-auto-loans/
- http://wallethub.com/edu/types-of-mortgages/833/

→SLIDE #21

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

Go over slide notes.



Slide notes:

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

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

Interest rates: Check the weekly interest rate roundup on the Bankrate.com website to find national averages on auto loan rates. It's a good idea to get preapproved for a loan from a non-dealer source—credit union, bank, etc.—before visiting a dealership. Dealers often advertise 0% and other attractive interest rates. However, only people with the best credit can qualify for the best financing. Interest rates on loans for people with so-so credit can be 60 percent higher than the rates available to people with excellent credit. People with poor credit may be asked to pay a rate that is two to four times higher. They may also be required to have a co-signer—someone with a good credit history who is willing to be responsible for repaying the loan without having ownership of the car (unless buyer and co-signer agree to put the co-signer on the title).

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

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

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

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

QUESTIONS AND ANSWERS (10 minutes)

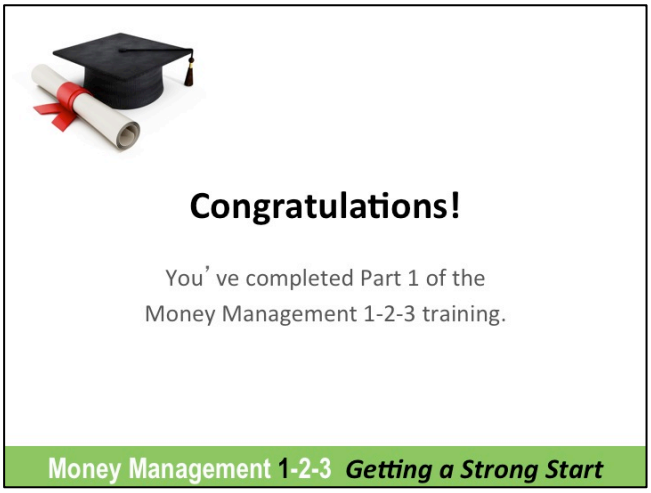
Preparation: Review the Getting a Strong Start brochure and part one of the Money Management 1-2-3 trainer's manual (Q&A).

Open the floor to questions.

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

Reveal the next slide.

→SLIDE #22



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

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

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

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

Understanding Your Pay Stub (activity)

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

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

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

Understanding Your Pay Stub (answer key)

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

Checking and Savings Account Comparison Worksheet

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

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

Using a Check Register (activity)

For each checking account transaction, record the:

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

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

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

What is your final balance? _____

Using a Check Register (answer key)

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

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

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

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

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

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

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

A. It is an automatic electronic payment.

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

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

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

A. Just one—check #2104.

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

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

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

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

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

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

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

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

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

Fritter Finder

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

WEEK OF: _____

PURCHASE	AMOUNT
Example: Coffee	$3.25
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL_____

Fritter Finder

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

WEEK OF: _____

PURCHASE	AMOUNT
Example: Coffee	$3.25
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

TOTAL_____

Help Max Create a Realistic Budget (activity)

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

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

Here are some questions to guide you:

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

Help Max Create a Realistic Budget (answer key)

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

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

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

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

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

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

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

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

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

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

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

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

Budget Worksheet

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

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

Credit Card Comparison Worksheet

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

Sample Credit Card Statement

SPEND-EASY CARD

From: **YOUR BANK**

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

Sara & Luis Consumer

Account 5566 7786 9934 5242

Billing Period: Sept 1 – Sept 30

Summary of Account Activity

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

Payment Information

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

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

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

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

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

Activity Detail:

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

Account 5566 7786 9934 5242 - Page 1 of 2

Continued on the next page

Finance Charge Information:

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

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

Account Number: 5566 7786 9934 5242

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

TO:
YOUR BANK
PO Box 676767
Financeville, NY 11967

Notes:

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

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

Understand Your Credit Card Statement (activity)

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

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

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

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

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

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

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

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

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

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

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

Understand Your Credit Card Statement (answer key)

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

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

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

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

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

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

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

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

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

A. 9.5% (24.52 minus 15.02).

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

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

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

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

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

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

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

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

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

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

To Do at Home: Money Management 1

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

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

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

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

7. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

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

_____

_____

_____

_____

Thank you for attending!

2: ACHIEVING FINANCIAL GOALS

Instructor's note:
If you are presenting this section of Money Management 1-2-3 on its own, see the "Instructor's notes" preceding part 1—they will tell you how to prepare for the workshop and how to make the best use of the PowerPoint visual teaching aid.

WELCOME AND TRAINING OVERVIEW (5 minutes)

→**SLIDE #1** (onscreen as participants arrive or return from break; direct early arrivals to read the Achieving Financial Goals brochure in their packet before you begin)

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.

→**SLIDE #23**

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.

Go over slide notes.

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 24):

- 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 #24

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 25-26):

- 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 #25

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.

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

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 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* (https://www.consumer-action.org/english/articles/personal_bankruptcy). 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* (https://www.consumer-action.org/modules/articles/economic_survival_guide_for_servicemembers_and_veterans) and *Veterans Financial Empowerment Resource Sheet* (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).

→SLIDE #26

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.gov/manage-loans/forgiveness-cancellation/public-service). 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).

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). 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).

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 27-36):

- 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.

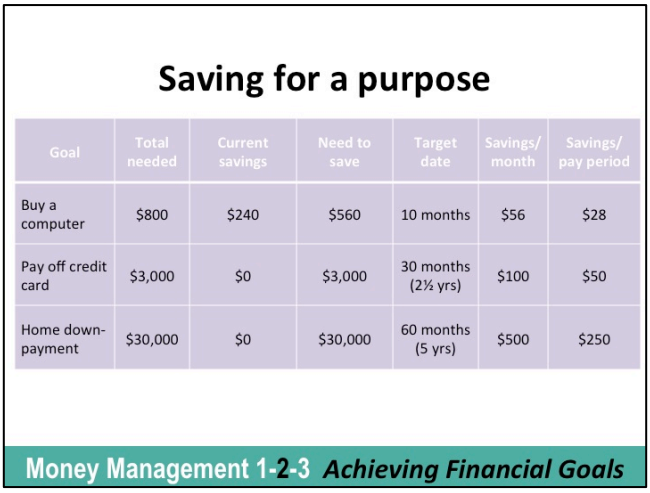
Questions to generate discussion:

- 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 #27

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.

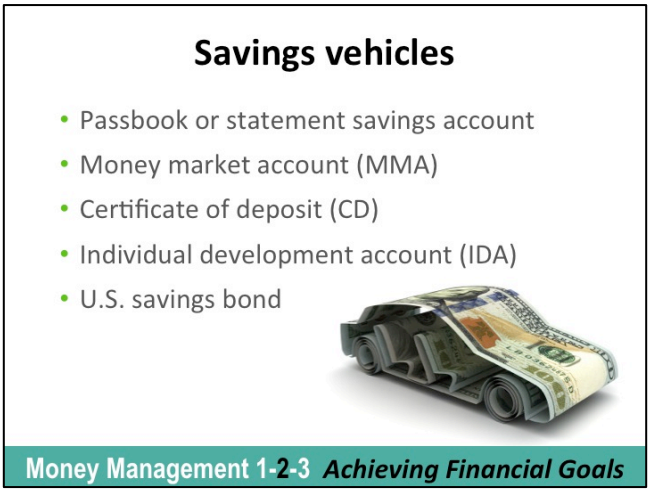
Direct participants to take the My Savings Goals worksheet from their packets. Allow participants a few minutes to work on their goals worksheet. Then ask for volunteers to share one of their goals. After a few responses, engage participants in a discussion.

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 #28

Go over slide notes.



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 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.

→SLIDE #29

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 ($1,100) 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 #30

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:

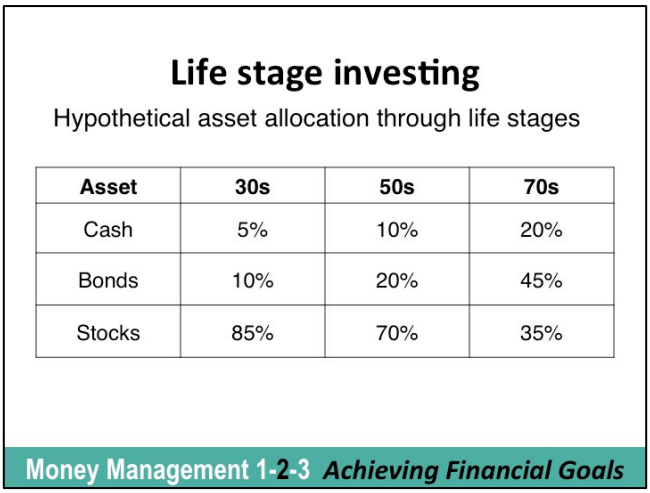
Saving vs. investing: The hypothetical figures in this example reflect the potential returns of savings and investment options *relative to each other*. While actual interest rates and returns will vary among accounts and can change significantly based on the economy, generally speaking, you're always 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 #31

Go over slide notes.



