



Setting Financial Goals

FDIC Money Smart for Young Adults



Building: Knowledge, Security, Confidence

Why Create a Spending Plan?



What is a Spending Plan?

- **A spending plan is:**
 - A step-by-step guide for meeting expenses in a given period of time



Financial Goals

- **Be realistic**
- **Be specific**
- **Have a timeframe**
- **State the action to be taken**
- **Have milestones**



Preparing a Spending Plan

1. Keep track of your daily spending
2. Determine what your monthly income and expenses are the month before they are due
3. Find ways to decrease spending
4. Find ways to increase income



Step 1: Keep Track of Daily Spending



- What is the difference between a “need” and a “want”?
- Do you know where your money goes each month?
 - To control your money:
 - Understand where your money goes
 - Keep a personal spending diary



Step 2: Determine Income and Expenses

- **Income**—money that comes to you from:
 - Jobs
 - Allowances
 - Interest and dividends
 - Other sources
- **Expenses**—items you spend money, on including:
 - Bills
 - Transportation expenses
 - Entertainment



What You REALLY Earn: Income

- **Gross income – deductions = Net income**
- **Deductions include:**
 - Federal and state income taxes
 - Social Security taxes
 - Retirement savings contributions
 - Premiums for medical insurance



Paying Up: Expenses

- **Fixed expenses do not change from month to month**
 - Example: car payment, rent, and savings
- **Flexible expenses might change from month to month**
 - Example: electricity, food, clothing, and entertainment



Step 3: Decreasing Spending

- **Decreasing spending = Increasing your cash flow**
- **What are some ways you can decrease your spending?**



Step 4: Increasing Income

- Other than finding a job or finding a job that pays more, what are some ways you can increase your income?



Monthly Payment Calendar

Month: April						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 \$425.00 paycheck \$150.00 car payment \$30.00 insurance \$25.00 savings	2 \$60.00 gas/car maintenance	3 \$25.00 personal	4	5	6 \$30 cell phone	7
8	9	10	11	12	13	14
15	16	17	18	19	20 \$10 credit card/ loan	21
22	23	24	25	26	27	28 \$40 entertainment
29	30					

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Module Summary





Bank On It

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Building: Knowledge, Security, Confidence

Do You Have a Bank Account?



Why Keep Your Money in a Bank?

- **Safety**
- **Convenience**
- **Cost**
- **Security**
- **Financial Future**



What Is Account Verification?

Proving your identity by providing the bank with your:

- Name
- Address
- Date of birth
- SSN or ITIN
- State- or government-issued ID



Banking Terms

Deposit	Put money into your account
Withdrawal	Take money out of your account
Balance	The amount of money you have in your account
Fees	Money charged by the bank for different services
Overdraft Programs	Options in the event you overdraw your account (spend more money than you have in your account)

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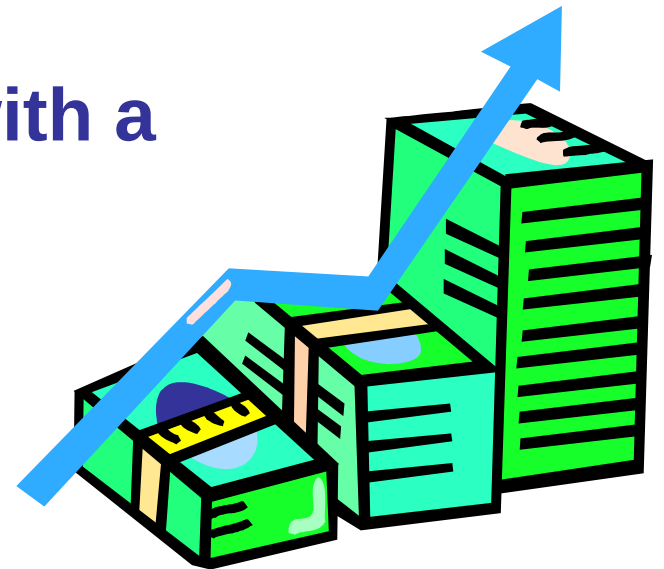
Checking Accounts

- Allow you to pay bills and buy goods by using checks or an ATM or debit card
- You will receive a monthly bank statement
- Compare the rules of the different checking accounts



Savings Accounts

- You generally:
 - Are paid interest
 - Cannot write checks
 - Can open an account with a few dollars
- Review your account statement



