



Life Learning with Houston Highway Credit Union

HIGH SCHOOL FINANCIAL FITNESS

THE WAY TO BUILD YOUR PERSONAL VALUE IN FINANCIAL EDUCATION

Decisions: Be Aware

- ▶ Decisions, decisions. With so many choices available to us, how can we be sure we're making the right decision? Wise consumer buying starts with a plan. Using a systematic purchasing strategy will provide you with an ability to make more effective purchases. Comparative shopping techniques help with careful consideration of price, product attributes, warranties, and store policies.

Making Decisions



What are you trying to decide?



Identify the issue (s)



What are the options?
Alternatives?



What are the consequences of each?



What is the best course of action for each?



How will you evaluate the outcome (s)?

Strategies for Decision Making Consider

What have you used before?

How well did they work?

What were the issues when using them... i.e.... barriers and/or strengths?

What influences you to use that or those strategies?

Think about



deciding to spend your money:

Do I really need this item?

Is it worth the time I spend making the money to buy it?

Is there a better use for my money right now?



deciding on the right purchase:

What level of quality do I want (low, medium, or high)?

What level of quality do I need?

What types of services and repairs does the dealer offer?

Should I wait until there is a sale on the purchase (car, tv, phone, etc..) I want?

Should I buy a new or a used item (car, home, tv, phone, etc.) ?

If I buy a used item, should I buy it from a dealer, store or from a private party?

Should I choose an item with a well-known name even if it costs more?

Do I know anyone who owns the item I want?

Are the warranty and the service contracts on the item comparable with warranties and service contracts on similar items?

What do consumer magazines say about the type of item I want?

Being Independent: On Your Own

- ▶ A common goal is to live on one's own. However, the challenges of independent living are often quite different from their expectations. A reality check for students as you explore the costs associated with moving, obtaining furniture and appliances, and renting an apartment. In preparation for living on their own, one is reminded of the budgeting process. Consider various fixed and flexible expenses. In addition, strategies for both flexible expenses (variable costs that change depending on level of consumption), such as entertainment, restaurants, and vacations, and fixed expenses (those that need to be paid every month), such as rent and apartment insurance.

Living on Your Own

Prepare an itemized list of every major object in your bedroom, including furniture, linens, and creature comforts. Then, estimate the cost of each item.

Now what are the actual cost of those items.

Did you under-estimate the cost? Over-estimate?

Making Money:

ASSESS YOUR PERSONAL INTERESTS, ABILITIES AND
CAREER GOALS.

Based on your personal situation, answer the following questions



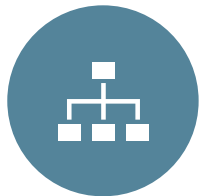
1. What topics of study do or did you enjoy most in school?



2: What skills do you do well? What do you feel to be your most distinguishing skill or area of specialty?



3: What are your interests away from school or work?



4: Describe a situation in which you helped organize the work of others.



5: Describe a situation in which you worked with a team to achieve a goal.



6: Describe the kind of job you might like.

Evaluating the current employment market

	Career 1	Career 2
What are the physical surroundings, work hours, and mental and physical demands of this type of work?		
What training and educational background is needed for this area of employment?		
Will these career areas be in demand in the future?		
What is the starting and advancing salaries?		
What makes this career attractive to you?		

Create a Resume



A resume is a personal data sheet commonly used to apply for a job. It lists your skills and experience so that future employers can see what you have already done and whether your experience meets the job's requirements