Asset	30s	50s	70s
Cash	5%	10%	20%
Bonds	10%	20%	45%
Stocks	85%	70%	35%

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:

a) Investors at any age should have some money in each of the main asset classes.

b) 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.

c) 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 #32

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/. 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 accountholder 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 #33

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.

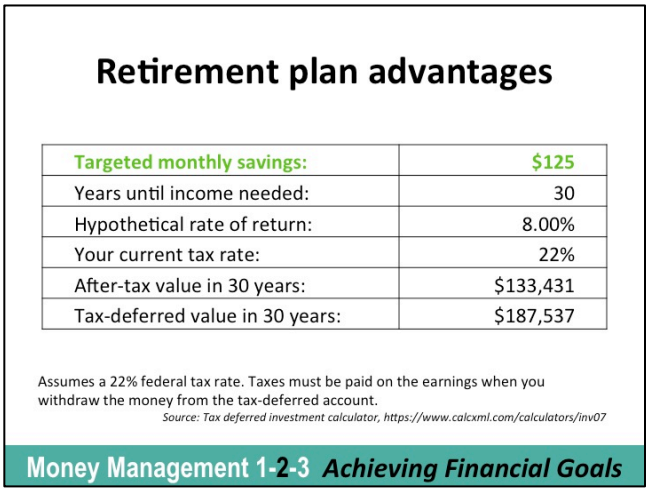
- **Roth IRA:** To contribute to a Roth IRA, you cannot exceed the income limitations. For 2019, your AGI must be $122,000 or less (single) or $193,000 or less (married filing jointly) to qualify for full contributions. You may still be able to make partial contributions at higher incomes, but they phase 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 #34

Go over slide notes.



Retirement plan advantages

Targeted monthly savings:	$125
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.calcxml.com/calculators/inv07

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

Slide notes:

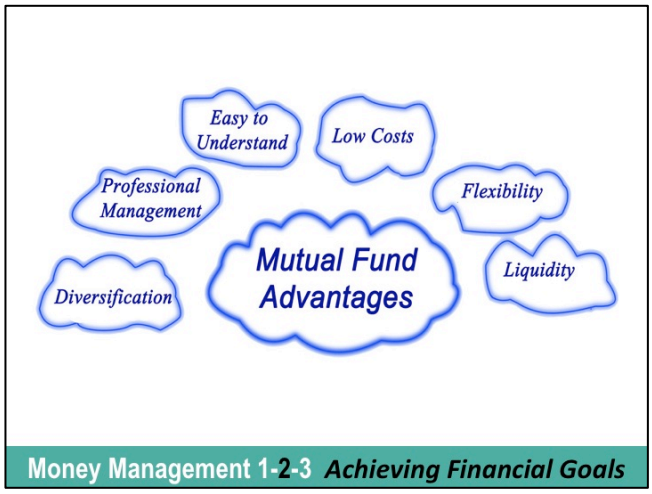
Tax deferral: Compounding is the process of generating earnings on your earnings (slide 29). It is even more powerful in a tax-deferred account because growth can occur on *all* the earnings—none has to go toward paying taxes (at least for a period). In addition to maximizing compounding by deferring 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 #35

Go over slide notes.



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 #36

Go over slide notes.

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 37-39):

- 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 #37

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 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:

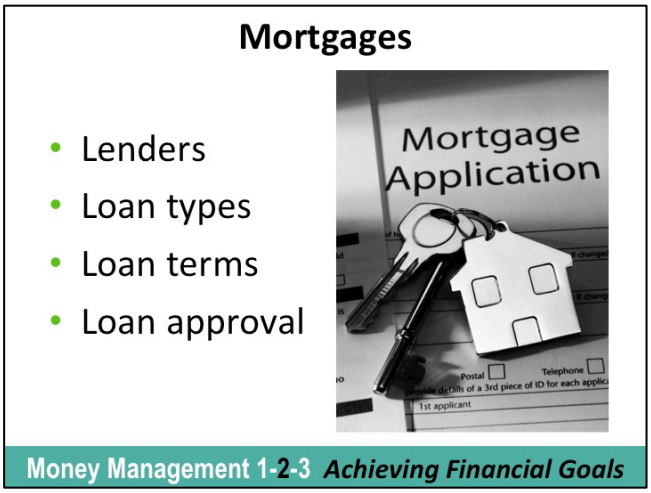
- Can be much more expensive than renting
- Not as much flexibility to relocate quickly (your home might not sell for a long time)
- More responsibility (homeownership costs and property maintenance)

- Could lose your home—including everything you have invested so far—if you can't pay your mortgage

→SLIDE #38

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.



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 x 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.

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 #39

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).

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 40-42):

- 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 #40

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 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 #41

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 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). 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. Elsewhere, contact your state's department of insurance (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. NerdWallet offers some guidance for purchasing coverage (https://www.nerdwallet.com/blog/insurance/disability-insurance-explained/). 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 #42

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), check reviews/rankings from companies such as Consumer Reports (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 your 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 #43

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 2 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?
Example: Coffee shop latte	✓		*Could make coffee at home*
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:
   a) Annual report
   b) Marketing materials
   c) Prospectus
   d) Most recent tax return

10) Which of the following offers a guaranteed return on your money?
   a) Mutual fund shares
   b) Paying off your revolving debt on a credit card that charges 18% interest
   c) Real estate
   d) B and C

11) Where should 25-year-old Sam invest most of his 401(k) contributions?
   a) A money market mutual fund
   b) A bond mutual fund
   c) His company's stock
   d) A stock mutual fund

12) Rank the investments in order of risk, from lowest to highest:
   a) Shares in a large-company stock mutual fund; an insured money market account; stock in a single company; a municipal bond
   b) An insured money market account; a municipal bond; shares in a large-company stock mutual fund; stock in a single company
   c) Stock in a single company; shares in a large-company stock mutual fund; a municipal bond; an insured money market account
   d) 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?
   a) 401(k)
   b) IRA
   c) Corporate bond
   d) All of the above

14) What is the "rule of 72"?
   a) The age at which you must start withdrawing money from your retirement accounts
   b) The amount you must save each month in order to have $1 million in 50 years
   c) A formula for estimating how quickly your investment will double at a given interest rate
   d) None of the above

15) An investment may be a scam if:
   a) The seller pressures you to act quickly
   b) Guarantees a high rate of return
   c) Discourages you from asking questions or investigating the investment
   d) 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 to 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

Task	Completed (✓)	Notes
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 www.sec.gov.		
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 (www.consumer-action.org/downloads/english/insurance_checkup_2016.pdf).		
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):

_____

_____

_____

Thank you for attending!

3: PLANNING A SECURE FUTURE

Instructor's note:
If you are presenting this section of Money Management 1-2-3 on its own, see the "Instructor's notes" preceding part 1—they will tell you how to prepare for the workshop and how to make the best use of the PowerPoint visual teaching aid.

WELCOME AND TRAINING OVERVIEW (5 minutes)

→**SLIDE #1** (onscreen as participants arrive or return from break; direct early arrivals to read the Planning a Secure Future brochure in their packet before you begin)

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

Welcome participants back from the break.

Ask volunteers to tell you what they hope to get out of this third 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.

→**SLIDE #44**

Introduction: Eventually, the working years become the retirement years. As that time approaches, you'll need to figure out your retirement income stream and how you'll manage your medical expenses, particularly if you plan to retire before you qualify for Medicare. At the same time, you might need to increase your insurance coverage so that it protects your increased assets. Grandparents raising grandchildren will have unique challenges, but everyone needs to make sure they have an estate plan in place so that they can enjoy their next chapter with peace of mind. Part 3 of the Money Management 1-2-3 seminar will guide you through these considerations.

Go over slide notes.

Slide notes:

Present the topics covered in part 3 of the module:

- Funding your retirement
- Tapping home equity
- Managing medical expenses
- Protecting assets
- Raising grandchildren
- Estate planning

FUNDING YOUR RETIREMENT (25 minutes)

Learning objective: Be aware of the challenges many retirees face and how to manage them, and make a plan for how you will tap your retirement accounts and Social Security so that you maximize benefits, reduce taxes and make your assets last a lifetime.

Key points (slides 45-47):

- It's possible to overcome, or at least manage, the challenges of retirement with good planning and wise choices.
- There are many things to consider when deciding when and where to draw your retirement income from, so you must plan ahead.
- Your choice of when to start getting monthly checks has a bearing on your lifetime Social Security benefits.

