

(Agency's Name & Logo)

FINANCIAL FITNESS EDUCATION

Sponsored by



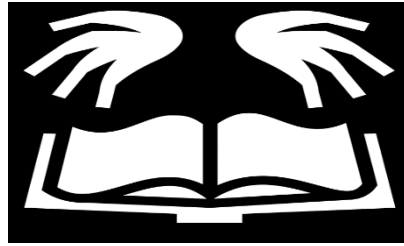
CONNECTICUT
HOUSING FINANCE
AUTHORITY

The Key To Affordable Housing



BETTER FORTUNES

Control Your Money
Control Your Life



Knowing the difference can make all the difference

ECONOMIC WAY OF THINKING

Choose Between “Wants and Needs”

- ❖ We cannot have everything we want
- ❖ We must make choices
- ❖ Every choice has a consequence

HIT THE ROAD JACK

Five Steps in Decision Making

1. Define the problem
2. List all the alternatives and possible solutions
3. Identify important factors to evaluate alternatives/choices
4. Evaluate the alternatives
5. Make a decision

HOW DO YOU HANDLE MONEY?

- ✓ Spending
- ✓ Credit Cards
- ✓ Housing
- ✓ Savings
- ✓ Transportation
- ✓ Vacations
- ✓ Retirement
- ✓ Retirement Accounts

TO DEVELOP SOUND FINANCIAL HABITS YOU MUST...

- Calculate your income precisely
- Prepare a sound Budget
- Pay yourself first
- Spend wisely and kick ATM habits
- Bank raises
- Organize bills and save important papers

MY CURRENT BUDGET

HOW DID I GET HERE?

Five Basic Budgeting Skills

1. Do I have a written budget?
2. Have I stopped adding to my debts and developed a plan to pay them off?
3. Do I save for periodic expenses?
4. Do I have an emergency savings plan?
5. Have I created a plan to save for retirement and major expenses?

GROSS VS. NET INCOME

Gross Pay = Before Deductions:

Deductions include:

- Federal, State and Local Taxes, Social Security and Medicare
- Deductions may also include mandatory or voluntary payments such as alimony, child support, retirement plans, health, union dues, etc..

Net Income = “Take Home” pay after deductions

THREE TYPES OF EXPENSES

1. Fixed Expenses
2. Periodic Expenses
3. Variable Expenses

(see page 18)

HOW ARE YOU SPENDING YOUR MONEY NOW?

Track your daily, weekly and monthly spending by:

1. Writing down where every dollar/cent is going
2. Create total the daily spending sheet and at the end of each day
3. Create and enter daily total in a 30-day spending log (notebook)
4. Review monthly budget to see if changes need to be made

(See Table 4 on page 19)

MY NEW BUDGET DEVELOPING A PLAN THAT WORKS

How did I get here? What are my Goals?

Goals are divided into three sections:

- 1) Short Term - within 6 months.
- 2) Medium Term – 1 to 5 years.
- 3) Long Term - 5 or more years.

IF YOU HAVE PROBLEMS MEETING YOUR GOAL

Ask yourself why?

1. Is the goal no longer important to you?
2. Does the goal need fine tuning?
3. What factors are causing the problem?

TIPS FOR INCREASING INCOME

- If unemployed, make job searching your full-time job.
- If currently employed, look for second job. Develop Multiple Income Streams.
- Change your withholding allowance.
- Get a roommate if you have an extra room.
- Sell assets.
- Apply for energy assistance, SNAP, medical assistance, etc..

TIPS TO REDUCE EXPENSE

- ✓ Make coffee at home and take it with you
- ✓ Take lunch to work
- ✓ Clip coupons and use them
- ✓ Reduce or cancel: cable; telephone; and cell phone services
- ✓ Stop playing lotto
- ✓ Don't spend more than your allowance

Changing Your Financial Behavior

Creating a New Budget Based On Sound Financial Skills

- ❖ What are your greatest skills
- ❖ Power Payment Method
- ❖ Budget Tracker – Use available free Apps
- ❖ Rework Your Budget

(See pages 28-31)

UNDERSTANDING AND USING CREDIT

- Used properly, credit and credit cards offer genuine convenience
- Used unwisely, you can create a financial nightmare
- Understanding and using credit wisely is an essential money management skill

Unwise or Excessive Use of Credit

- Often feels like you are not using money
- Makes it easy to forget/lose track of how much you are really spending
- Encourages shopping
- Steals from savings

Types and Sources of Credit and Loans

- Installment Loans- Fixed monthly payment.
- Retail/Store Cards- Revolving, minimum payment due based on balance.
- Bank Cards- Revolving, usually lower interest rate than store cards.

The Cost of Credit

“Watch Out for Fees”

- APR – Interest on loans calculated on an annual basis
- Simple Interest – Charged each month only on the principal
- Compound Interest - Charged on amount borrowed plus any interest added to the unpaid balance.
- Compound Interest increases the amount you owe much faster than Simple Interest

SIMPLE AND COMPOUND INTEREST

	Principal Balance	Monthly	Interest	Pay-off	Total
Simple Interest	\$5,000	\$100	9%	6-7 yrs.	\$1,243.31
Compound Interest	\$5,000	\$100	9%	20.5 yrs.	\$2,829.01

Late fees; transfer fees; over the limit fees; and annual membership fees, can dramatically increase the cost of your credit.