Education: degrees, programs, certifications, locations, dates



Work Experiences: titles, organizations, dates, responsibilities



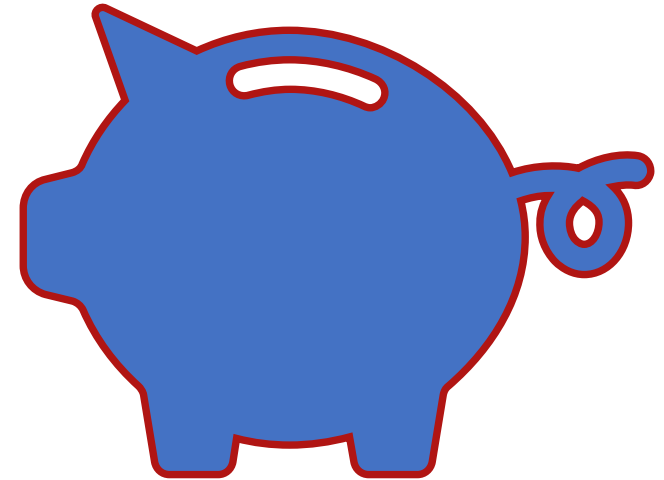
Other Experiences: volunteer, organizations, responsibilities



Honors/Awards

Budgeting

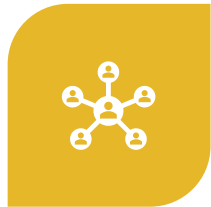
- ▶ **A personal budget is a financial plan that allocates future income toward expenses, savings, and debt repayment. “Where does the money go?” is a common dilemma faced by many individuals and households when it comes to budgeting and money management. Effective money management starts with a goal and a step-by-step plan for saving and spending. Financial goals should be realistic, be specific, have a timeframe, and imply an action to be taken. Learn to develop your own personal financial goals and budget.**



Budgeting: what are your goals?



EDUCATIONAL



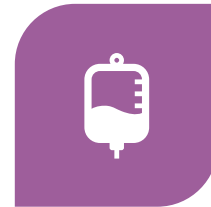
SOCIAL



FINANCIAL



FAMILY



HEALTH



RECREATIONAL

Importance/Value of Goals

Choose the two goals from each category that are the most important to you.



Identify each goal as short-term (1–4 weeks), medium-term (2–12 months), or long-term (1 year or longer).

Prioritize your goals



LIST AND PRIORITIZE SIX OF YOUR MOST IMPORTANT GOALS.



AFTER EACH GOAL, IDENTIFY WHAT YOU COULD BE DOING NOW TO WORK TOWARD THE GOAL,



AND WHAT RESOURCES (IF ANY) YOU NEED TO ACHIEVE EACH GOAL.

Goal1 (do this for each goal)

What I can be doing now to work toward this goal:

The resources I need to achieve this goal are:

setting up and maintaining a personal budget



After you've completed your planning, try to stick to your budget for one month.



At the end of the month, record your actual income and your actual expenses.



Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

Expenses	Budget	Actual	Difference
Fixed Regular			
Rent			
Car payment			
Car insurance			
Fixed Irregular			
Food			
Utilities			
Savings			
Bus/Gas			
Parking/Tolls			
Repairs			

My Expenses for My Budget

Other Expenses	Budget	Actual	Difference
Medical			
Clothing			
Entertainment			
Household			
Personal			
Tuition/Work Supplies			
Health—Spa, Gym, Nails, Hair			
Other monthly payments			
Total of All Expenses			

Expenses
Continued...

Rent to Own vs. Loan

Consumer Installment Loans	Rent-to-Own Services
<ul style="list-style-type: none">Secured installment loans are loans that are repaid in equal monthly payments for a specific period and are secured by the item you purchased. You can use the item you purchased while you are paying.	<ul style="list-style-type: none">Rent-to-own services allow you to use an item while you make weekly or monthly payments.When renting or leasing the item, you do not have to purchase the item and can return it at the end of the rental period or before you make your next weekly payment. You will not receive a refund of money paid.If you decide to purchase the item, the store may give you a price to buy the item or set up a plan to apply weekly rental payments toward the purchase price.The store is the legal owner until you make the final payment. If you miss a payment the store may repossess the property, which means they take the property back from you.
<ul style="list-style-type: none">With installment loans, you are charged interest and you can shop for the best deal by comparing APRs.	<ul style="list-style-type: none">Rent-to-own agreements are technically not loans, so no interest is charged and, often, no credit check is performed.However, the fees included in your rental payment are just like the interest you would pay on a loan.
<ul style="list-style-type: none">Generally, installment loans are less expensive than rent-to-own agreements.	<ul style="list-style-type: none">By making the weekly payments, you will pay much more than if you paid cash or used an installment loan.