Questions to generate discussion:

- What do you think people's biggest fears about retirement are? How could they overcome them?
- Would you rather work longer and have more income in retirement, or retire earlier but have less retirement income? Why?
- How do you plan to make sure you have enough money in retirement?

→SLIDE #45

Introduction: Most people look forward to retirement, but the idea of living without a regular paycheck can cause anxiety, too. The best way to reduce your fear of the unknown is to identify the specific challenges you might face in the coming years and make a plan for dealing with them. There is a lot you can do right up to the day you retire to ensure that you are financially prepared for the years—maybe decades—to come.

Go over slide notes.

Slide notes:

Challenges: There are a handful of challenges that just about anyone planning for retirement faces:

- **Longevity:** Americans, in general, are living longer, healthier and more active lives. With that good news comes the challenge of funding a retirement that could be a decade or more longer than what our parents had to fund. If you retire at 65 in reasonably good health, there is a good chance you could live another 25 or more years. Are you financially prepared for that?
- **Inflation:** The goods and services that you purchase today will cost more tomorrow. Though inflation rates fluctuate from year to year, many experts assume a 4 percent annual inflation rate when planning for retirement income. Are you prepared for that drop in purchase power?
- **Market volatility:** The stock market has its ups and downs, but some years (or multi-year periods) these fluctuations can be more extreme than others. If you hit a rough patch as you approach retirement, you might not have time to recover from your investment losses. Generally, the best way to weather the storm is to have a well diversified portfolio. Are your investments appropriately allocated based on your age and projected retirement needs?
- **Medical expenses:** Nobody knows with certainty today what their health will be like tomorrow—trying to predict your health and medical expenses years in advance is impossible. While you can make an educated guess based on your parents' health and your current health, generally the best way to deal with the unknown in this case is to prepare for the worst. Do you have the insurance coverage and savings you might need to cover large medical and/or long-term care expenses?

Best practices: How much money you will need to accumulate for a comfortable retirement depends on the number of years you will spend in retirement; your projected health care costs; your income from Social Security, pensions and other non-savings sources; the inflation rate; your tax liability; whether you own a home or rent (a paid-off mortgage vs. rising rental payments); and the lifestyle you lead (lots of travel, a new car every few years and expensive hobbies vs. less travel, lower costs and inexpensive hobbies). To play it safe, it's generally best to:

- **Save as much as you can,** first in tax-advantaged accounts. Take advantage of catch-up provisions (extra money you are allowed to save in retirement accounts starting at age 50). Continue to save even after you've reached the annual maximum for all your tax-advantaged retirement accounts. (Non-retirement accounts—those that offer no tax advantages—are good to have too because they allow you to take money out at any time, not just when you reach official retirement age.) Do an online search for "retirement calculator" to find tools that help you estimate your needs and how much you'll need to save each month. If you decide to get professional advice, look for a fee-only financial planner.)
- **Pay off all non-mortgage debt** before your paychecks stop. Paying off your mortgage, if you have the money to do so, may or may not be the best choice, depending on your financial and tax situation; consider consulting a tax professional for advice. Never tap retirement accounts to pay non-mortgage debt—IRAs and 401(k)s are protected in bankruptcy, should you ever have to file.

- **Plan ahead for the most tax-efficient way to tap retirement funds.** If you have a mix of employer-sponsored retirement plans, traditional and Roth IRAs and non-retirement accounts, there are minimum distribution requirements and tax consequences that should guide your withdrawals. Consider consulting a tax professional or financial adviser for advice.
- **Keep some money invested for growth.** 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 left to fund. You'll need the growth that stocks can provide to keep up with inflation.

→SLIDE #46

Go over slide notes.

Slide notes:

Planning your income stream: Planning your income stream during retirement requires some effort, since you want to maximize your Social Security retirement benefits, meet any minimum account distribution requirements (to avoid a penalty), minimize your taxes, make sure your money lasts your lifetime and continues to grow, and be able to leave something to heirs (ideally, free of any tax burden). Figuring out the best way to tap your retirement accounts may call for the help of a (fee-only) financial adviser or tax professional.

Retirement account distributions: There are many rules governing retirement account withdrawals. For example, you typically must start taking at least the minimum required distributions from a traditional IRA (not a Roth) or an employer-sponsored retirement account starting at age 70½. If you don't, you'll pay a penalty. If you have multiple accounts, you don't necessarily have to withdraw from each account, but you do need to decide how much to take and from which account(s) to meet the minimum.

Tax considerations: There are always tax considerations. For example, you won't pay taxes on Roth withdrawals, but you will on withdrawals from other accounts. But that doesn't necessarily mean that the Roth withdrawals are always the best choice—it depends on your specific situation, including financial needs, age, account balances, goals, etc. Bankrate does a good job of spelling out some of the considerations (http://www.bankrate.com/finance/retirement/ways-to-withdraw-retirement-funds-1.aspx).

Early retirement: If you have retired early—whether by choice or not—you may need to understand which types of accounts you can tap before age 59½ and under what circumstances. Forbes explains 11 ways to tap retirement accounts early (http://www.forbes.com/pictures/mjd45kkhi/take-back-a-roth-contribution/). Early retirement is a good reason to continue saving in non-retirement accounts even after you've maxed out your retirement plan contributions for the year.

→SLIDE #47

Go over slide notes.

Slide notes:

Benefits calculation: How much you receive from Social Security over a lifetime depends on your earnings during your working years, the date you start receiving benefits and how long you live. Depending on when you were born, Social Security full retirement age is anywhere from 65 (those born in 1937 or earlier) to 67 (those born in 1960 and later).

Maximizing monthly benefits: You can begin receiving Social Security retirement benefits as early as age 62, but starting anytime before full retirement age will reduce your monthly checks for life. Waiting until age 70 allows you to max out your monthly benefit—of course, you'll receive those larger checks for fewer years than if you started them in your 60s. There are many things to consider when deciding at what age to begin taking Social Security retirement benefits, including your health and expected longevity and your need for monthly income. Learn more about full retirement age and level of benefits at https://www.ssa.gov/planners/retire/retirechart.html. Money Talks News offers "16 Ways to Get Bigger Checks from Social Security" (www.moneytalksnews.com/16-ways-get-bigger-checks-from-social-security/), which addresses the issue of when to start receiving benefits (however, one strategy—"file and suspend"—has been eliminated since the article was published). Also, try out the online Social Security Retirement Estimator (https://www.ssa.gov/retire/estimator.html). It produces estimates that are based on your actual Social Security earnings record.

Spousal benefits: The non-working spouse of someone who qualifies for Social Security retirement benefits may also be able to get benefits if he or she is at least 62 years old. The Social Security benefit of a nonworking spouse is up to 50 percent of the working spouse's full retirement age (FRA) benefit, and becomes available after the working spouse files for benefits. There are some exceptions, so visit https://www.ssa.gov/planners/retire/applying6.html to learn more.

Direct participants to take the Pre-planning Retirement Worksheet from their packets. Explain that they may not have answers to all the questions right now, but these questions will get them started thinking about the kind of retirement they envision and what will be needed to fund that retirement. This worksheet will assist participants and/or their advisers as they design a comprehensive retirement plan. Give participants a few minutes to get their worksheets started—they can finish at home.

For discussion:

- Are there questions here that you had never considered before when thinking about retirement? What are they?
- What next steps does this exercise encourage you to take? (Possible answers include: Ask HR questions about my employer-sponsored retirement plan, open a traditional or Roth IRA, increase retirement plan contributions, hire an adviser, learn more about retirement planning on my own, talk to my spouse or partner about our plans, develop a skill or side business for income in retirement.)
- How do you feel now about retirement—anxious, excited, well prepared, unprepared, motivated, etc?

If participants indicate they feel anxious or overwhelmed, reassure them that it's better to learn about their retirement needs now, while they still have time to prepare, than to be surprised and unprepared when they enter retirement and it's too late to do anything about a shortfall.

Direct participants to the Personal Net Worth Statement in their packets. Go over the worksheet briefly. Encourage participants to use this worksheet at home to calculate their net worth around the same time every year—say, the first week of January or the week of April 15 (tax day)—to gauge their progress. Online net worth worksheets are available as well—search for key words "personal net worth statement" or "personal net worth worksheet"—and they make it easy to update your numbers.