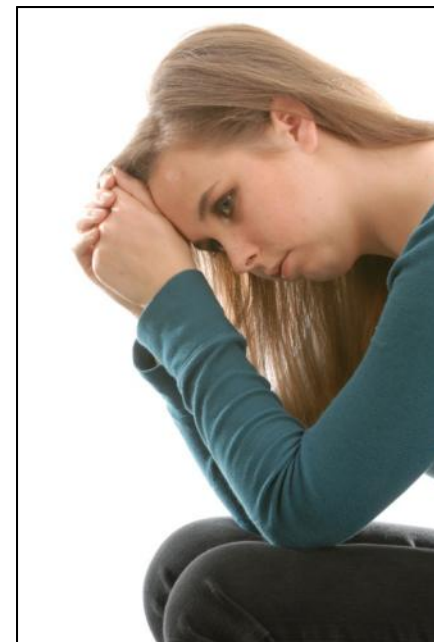
Non-Deposit Accounts

- **Examples: stocks, bonds, and mutual funds**
- **These products are not insured by the FDIC and you could lose some or all of the money that you invest in these products.**



Did Someone Steal Your Information?

- **File a report with the police as soon as possible**
- **Contact your bank as soon as possible**
- **Place a fraud alert on your credit report**
- **Contact the major check verification companies**





Charge It Right

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Building: Knowledge, Security, Confidence

Objectives

- Describe the purpose of credit cards
- Determine which credit card is best for you, or if a credit card is a good option for you
- Identify the factors credit card companies look for when making credit decisions
- Describe how to use a credit card responsibly
- Identify the steps to take when a credit card is lost or stolen



Why Is Credit Important?

- **Credit:**
 - Can be useful in times of emergencies
 - Is more convenient and safer than carrying large amounts of cash
 - Allows you to make a large purchase (e.g., car or house), and pay for it over time
 - Can affect your ability to obtain a job, buy or rent a house, or obtain insurance



What Is a Credit Card?

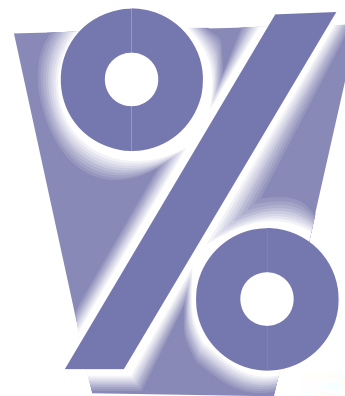


- **Credit cards:**
 - Are a convenient form of borrowing
 - Provide a revolving line of credit
 - Require you to pay the minimum payment each month
- **Charge cards:**
 - Require you to pay the entire balance every month



APR

- The cost of borrowing money on a yearly basis
- Includes interest and fees
- Rate may be fixed or variable
- Different APR for types of use
 - Purchases
 - Balance transfers
 - Cash advances
 - Penalties



Application Requirements

- **Must be at least 21 years old unless you:**
 - Can show independent means of repaying the debt
 - Have a cosigner
- **Providing false information on a credit application is a crime**



Credit Report

- **A credit report tells creditors:**
 - Who you are
 - How much debt you have
 - Whether you have made payments on time
 - Whether there is negative information about you in public records
 - How many inquiries are listed in your credit report



Lost or Stolen Credit Card

- **Tell your credit card company immediately if:**
 - Your card is lost or stolen
 - You identify errors on your statement
- **Never give your confidential personal information over the telephone unless you have made the call**



Common Forms of Identity Theft

- **Phishing**
 - Unsolicited emails that appear to be from a legitimate source
- **Pharming**
 - Fake websites seeking personal or private information by appearing legitimate
- **Skimming**
 - Special storage device used to obtain credit/debit card numbers





Paying for College and Cars

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Building: Knowledge, Security, Confidence

Objectives

- Differentiate between secured and unsecured installment loans
- Identify the factors lenders use to make loan decisions
- Identify the questions to ask when purchasing a car
- Describe various types of college loan programs