(material not covered in book)

STRATEGIES FOR USING CREDIT

1. Use debit cards instead of credit
2. Limit the number of credit cards
3. Pay off your monthly balance
4. Read your monthly statements

WARNING SIGNS OF CREDIT TROUBLE

1. Spending more than 20% of your net income on credit card bills
2. Paying bills on time, but running out of cash between paychecks
3. Using credit cards for necessities
4. Paying only minimum payments
5. Hiding purchases from family members

CREDIT REPORTS AND CREDIT SCORES

What Is Your Credit Report?

Your “credit report” is a compilation of data about you that has been gathered by credit reporting agencies or credit bureau.

The credit bureaus sell your information to lenders, companies and organizations with legitimate business to know how you manage credit.

Information Included in Your Credit Report

- Identifying information
- Employment history
- Credit history
- Inquiries
- Public Records

GET A FREE COPY OF YOUR CREDIT REPORT

Request by Phone:

- Equifax 1-800-685-1111
- Experian 1-800-397-3742
- Transunion 1-800-888-4213

Request Online:

www.annualcreditreport.com

FIVE FACTORS OF CREDIT SCORES

1. Payment History = 35%
2. Outstanding Debt = 30%
3. Length of Credit = 15%
4. Recent Inquiries = 10%
5. Types of Credit in Use = 10%

FICO SCORES

- Most lenders use a mathematical formula to generate credit scores. The most commonly used version is called a FICO score created by Fair Isaac.
- FICO is a snapshot of your credit risk picture at a particular point in time.
- FICO score range from 300-850.

CORRECT MISTAKES ON YOUR CREDIT REPORT

Civil Judgments:

7-years from date it was filed

Tax Lien:

7-years from when it was paid

Chapter 7 and Chapter 13:

10-years after discharge

THE EQUAL CREDIT OPPORTUNITY ACT (ECOA)

Creditors can not discriminate against

- Race
- Sex
- Age
- Marital Status
- National Origin
- Public Assistance

For a detailed list of rules visit the Federal Trade Commission at

www.ftc.gov

REBUILDING YOUR CREDIT

Developing Good Credit Habits By:

1. Checking your credit report
2. Paying bills on time
3. Opening a checking or savings account
4. Shopping around for a credit card

FREQUENTLY ASKED QUESTIONS

How many credit cards should I have?

- ✓ *No more than 3*

How long will it take to rebuild my credit?

- ✓ 60-days to 2-years

Should I transfer higher interest credit cards to a lower interest card?

- ✓ May indicate that you are just postponing, rather than just paying off.

PREDATORY LENDING AND IDENTITY THEFT

How do identity thieves get your information?

1. Business and institutions
2. Your mailbox and Trash cans
3. Email or phone
4. Skimming (ATM & Credit Cards)
5. Shoulder surfing

(see page 47)

WARNING SIGNS OF COSTLY OR POTENTIALLY DAMAGING LOANS

- Fees and Interest Rate
- Other Loans Terms
- Loan Purpose
- Documentation and Other Issues

WHAT DO YOU DO?

1. Contact the fraud department of any one of the three credit bureaus and close all your accounts.
2. File a police report and send a copy of the police report to all your creditors.
3. File a complaint with the Federal Trade Commission (FTC) 1-877-433-4388.

IDENTITY THIEVES

What can they do with your I.D.?

1. Open credit cards and bank accounts in your name.
2. File bankruptcy.
3. Get a job and file fraudulent tax returns.
4. Give your name to police during arrest.

PREVENTING IDENTITY THEFT

Ways to Prevent Identity Theft

1. Avoid using easy passwords.
2. Sign your credit cards
3. Keep record of account numbers, expiration dates and phone #s of each company in a secure place.
4. Treat your mail and trash carefully

WHAT IS INSURANCE FOR?

Insurance is about reducing financial risk.

When choosing insurance coverage, the best rule is to “Insure what you can not afford to lose”.

TYPES OF INSURANCE

- Automobile
- Health
- Disability
- Homeowner's
- Life
- Long-Term Care

The more insurance you have the more costly it is.

Example: Life Insurance

- Term Life offers protection for a specified period of time
- Whole Life offers protection that remains in effect during the lifetime of the insured and acquires cash value.

The higher the cap and the deductible (the amount you pay from your pocket before the insurance kicks in), the lower your monthly premium will be.

WHERE TO FIND FINANCIAL RESOURCE

- Division of Consumer Affairs and Attorney General Offices
- Consumer Financial Protection Bureau
- Newspaper –Personal Finance Column
- Books on Personal Finance
- Websites

THANK YOU FOR ATTENDING

Please complete the Evaluation Form
Return to the Instructor
and Obtain your Certificate of Attendance