For discussion:

- Why don't we include furniture and personal possessions in the net worth statement? (Because, while these items have value for insurance purposes, they are not items that you would typically sell unless you were in dire straits. In other words, you're not going to plan on selling your dining room table as a means to retire. Also, it's difficult to assign a value to personal possessions such as furniture or a used computer since they are worth exactly what someone else would pay you for them at a particular time—something that is difficult or impossible to know if you don't actually try to sell the item.)
- When might it be acceptable—or even satisfying—to see your net worth go down? (When you buy a home and take on a mortgage…that's good debt. Over time, as you pay off your mortgage and as your home appreciates in value, the net worth calculation will tip in your favor.)

TAPPING HOME EQUITY (20 minutes)

Learning objective: Understand what home equity is and how to use it as a tool without putting your property in jeopardy.

Key points (slides 48-49):

- Equity is a source of wealth for most homeowners.
- A home equity loan or line of credit can be a good financial tool if used wisely and managed responsibly.
- Any loan secured by your home carries the serious risk of foreclosure if you cannot repay it as promised.
- A reverse mortgage can be a source of needed cash for seniors, but it is a relatively expensive type of loan.

Questions to generate discussion:

- Under what circumstances do you think it would be wise to take a home equity loan? Under what circumstances do you think it would be unwise? Why?
- Can anyone think of any drawbacks to borrowing against the equity in your home?

→SLIDE #48

Introduction: One of the major benefits of homeownership is the opportunity to build equity in the property. Equity can be a result of paying down your mortgage or the property going up in value, or both. At some point, you may decide to convert the wealth you have built up in your home to cash that you can use to achieve new goals. Under certain circumstances that can be a wise choice, but it's important that you understand all your options as well as the risks associated with borrowing against your home.

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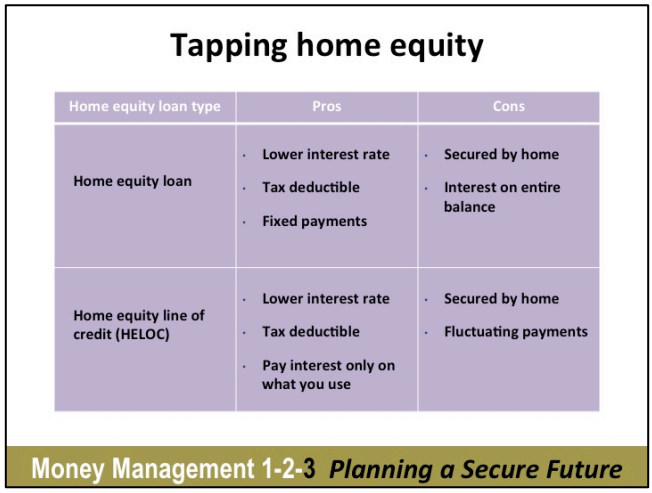

Tapping home equity

Home equity loan type	Pros	Cons
Home equity loan	· Lower interest rate · Tax deductible · Fixed payments	· Secured by home · Interest on entire balance
Home equity line of credit (HELOC)	· Lower interest rate · Tax deductible · Pay interest only on what you use	· Secured by home · Fluctuating payments

Money Management 1-2-3 *Planning a Secure Future*

Slide notes:

What is equity? Your home equity is the value of your home minus any loans or liens. For most Americans, this is their greatest source of wealth. Home equity loans allow borrowers to tap the equity in their home without having to sell the property.

Equity loan types: With a lump-sum home equity loan, you get all your borrowed money at once, you pay interest on the entire original loan amount just like a regular mortgage, and the interest rate and payments are fixed for the life of the loan. With a home equity line of credit (HELOC), you can choose how much to use and pay back each month (just like a credit card), you pay interest only on the outstanding balance, the interest rate and payments fluctuate based on prevailing rates and your loan balance. (Reverse mortgages, a special type of loan that allows some seniors to tap the equity in their home without having to make monthly payments, are discussed in the next slide.)

Advantages: Generally speaking, you can deduct the interest you pay on a home equity loan if the loan was used to purchase, build or substantially renovate your home. For more information, see IRS Publication 936, Home Mortgage Interest Deduction: https://www.irs.gov/publications/p936.)

Risks: Any loan secured by your home carries the serious risk of foreclosure if you cannot pay back the loan as promised. And because a HELOC functions like a credit card with a very high limit, it could be easier to spend more than you can afford. If you have had trouble managing your money and/or credit in the past, you should steer clear of a home equity loan or line of credit. Home equity borrowers also are an attractive target for scam artists, so be very careful, particularly if someone you don't already know or do business with contacts you to offer a loan. Some dishonest or disreputable lenders make home equity loans with terms that are difficult or impossible for borrowers to fulfill. When the borrower misses a payment or makes some other mistake, the lender forecloses on the property. Many of these lenders target older homeowners.

→SLIDE #49

Go over slide notes.

Slide notes:

What is a reverse mortgage? A reverse mortgage allows older homeowners (generally, age 62 or over) who owe little or nothing on their property to borrow against their equity without having to make monthly payments for as long as they live in the home. Borrowers can receive a lump sum, a monthly payment, a line of credit or some combination of these. Interest accrues on the loan, which must be paid off when the home is sold or the last surviving borrower dies. If heirs choose to keep the home, they must be able to pay off the loan (taking out a new mortgage to pay off the reverse mortgage might be an option). Otherwise, if the value of the home exceeds the loan balance, the homeowner or heirs would keep the difference between the sales price and the amount due. If the amount borrowed exceeds the value of the home, the lender *cannot* seek additional payments, but it keeps the property.

Pros and cons:

Pros:

- Provides needed cash
- Offers equity withdrawal options (single lump sum, scheduled monthly cash advance, line of credit or some combination of these)
- Enables homeowner(s) to remain in property rather than sell to tap equity

Cons:

- Harder to qualify for than in past (There used to be no income requirement to qualify, but as of 2015, reverse mortgage applicants must now undergo a "financial assessment," including a credit score review, by the lender to ensure they can meet the ongoing expenses of homeownership (maintenance, property taxes, insurance, etc.).)
- Relatively expensive, particularly over the short term, because of high fees and interest rates, as well as insurance premiums and servicing charges
- Relatively lengthy application process due to requirement to meet with a government-approved housing counselor before applying
- May deplete estate, leaving no equity to pass on to heirs

Learn more: Before deciding whether to get a reverse mortgage, speak with a counselor from a HUD-approved housing counseling agency. For a referral in your state, call HUD (800-569-4287) or find one online at the HUD website (https://www.hudexchange.info/programs/housing-counseling/). (*Note:* HECM, the term used by HUD, stands for Home Equity Conversion Mortgage.)

Direct participants to take the Credit or Equity: Which Would You Advise? activity from their packets. Read the instructions and give participants time to complete the exercise. (This exercise can be done individually, or you can break the class into four small groups, assigning each group to work on one of the four exercises.)

Bring the class together again. Have a spokesperson from each group read that group's assigned scenario and explain their recommendations. Or, if the exercise was done individually, you or a volunteer should read the scenario and then invite volunteers to share their recommendations. **Refer to** the answer key for suggested recommendations and the reasoning behind them.

MANAGING MEDICAL EXPENSES (20 minutes)

Learning objective: Understand what your health insurance options are under various circumstances and what to consider when deciding whether or not to purchase long-term care insurance.

Key points (slides 50-51):

- It's crucial to maintain health insurance regardless of your employment status.
- Depending on your age, your employment and marital status, and your finances, you will have different health care coverage options.
- Understand Medicare coverage before you turn 65 so that you can make an informed choice about when to begin it, which plan to choose and whether you want to purchase a Medigap policy.
- Consider your options for dealing with medical debt carefully, and don't risk foreclosure by paying medical bills with a loan secured by your home.
- Long-term care insurance is an option you should address before you reach your 60s, but the decision to purchase the coverage or not—and what policy to choose, if you decide to—requires careful consideration.

Questions to generate discussion:

- Have you ever been without health insurance? What was that like?
- Have you considered purchasing long-term care insurance? Why or why not?

→SLIDE #50

Introduction: Health insurance is a necessity throughout life, but your need for it may even increase as you get older, both because you might have more health issues and because large medical bills will be more difficult to recover from when you have fewer working years ahead of you. To avoid jeopardizing your nest egg, it's important to be aware of your coverage options should you experience a major life change such as unemployment, widowhood or divorce. By the time you are in your fifties, you should also have an understanding of how long-term care insurance works so that you can make an informed decision to buy coverage or not.

Go over slide notes.

Slide notes:

The most effective way to manage medical expenses is to have consistent health insurance coverage—even more crucial as you get older because you may have more health issues and not enough time before retirement to recover from large bills. Yet older adults may be more likely to find themselves suddenly without coverage due to a change in employment status. Understand your options so that you can avoid a lapse in coverage.