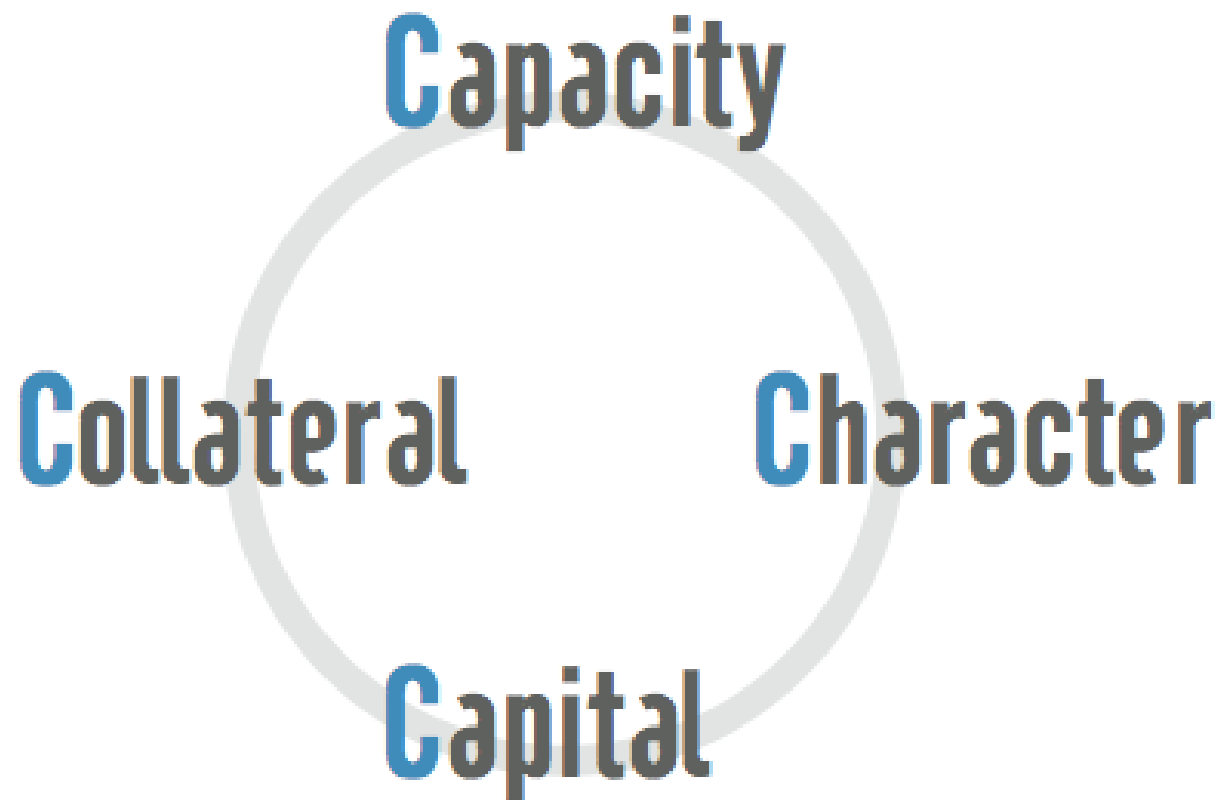


Installment Loans

- **Money you borrow and repay:**
 - In fixed monthly payments or installments
 - Over a set period of time, usually several years



The Four Cs



Cost Terms Related to Installment Loans

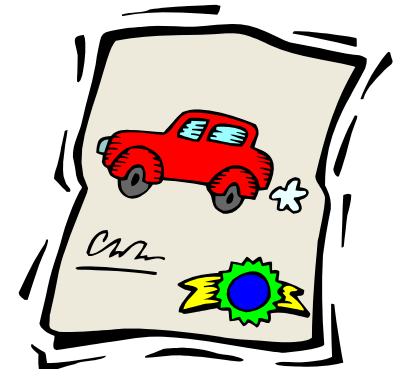
- Annual percentage rate (APR)
- Fixed-rate loan
- Variable-rate loan
- Finance charge



Financing a Car

“Getting a car loan” = “Financing a car”

- Car is collateral for the loan
- Lender holds the car title
- Amount you pay depends on the price of the car, the APR, and the length of loan



Total Cost of a Car

\$225.00 Monthly payment

x 60 Number of payments

\$13,500.00 Total of payments

\$13,500.00 Total of payments

\$2,500.00 Down payment

+ \$575.00 Tax and registration fee

\$16,575.00 Total cost of the car



Where to Obtain Car Loans

- **Banks/thrifts**
- **Credit unions**
- **Finance companies**
- **Car dealerships**



College Costs

- Tuition
 - Books
 - Fees
 - Housing
- 
- Use the “Cost of College Calculator”