COBRA or ACA policy: If you leave or lose your job before you qualify for Medicare, you will have to find interim coverage. One option may be COBRA, which allows departing workers to continue coverage under their former employer's group plan for up to 18 months. But workers typically have to pay the entire premium plus an administrative cost, making it a very expensive option. If your spouse or domestic partner gets insurance through work, compare the cost of COBRA to the cost of getting added to their plan, if that's an option. Then compare these costs to that of buying an individual policy under the Affordable Care Act through www.HealthCare.gov (you might be redirected to your state's health insurance marketplace, or "exchange," if it has one). There are many options under the ACA, including plans with higher deductibles and/or co-pays and lower premiums. You might even qualify for a subsidy on your premiums. You don't have to purchase your medical insurance through an exchange, but you'll most likely find better rates there, and it's the only way to qualify for a subsidy.

Clinics: Free or low-cost health care options include federally funded local health centers, which provide basic outpatient care on a sliding scale (http://findahealthcenter.hrsa.gov). If you have children, the Children's Health Insurance Program (CHIP) (www.insurekidsnow.gov) is available in every state.

Medicare: To avoid a penalty, be sure to sign up for Medicare during the seven-month initial enrollment period— from three months before the month of your 65th birthday to three months after that month—if you don't have coverage through an employer (yours or your spouse's) or if you favor Medicare over your employer-sponsored plan. (Reasons to prefer your employer's plan over Medicare might include it offering overall better benefits or having a dependent who would lose coverage under your employer's plan if you switched to Medicare.) After age 65, enroll within eight months of stopping work, even if you receive COBRA or employer-provided retiree health benefits. Learn more at the AARP website (www.AARP.org/health/medicare-insurance/info-04-2011/medicare-enrollment.html). Consider purchasing Medicare Supplement Insurance (or Medigap), a private insurance policy that pays for all or part of the deductibles and copayments you are responsible for under Medicare. Not everyone needs or can use a Medigap policy—it's probably not necessary if you have low income and assets, and it doesn't work if you are in a Medicare Advantage Plan—but for some people it provides needed financial protection. Start researching Medigap policies before you start Medicare so that you are prepared when the time comes.

Medical bills: If you find yourself facing high medical bills—whether you have health insurance or not—consider your options carefully. Rather than putting your bill on a credit card—your own or one offered by the medical facility—try to set up a payment plan directly with the provider. Also, many hospitals have a charitable care program that covers all or a portion of qualifying patients' bills; ask to speak to the person in charge of the program. Do not charge your medical bills on your home equity line of credit or take out a new home equity loan to pay them off—if you can't make the payments, you could lose your home in foreclosure. The federal Emergency Medical Treatment &

Labor Act (EMTALA) requires a hospital to treat you for a medical emergency regardless of your ability to pay.

Go over slide notes.

→SLIDE #51

Slide notes:

What is long-term care insurance? Long-term care insurance pays the costs of receiving help with daily activities, such as eating, bathing and dressing, whether in a nursing home or your own home. Medicare and most private health insurance policies pay only for "skilled" care, not this "custodial" care.

To purchase, or not? Whether or not to purchase long-term care insurance can be a difficult decision. It may be worthwhile to talk to an adviser (who doesn't sell long-term care insurance) about your resources and options. According to some experts, consumers who have assets worth $300,000 to $500,000 above and beyond the value of their homes may benefit most from long-term care insurance, because they have too much to qualify for government aid, but perhaps not enough to cover their custodial care bills for as long as necessary. Consumers with much greater assets may have enough to cover the costs of care without insurance (and can avoid the gamble of paying the premiums and never making a claim). This article (https://attorney.elderlawanswers.com/newsletter/actions/view-article-new/c/11513/id/5470) from an elder law attorney explores how likely you are to need long-term care insurance; it might help you in your decision-making process.

Premiums: The younger you are when you buy long-term care insurance, the lower the premiums. Of course, you don't want to start paying premiums at such a young age that you end up paying for decades before you are likely to make a claim. Many experts recommend that consumers who want to purchase long-term care insurance do so in their 50s, in part to pay lower premiums than if they purchased in their 60s, but mainly to avoid having their application denied because they have developed medical conditions. Long-term care premiums are relatively expensive—a 2019 estimate from the American Association for Long-Term Care Insurance was $2,050 per year for a typical policy for a 55-year-old man.

Policy terms: There are many policy variables, including the deductible, the daily benefit, the maximum benefit, the waiting period, the qualification requirements and whether the policy adjusts for inflation. When you shop for a policy, be sure to understand all the terms and compare apples to apples. A good resource is LongTermCare.gov (http://longtermcare.gov).

PROTECTING ASSETS (20 minutes)

Learning objective: Be aware of the need to reevaluate your insurance coverage as your assets and risk levels change, and understand what an umbrella policy is so that you can make an informed decision about this additional coverage.

Key points (slides 52):

- It's necessary to check your insurance coverage regularly to make sure you're adequately protected.
- Your need for insurance (types and amounts) changes throughout your lifetime as assets increase and risk increases or decreases.
- Your future earnings are an asset that could be jeopardized by a lawsuit if you are not adequately insured.
- An umbrella policy is additional liability protection at a relatively low cost.

Questions to generate discussion:

- Do you reevaluate, or update, your insurance coverage regularly? If no, why not?
- What kinds of life changes do you think would warrant a change in your insurance coverage (either type of coverage or amount)?

→SLIDE #52

Introduction: Insurance needs change as your family and your assets grow, as your employment situation changes and as you age. It's important to re-evaluate your insurance coverage regularly to make sure you stay adequately protected—you don't want to find out *after* an accident or illness that your coverage comes up short.

Go over slide notes.

Slide notes:

Updating coverage: Anytime you take on additional risk (such as a teenage driver, a swimming pool, a dog or paying guests in your home), have more to protect (greater assets and/or earning power, a remodeled home, etc.) or go through a major life event (having a child, getting divorced or married, retiring, etc.), you need to look into adjusting your insurance coverage. Even if there are no major changes in your life, it's a good idea to do an annual insurance review. Learn more in Consumer Action's "Insurance Checkup" brochure (www.consumer-action.org/english/articles/insurance_checkup).

Underinsured: As your family grows, your assets increase and your earning power becomes greater, it's easy to find yourself underinsured. When you're underinsured, your losses are not fully covered or, in some cases, they may not be covered at all because something or someone—such as a home addition or remodel, a new home-based business or a new family member—was never added to the policy. If you have significant assets and/or are still working, the biggest risk may be loss of your assets or future earnings in a lawsuit because you don't have enough liability coverage to protect you.

Umbrella policy: A personal liability umbrella policy (PLUP) augments your liability protection by paying out after you have exhausted the liability coverage on your homeowners and/or auto insurance policy. A PLUP also typically cover some things your other insurance doesn't, such as lawsuits alleging invasion of privacy or libel. Policies are purchased in increments of $1 million (e.g., $1 million, $2 million or higher), yet umbrella premiums usually cost only a few hundred dollars per

year per million dollars in coverage. In many cases, only the company that provides your home and/or auto insurance will sell you an umbrella policy. Umbrella policies are not just for the rich: Even if your current assets aren't that high, you could be sued and a judgment against you for a million dollars or more could put your future wages and assets in jeopardy.

Direct participants to take the Insurance Match-up activity from their packets. Read the instructions and give participants some time to complete the exercise. Remind them that this isn't a test, it's a learning activity—they may not know some of the answers, but they will learn through the exercise. Then go through the worksheet, inviting participants to volunteer the answers (refer to answer key).

RAISING GRANDCHILDREN (10 minutes)

Learning objective: Be aware of the financial and emotional resources available to grandparents raising their grandchildren so that you can tap into these sources of support if necessary.

Key points (slides 53):

- Millions of grandparents are raising their grandchildren—you're not alone.
- There are many sources of information and emotional support for grandparents raising a second family.
- There are financial assistance programs and benefits as well as tax breaks for those raising a family.
- Don't make late-in-life financial moves that could derail your retirement, such as withdrawing from a retirement account or co-signing a student loan.

Question to generate discussion:

- What do you think would be the greatest challenges and greatest rewards of raising your grandchildren?

→SLIDE #53

Introduction: For a range of reasons, more grandparents have been taking on the role of "parent" to their grandchildren. While circumstances vary, raising a second family is almost always financially challenging. Fortunately, there are a number of resources and tax benefits that can make it easier to meet the financial demands of grandparenthood, as long as you also avoid doing anything that would jeopardize your retirement.

Go over slide notes.