Scholarships

- **Money for college that you will not be expected to repay**
- **Designated for students who fit a particular profile**
- **Avoid scholarships scams by visiting the FTC's website**



Financial Aid Overview

- **Federal Student Aid (FSA) programs include:**
 - Pell grants
 - Student loans
 - College work-study program
- **Complete the Free Application for Federal Student Aid (FAFSASM)**
- **FAFSA is used to calculate your Expected Family Contribution (EFC)**



Potential Grant Programs

- **Federal Pell Grants**
- **Federal Supplemental Educational Opportunity Grant (FSEOG)**
- **Teacher Education Assistance for College and Higher Education Grant (TEACH Grant)**
- **Iraq and Afghanistan Service Grant**
- **Institutional grants**



Federal Loan Programs

- **Federal loans include:**
 - **Federal Perkins Loan**
 - **Direct Stafford Loans (Direct LoansSM)**
 - **Direct Subsidized Loans**
 - **Direct Unsubsidized Loans**
 - **Direct PLUS Loans**
 - **Direct Consolidation Loans**



Repaying Your Federal Loan



- After you graduate, leave school, or drop below half-time enrollment you have a “grace period” before you must repay your loan:
 - Federal Perkins Loan: 9 months
 - Federal Direct Stafford Loan: 6 months
 - Direct PLUS Loan: no grace period



Nonfederal Loans

- A private student loan is issued by a lender (e.g., a bank or credit union).
 - They often have higher interest rates and loan fees.
 - They usually require a credit check.
 - They do not provide the benefits of federal student loans.



Managing Your Student Loan Payments

- Choose a repayment plan
- Research the pros and cons before applying for a student loan consolidation
- Visit the United States (U.S.) Department of Education's National Student Loan Data System (NSLDSSM) at www.nslds.ed.gov



Federal Work-Study Program

- Provides part-time jobs for undergraduate and graduate students who need financial assistance
- Jobs: usually with your school; may be with private nonprofit organization or a public agency



Module Summary

Congratulations! You learned about:

- **Secured and unsecured loans**
- **The Four Cs of loan decisions**
- **Car loans and auto financing**
- **Some of the ways to finance a college education**





Pay Yourself First

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Benefits of Paying Yourself First

- Learn to manage money better
- Save money toward identified goals
- Improve your standard of living
- Have money for emergencies



How Your Money Can Grow

- **Interest**

- Paid to you for keeping your money on deposit with financial institutions
- A percentage of the money in your account

%

- **Compound interest**

- Money earned on the previously paid interest and money already in your account



Savings Products



- **Types:**
 - Savings account
 - Money market deposit account
 - Certificate of deposit (CD)
- Choose savings products that are federally insured
- Calculate your insurance coverage:
 - Electronic Deposit Insurance Estimator (EDIE): www.myfdicinsurance.gov



Non-Deposit Investment Products

- **Investments:**
 - Are long-term savings options purchased for future income or financial benefit
 - Are NOT FDIC insured or bank guaranteed, so you could lose all the money you invest
 - May earn and grow more than a regular savings account because of the risk you take when you invest



Types of Investment Products

- **Stocks**
- **Bonds**
- **Mutual funds**
- **U.S. Treasury securities**
- **Retirement investments**



Stocks

- **You:**
 - Own a share/part of a company
 - May receive dividends if the company profits
- The value of your investment changes (up or down) according to the stock market



Bonds

- You lend money to a corporation or government entity for a certain period of time
- I Bonds
 - Purchased at face value
- EE Bonds
 - Normally purchased at half their face value



Mutual Funds

- A product that combines money from many investors to purchase numerous separate investments
- ***Diversify:*** spread your risk of loss across many savings and investment options



U.S. Treasury Securities

- Treasury (T) bills
 - Treasury (T) notes
 - Treasury Inflation-Protected Securities (TIPS)
 - Treasury (T) Bonds
- Minimum purchase price: \$100.00
 - Backed by the U.S. Government



Retirement Investments

- **Products to help you save toward retirement:**
 - Individual retirement arrangements (IRAs)
 - 401(k) and 403(b) plans
 - Variable annuities



IRAs

- May include a combination of investment products
- Are tax exempt
- Fluctuate with stock market
- Include Traditional IRAs and Roth IRAs



401(k) and 403(b) Plans

- **401(k):**
 - Established by an employer
- **403(b):**
 - Offered to employees of public schools and certain tax-exempt organizations