Slide notes:

If you have found yourself parenting again, this time for your grandchildren, you're not alone: Just under five million grandchildren in America are being raised solely by their grandparents. If you are having trouble managing the added expenses, take advantage of the many financial assistance programs and benefits available for grandfamilies. Read "Raising Grandchildren Gives Rise to Financial Challenges" (http://hffo.CUNA.org/331/article/3031/html) to learn more about your options and find links to resources. Also:

Take advantage of tax breaks you may qualify for, such as the Child Tax Credit. Search www.IRS.gov or click on the links in the article referenced above.

Don't withdraw money from your retirement accounts or suspend your contributions, and don't co-sign a student loan for your grandchild. Doing any of these things could seriously jeopardize your retirement.

Take advantage of resources, including support groups, that help you manage the non-financial challenges of raising a second family. Here are a few:

- HelpGuide.org (http://www.helpguide.org/articles/grandparenting/grandparents-as-parents.htm)
- AARP (Grandfamilies Guide) (http://www.aarp.org/relationships/friends-family/info-08-2011/grandfamilies-guide-getting-started.html)
- DailyStrength.org (http://www.dailystrength.org/c/Grandparents-Raising-Children/support-group)
- American Association for Marriage and Family Therapy (https://www.therapistlocator.net/)

ESTATE PLANNING (10 minutes)

Learning objective: Understand why estate planning is important, what the key components of an estate plan are, and where to find more information and assistance.

Key points (slide 54):

- Estate planning is a "must" for virtually everyone.
- You shouldn't wait until your later years to put an estate plan in place.
- While there are some estate planning tasks you can do yourself, it's wise to consult with an estate attorney for anything more than the basics.
- There are "trust mills" and other scams designed to take advantage of older consumers—beware!
- Make sure your estate planning documents and instructions are in the right places before they are needed.

Questions to generate discussion:

- Do you have a will, power-of-attorney or other documents in place? If not, why not?
- Have you ever had to deal with managing someone's affairs or sorting out an estate when the person did not have a power-of-attorney or a will? What was that like? What were some of the challenges?

→SLIDE #54

Introduction: Many people think that estate planning is only for the very wealthy or the elderly. The truth is, just about everyone needs an estate plan, and they should create one long before they become senior citizens. Although estate planning may not seem as rewarding as, say, planning for your retirement, it's just as important—and you get an immediate payoff in the form of greater peace of mind.

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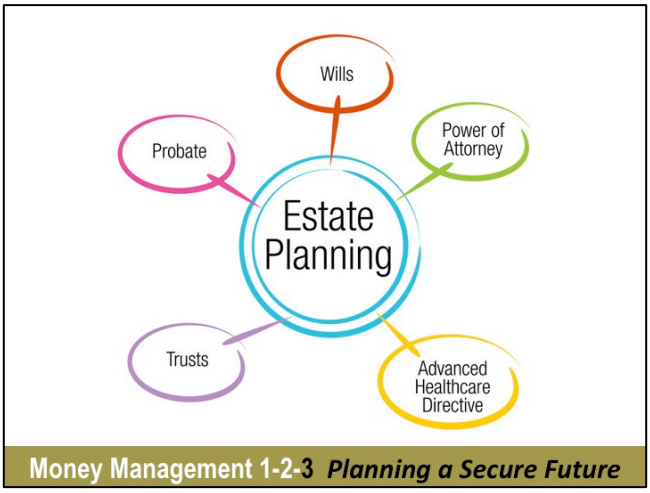

Slide notes:

Estate planning, including wills and trusts, is a complex legal area, and consumers typically benefit from consulting with an estate planning attorney experienced in the law's of the consumer's state. Covered here are the basics related to the different areas of estate planning that consumers should be aware of. An excellent resource, if consumers want to learn more about general estate planning before they consult an attorney, is Nolo.com.

Estate planning should answer these key questions:

- Who will make medical/financial decisions for me?
- What medical treatment do I want/not want?
- Who should receive my assets/belongings?
- Who will be the executor of my will?
- Who should take care of my minor children?
- How can I avoid probate and reduce taxes?

Who needs estate planning? Estate planning is not just for the wealthy. Regardless of your net worth, you should have at least a basic estate plan in place that includes a living will, also known as a health care directive or advance directive (informs medical staff of your wishes regarding life-extending medical treatments, pain management and organ donation when you can't speak for yourself), a health care power-of-attorney (grants someone else the right to make medical decisions on your behalf if you are incapacitated), a financial power of attorney (grants someone else the right to make financial decisions on your behalf) and a will (states your final wishes, including who will be the guardian of your children and how your estate should be distributed, and assigns someone—executor, or personal representative—to oversee the disposition of your estate). All or most hospitals provide living will (advance directive) and health care power-of-attorney forms upon

request. The American Bar Association's (ABA) Commission on Law and Aging provides these state-specific forms online (https://www.americanbar.org/groups/law_aging/resources/health_care_decision_making/consumer_s_toolkit_for_health_care_advance_planning/). Advisers encourage everyone age 18 and older to prepare these documents. Power-of-attorney and a will are particularly important if you and your partner are not married, or if you want to name someone other than your spouse to make health care and/or financial decisions for you or inherit your assets. You don't need an attorney to write a valid will—there are templates and software programs that allow you to create a basic will on your own. However, if you have a blended family (children from more than one marriage), significant assets, the need for a trust, or there are other circumstances that make your situation more complex, it's advisable to use an attorney experienced in your state's laws. Ask family, friends, work associates and advisers if they can provide a referral to a good estate attorney. Or visit the American College of Trust and Estate Counsel (ACTEC) online (www.ACTEC.org) to get a list of attorneys in your area, or Nolo.com for information on finding and choosing a qualified attorney.

Trusts: Because probate (the legal process whereby a court oversees the distribution of assets left by a deceased person) can be an expensive and lengthy process, many people take steps to avoid it. A living trust is a legal entity that avoids probate (but not estate taxes). You specify in the trust document who will inherit the property you have placed in the trust. After your death, the trustee can transfer the property in the trust to your heirs. But beware of "trust mills," operations in which salespeople passing themselves off as estate planning experts push living trusts and sometimes annuities and investments. These posers can cause serious harm by recommending a product that might not be right for you or filling out and recording legal forms incorrectly. They also might use your personal information to try to coerce you into purchasing other products that are not in your best interest. Another way to avoid probate is to name a beneficiary on accounts that offer that option. This can be done for life insurance policies, employer-sponsored retirement plans, IRAs, bank accounts, securities (stocks) and some other accounts. There are also forms of asset ownership that achieve the same goal. For example, joint tenancy with right of survivorship and community property allow assets to pass to the co-owner automatically when the other owner dies. Learn more about different types of ownership at Nolo.com. Don't forget to change beneficiaries as needed (for example, if you get divorced and want to leave your assets to your new spouse instead). Probate might be avoided or shortened if your estate is small—each state sets its own standard for what it considers a small estate.

Storing your will and instructions: Don't keep your will in a safe deposit box! It may be sealed upon your death, requiring a court to grant permission to open it. Tell your executor (personal representative) where your will is and how to get to it when the time comes. Or, you can provide your executor with a sealed copy if you are comfortable doing that. If you have an attorney, s/he should keep an original. You can keep another original at home, in a locked, fireproof box. Don't forget your digital assets (online accounts including social media and email; photo, music and video collections; your computer's hard drive; and data stored on other servers—i.e., the "cloud"). If you want anyone to be able to access them after your death, you should write a letter, to be included with your will or provided to your executor, stating who should have access to each account and what you want them to do with it. Make the login information (username, password and answers to security questions) for each account or device accessible to the person who will be managing or closing the account. Learn more in the digital estate planning issue of Consumer Action News (http://www.consumer-action.org/news/articles/digital_estate_planning_spring_2015). Also, don't put the instructions for your final arrangements in your will. Give them to your executor or to someone else very close to you so they have immediate access to it when the time comes. Rather than prepaying for your funeral, set up a payable-on-death account at your bank and deposit funds into it to pay for your funeral and related expenses. This type of account is called a Totten Trust. Some reasons not to prepay your funeral expenses with a particular mortuary: The funeral home may go

out of business; you may move out of the area and not be able to withdraw the funds or transfer the prepaid benefits to a mortuary near your new home, or you may have to pay a significant penalty to do so; or your prepaid plan may not cover inflated expenses, leaving your heirs to cover the additional costs.

Direct participants to take the Estate Planning Worksheet from their packets. Go over the worksheet and encourage participants to use it at home. Then encourage discussion.

For discussion:

- What part or parts of estate planning do you think are most crucial at this stage in your life? Why? (Participants might mention things like assigning a guardian if they have small children or creating a succession plan if they have a business.)
- Do you think that putting your estate plan and important papers in order will give you peace of mind? (Encourage participants not to think of estate planning as something unpleasant but as something that will lift a weight off their shoulders.)

QUESTIONS AND ANSWERS (10 minutes)

Preparation: Review the Planning a Secure Future brochure and part 3 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 3 checklist from their packets. Encourage participants to use the checklist to act on some of the things they have learned today.

Reveal the next slide.

→SLIDE #55

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 other trainings in the future, announce that now.

Pre-planning Retirement Worksheet (page 1 of 2)

Your answers to the questions below will help guide you—and an adviser, if you choose to work with one—as you determine what kind of income and assets you'll need to fund the retirement you envision.

When I envision my retirement, this is what I see (lifestyle, activities, health, location, etc.):

_____

_____

_____

_____

I plan to retire at age _____

I'm generally healthy? True False Longevity runs in my family? True False

I plan to begin taking monthly Social Security benefits at age _____

I expect my monthly SS benefit to be $_____. (Check your SS statement for estimates.)

I will receive a monthly pension or annuity payment in the amount of $_____.

I will receive other monthly income (from rental property or a business, for example) in the amount of $_____.

I plan to work part-time in retirement. I expect to earn approximately $_____.

I currently spend $_____ per month (and/or $_____ per year).

I expect to spend $_____ *more* per month (and/or $_____ per year).

I expect to spend $_____ *less* per month (and/or $_____ per year).

(Expenses in retirement could change significantly. For example, will housing expenses go down because you'll move in with an adult child or pay off your mortgage, or will they go up because your rent will increase? Will transportation costs go down because you're not traveling to work, or will they go up because you'll buy a car? Will health care costs go down because you currently pay for insurance and you'll receive Medicare, or go up because you expect to have health issues or will retire before age 65? Will entertainment expenses go up because you'll take up hobbies or you'll travel much more? Other possible changes include giving up a car, downsizing your home, moving to a less expensive part of the country, and spending less on clothing, just to name a few.)

Pre-planning Retirement Worksheet (page 2 of 2)

I plan to pay off all non-mortgage debt before I retire? True False

The *minimum* income I will need in retirement is $_____ per month (and/or $_____ per year).

The *ideal* income I would like to have in retirement is $_____ per month (and/or $_____ per year).

I currently have saved in retirement accounts:

Account: _____ Balance: $_____

Account: _____ Balance: $_____

Account: _____ Balance: $_____

I currently have saved in non-retirement accounts:

Account: _____ Balance: $_____

Account: _____ Balance: $_____

Account: _____ Balance: $_____

Other assets I have are (your home equity or the cash value of a life insurance policy, for example):

Asset: _____ Value: $_____

Asset: _____ Value: $_____

Asset: _____ Value: $_____

Asset: _____ Value: $_____

I am making the maximum allowable contributions to my retirement accounts? True False

I feel like I am on track to fund my planned retirement? True False

I would consider doing the following to achieve my retirement goals (✓):

- ❑ save more
- ❑ retire later
- ❑ sell/downsize my home
- ❑ invest more aggressively
- ❑ reduce expenses in retirement
- ❑ take out a reverse mortgage in retirement

Personal Net Worth Statement

Your net worth is the difference between what you *own* and what you *owe*. Calculate your net worth regularly to see if you are making progress toward your goals. Ideally, your assets will grow and your liabilities will shrink over the long term. Make copies of this blank sheet to use in the future.

Assets (what you own)	Value
Home/real estate	$
Vehicle(s)	$
Retirement account(s) (401(k)/IRAs)	$
Stocks, bonds, mutual funds	$
Savings account(s)	$
Checking account(s)	$
Cash	$
Other asset	$
Other asset	$
Total owned	$ (A)

Liabilities (what you owe)	Amount
Mortgage	$
Home equity loans/lines of credit	$
Auto loan(s)	$
401(k) loan	$
Student loan(s)	$
Other loan(s)	$
Taxes due	$
Credit card balances	$
Other debt	$
Other debt	$
Total owed	$ (B)

Total Assets (A)	Total Liabilities (B)	Net Worth
$	– (minus) $	= (equals) $ (– /+)

Credit or Equity: Which Would You Advise? (activity)

For each scenario below, make a recommendation—should the homeowner(s) use a home equity loan, a home equity line of credit, a reverse mortgage or a credit card—or something else? Briefly explain your advice.

1) Yvette still lives happily in the same modest home where she raised her three children. Fortunately, she and her late husband were able to pay off their mortgage before they retired, so she no longer has to worry about making a house payment out of her monthly Social Security check. Despite being careful about her spending, money is pretty tight for Yvette—there's not much left over each month for extras. Still, Yvette has always managed to make ends meet without having to use credit. Now, however, her home needs a new roof. The estimates she's gotten are between $6,000 and $8,000—more than she has in savings. How can Yvette pay for the needed repairs? What are her best options?

_____

_____

_____

_____

_____

_____

2) Laney and Jerrold bought their one-bedroom home with a 30-year adjustable rate mortgage (ARM). After living there for six years, they have built up about $45,000 in equity—a combination of quickly rising property values in their neighborhood and a slowly but steadily shrinking loan principal balance. During the same period, they both received pay raises, which, along with a consistently low interest rate, has created some welcome breathing room in their budget. The home has been perfect for the couple—near family and work, with a big yard for their two dogs. But now they are planning to adopt a child. Should Laney and Jerrold sell and move to a bigger house outside the area (they couldn't afford a bigger home in their current neighborhood)? Or should they borrow against their equity to add another room? What would you advise, and what do Laney and Jerrold need to consider when making their decision?

_____

_____

_____

_____

_____

_____

3) Jaydon and his partner recently split up after 12 years together. Though both have good incomes, they have consistently lived beyond their means, frequently eating at their favorite restaurants, buying new clothes to keep up with the latest fashion, and trading in slightly older vehicles for late-model luxury cars. Somehow, despite their overspending, the couple managed to stay current with the mortgage, though they often incurred late fees. As part of the break-up, Jaydon is keeping the house, which he purchased when he was still single, and which is now worth about $60,000 more than the outstanding mortgage. The couple is splitting the large outstanding credit card debt they accumulated together—Jaydon's share is about $35,000, currently at a rate of 21.99%. Jaydon also will keep one of the cars, which has an outstanding loan balance of $21,000 at 7.75%. Current rates on home equity loans are about 8.5% (fixed) and variable rates on home equity lines of credit start at about 5.5%. Should Jaydon borrow against his equity to pay off his high-rate, non-deductible debt? If so, why, and should he apply for a fixed-rate loan or a variable rate line of credit (HELOC)? If you think he shouldn't borrow against his equity, why not? What are his other options?

_____

_____

_____

_____

_____

_____

Credit or Equity: Which Would You Advise? (answer key)

1) Since Yvette owns her home outright, she certainly has enough equity to borrow against. However, because Yvette doesn't have any significant amount of monthly income leftover to make a new mortgage payment, she would not qualify for a home equity loan or line of credit. And paying for the roof with a credit card would likely create a high-interest revolving debt that would use up Yvette's last spare dime each month. In fact, it may take her many years to pay off the debt. A reverse mortgage may be a reasonable choice. But, because a reverse mortgage is relatively expensive on the front end, it doesn't make sense to take one just to cover one $6,000-$8,000 expense. If however, Yvette expects to live many more years in retirement and will need to do additional repairs, replace an old car, or take some trips and have some leeway in the monthly budget, then a reverse mortgage may be worth the costs. Another option for dealing with this particular one-time roofing expense may be a loan from the city. Some local governments offer loans for senior citizens who need to make home repairs. Lastly, if Yvette's children are in a position to help, might they be willing to pitch in for the repair?

2) Laney and Jerrold could move, but moving expenses and real estate commissions and/or attorney fees will likely eat up much of their $45,000 in equity, leaving them little money to upgrade to a bigger home. Also, the couple is very happy in the current property—moving may leave them dissatisfied. It also could cause their transportation expenses to increase if they move farther from work. And they may forego the support and childcare they would get from nearby family if they moved farther away. Taking out a home equity loan or line of credit appears to be a reasonable option for the couple. Two things they should keep in mind to avoid any future payment problems: The rate, and payment, on their current adjustable rate mortgage could adjust upwards at some point, making their monthly finances tighter. And, if they choose a HELOC, which normally charges a variable interest rate, they would be taking on a second monthly payment that could jump. In this case, it would be crucial that they put aside an adequate savings cushion that they could tap to cover increasing payments, if necessary. Of course, they could choose a fixed-rate equity loan, rather than a line, and that payment would be fixed. Another option might be for Laney and Jerrold to refinance their first mortgage into a fixed-rate loan, borrowing a higher amount that reflects their equity, rather than taking out a separate equity loan. That would give them one fixed loan payment rather than two adjustable loan payments.

3) While using home equity to pay off high-interest, non-deductible debt used to be a good idea for some homeowners and under certain circumstances, this is unlikely to be the best solution for Jaydon because the Tax Cuts and Jobs Act of 2017 set new limits on the deductibility of home equity loan interest. (Under the new law, you can only deduct interest on loans used to purchase, build or substantially renovate your home—not for other purposes that used to be allowed, like financing a car, paying for college, etc.). Also, a new loan may not even be an option in this case. If Jaydon has a record of paying his mortgage late, and he has a high credit card balance and an outstanding car loan, his application for a home equity loan may very well be declined. If he does get approved for the loan, taking it may be a risky move. That's because using it to pay off his credit card balance means he will have converted unsecured debt (debt that requires no collateral to be forfeited should the debt go unpaid) to debt secured by his home. This means Jaydon could lose his home (foreclosure) if he misses payments on the home equity loan. And given Jaydon's past issues with managing his money and living within his means, a home equity loan or line of credit would make it possible for him to continue his unsustainable lifestyle at the cost of his home. A safer plan for Jaydon would be to try to transfer his credit card balance to a lower-rate card—one that offers 0% for six months or longer would be ideal. If Jaydon can sell his car for at least the $21,000 he

owes, he should consider getting into a less expensive vehicle that requires a much smaller loan and monthly payment. (If he needs a car to get to and from work, Jaydon should make sure first that he will qualify for another auto loan if he pays off the current one.) Once Jaydon has his current debt at the lowest level and the lowest interest rates he can get, he should set up a budget that enables him to put as much as possible each month toward paying off his debt—he'll definitely need to make more than the minimum required payments if he wants to get back on track in a reasonable number of years. If he needs help getting his budget together or making his payments, he should contact a non-profit credit counseling agency. (See the FAQs for information about credit counseling.)

Insurance Match-up (activity)

In the space before each statement, write the letter of the correct answer from the list at the bottom of the page. Answers may be used more than once, or not at all.

1) _____ This type of insurance will help you when your losses exceed the maximum amount of your homeowners or auto insurance coverage.

2) _____ This type of insurance pays for help with things like eating, bathing and dressing if you are unable to take care of daily personal tasks yourself.

3) _____ Your insurance company may not pay the entire amount of your loss if you are this.

4) _____ This will help ensure you are adequately covered for future losses.

5) _____ Generally speaking, the higher this is, the lower your insurance premium will be.

6) _____ This enables you to pay your health care co-payments, deductibles and other expenses with pre-tax dollars if you are covered under a high deductible health plan.

7) _____ Most people only consider buying this type of insurance when they reach their 50s or 60s.

8) _____ These independent agencies rate the financial strength of insurers and other companies.

9) _____ Experts advise against paying premiums of more than 7% of your projected retirement income for this type of insurance.

10)_____ This allows you to continue coverage under your employer's health insurance plan for up to 18 months after you leave the company.

11)_____ Don't use this to pay for your medical expenses.

12)_____ This pays some or all of the deductibles, co-payments and other unpaid charges under regular Medicare.

13)_____ Generally speaking, this will be less expensive than an individual health insurance policy—you might have access to one through membership in a professional association.

14)_____ Whenever you have this, you most likely need more or different insurance coverage.

A. health savings account/HSA
B. home equity
C. greater risk or greater assets
D. group insurance
E. A.M. Best, Moody's, and Standard and Poor's
F. deductible
G. personal liability umbrella policy/PLUP
H. long-term care
I. COBRA
J. Medigap
K. underinsured
L. annual insurance audit
M. CHIP
N. skilled nursing care

Insurance Match-up (answer key)

1) __G__ This type of insurance *(personal liability umbrella policy/PLUP)* will help you when your losses exceed the maximum amount of your homeowners or auto insurance coverage.

2) __H__ This type of insurance *(long-term care)* pays for help with things like eating, bathing and dressing if you are unable to take care of daily personal tasks yourself.

3) __K__ Your insurance company may not pay the entire amount of your loss if you are this *(underinsured)*.

4) __L__ This *(annual insurance audit)* will help ensure you are adequately covered for future losses.

5) __F__ Generally speaking, the higher this is *(deductible)*, the lower your insurance premium will be.

6) __A__ This *(health savings account/HSA)* enables you to pay your health care co-payments, deductibles and other expenses with pre-tax dollars if you are covered under a high deductible health plan.

7) __H__ Most people only consider buying this type of insurance *(long-term care)* when they reach their 50s or 60s.

8) __E__ These independent agencies *(A.M. Best, Moody's, and Standard and Poor's)* rate the financial strength of insurers and other companies.

9) __H__ Experts advise against paying premiums of more than 7% of your projected retirement income for this type of insurance *(long-term care)*.

10) __I__ This *(COBRA)* allows you to continue coverage under your employer's health insurance plan for up to 18 months after you leave the company.

11) __B__ Don't use this *(home equity)* to pay for your medical expenses.

12) __J__ This *(Medigap)* pays some or all of the deductibles, co-payments and other unpaid charges under regular Medicare.

13) __D__ Generally speaking, this *(group insurance)* will be less expensive than an individual health insurance policy—you might have access to one through membership in a professional association.

14) __C__ Whenever you have this *(increased risk or increased assets)*, you most likely need more or different insurance coverage.

Estate Planning Worksheet

Your answers to the questions below will help guide you—and an attorney, if you choose to work with one—as you create your estate plan.

I would like to appoint the following person as representative for financial decisions (name and relationship, in order of preference):

1) _____

2) _____

I would like to appoint the following person as representative for health care decisions (name and relationship, in order of preference):

1) _____

2) _____

I would like to appoint the following person as executor of my estate (name and relationship, in order of preference):

1) _____

2) _____

I would like to appoint the following as guardian(s) of my children under 18 (name and relationship, in order of preference):

1) _____

2) _____

I would like to appoint the following as trustee (manager) of my minor children's assets (name and relationship, in order of preference):

1) _____

2) _____

Age at which I want my children to have access to their inheritance: _____

I have these special concerns and/or considerations (e.g., beneficiaries with special needs): _____

_____

_____

I would like the following to happen to the business I own: _____

_____

These are my wishes for my final arrangements (e.g., cremation/funeral, final resting place, other details): _____

_____

_____

_____

Use the form below to list specific assets, how the asset is held (community property, for example), the estimated value, and who you bequeath (leave) the asset to—that could be an individual, a group (all your children or all your siblings, for example), a church or charity, or your "estate," which means it would be included in your residual assets and divided among all heirs.

Asset Name/Description	Current Title/Ownership	Estimated Value	Bequeath To
Real Estate			
Retirement Accounts			
Checking & Savings Accounts			
Investment Accounts			
			Article I.
Other Investments/Financial Assets			
Life Insurance			
Personal Property			

I want to leave the remainder of my estate to (name, relationship, and percentage of remainder):

_____

_____

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

Task	Completed (✓)	Notes
Complete your retirement questionnaire if you didn't finish it during the workshop.		
Check your Social Security statement. Open a "my Social Security" online account at www.ssa.gov/mystatement/ if you don't already have one.		
Increase your retirement account contributions, if possible. Check your balance(s) to evaluate your progress.		
Review your investment choices. If necessary, make changes in keeping with your life stage and long-term goals.		
Calculate your net worth.		
If you can qualify and don't already have one, consider applying for a home equity line of credit so that it is available in case of a job loss or other emergency.		
Perform an insurance checkup. Contact your agent if you need guidance or want to make changes to your coverage.		
If your assets exceed the liability coverage on your homeowners/renters or auto policies, consider an umbrella policy.		
Research long-term care insurance so that you can make an informed decision.		
Complete the estate planning questionnaire if you didn't finish it during the workshop.		
Create a will, a living will and powers of attorney for medical and financial decisions. If you will use an attorney, pursue referrals, check qualifications and conduct interviews.		
If necessary, name or change beneficiaries on various accounts, policies and property.		
Make decisions about your online accounts and digital assets.		

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

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

1. I have a better understanding of what I will need to consider when planning how to fund my retirement.

Strongly agree Agree Disagree Strongly disagree

2. I understand how home equity loans and reverse mortgages work, and the costs and risks associated with borrowing against the equity in my home.

Strongly agree Agree Disagree Strongly disagree

3. I have a better understanding of how my insurance needs may change over my lifetime and how to protect my assets.

Strongly agree Agree Disagree Strongly disagree

4. I understand why an estate plan is important and what it should include.

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

6. The instructor was well informed.

Strongly agree Agree Disagree Strongly disagree

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

Strongly agree Agree Disagree Strongly disagree

8. 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):

_____

_____

_____

_____

_____

Thank you for attending!