Signs to Let You Know You are Getting into Trouble

You don't know how much you owe.

You often pay bills late.

You get a new loan to pay old loans.

You pay only the minimum balance due each month.

You spend more than 20% of your net income (after paying rent or mortgage) on debt maintenance.

You would have an immediate financial problem if you lost your job.

You're spending more than you earn, using your savings to pay for day-to-day expenses.

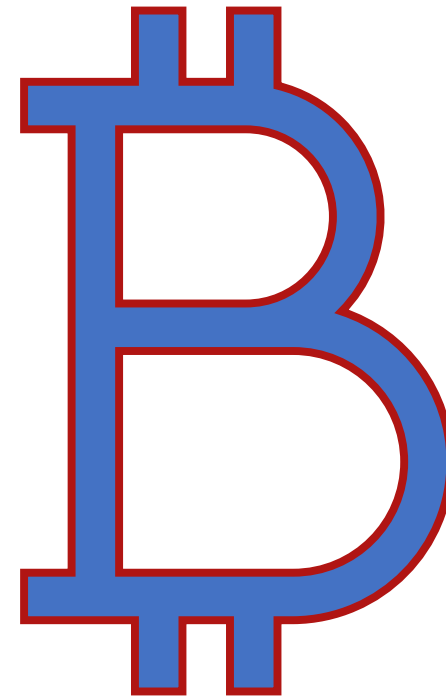
What Do You Do?

take another (close) look at your budget

- ▶ Trim your expenses.
- ▶ Be realistic about what you can afford.

contact your creditors

- ▶ Tell them why you can't pay, that you intend to pay, and when/how much you will be able to pay.
- ▶ You may be able to work out a new payment schedule.
- ▶ If possible, continue to make the minimum payments.



Bankruptcy...

STAYS ON YOUR
CREDIT REPORT 10
YEARS

Credit

- ▶ **In today's world, credit is integrated into everyday life. From renting a car to reserving an airline ticket or hotel room, credit cards have become a necessary convenience. However, using credit wisely is critical to building a solid credit history and maintaining fiscal fitness. While most students have a general idea about the advantages and disadvantages of credit, this lesson provides an opportunity to discuss these issues in more detail. Young people and others commonly wonder how to establish credit.**

Use Credit? Yes, No... Factors to Consider

advantages:

- ▶ Able to buy needed items now
- ▶ Don't have to carry cash
- ▶ Creates a record of purchases
- ▶ More convenient than writing checks
- ▶ Consolidates bills into one payment

disadvantages:

- ▶ Interest (higher cost of items)
- ▶ May require additional fees
- ▶ Financial difficulties may arise if one loses track of how much has been spent each month
- ▶ Increased impulse buying may occur

The Three C's

character—will you repay the debt?

From your credit history, does it look like you possess the honesty and reliability to pay credit debts?

- ▶ Have you used credit before?
- ▶ Do you pay your bills on time?
- ▶ Do you have a good credit report?
- ▶ Can you provide character references?
- ▶ How long have you lived at your present address?
- ▶ How long have you been at your present job?

capital—what if you don't repay the debt?

Do you have any valuable assets such as real estate, savings, or investments that could be used to repay credit debts if income is unavailable?

- ▶ What property do you own that can secure the loan?
- ▶ Do you have a savings account?
- ▶ Do you have investments to use as collateral?

capacity—can you repay the debt?

Have you been working regularly in an occupation that is likely to provide enough income to support your credit use?

- ▶ Do you have a steady job? What is your salary?
- ▶ How many other loan payments do you have?
- ▶ What are your current living expenses? What are your current debts?
- ▶ How many dependents do you have?

Your Responsibilities

Borrow

- Borrow only what you can repay.

Read and understand

- Read and understand the credit contract.

Pay

- Pay debts promptly.

Notify

- Notify creditor if you cannot meet payments.

Report

- Report lost or stolen credit cards promptly.

Give

- Never give your card number over the phone unless you initiated the call or are certain of the caller's identity.

Build a Credit History: HFCU has a credit builder loan



Read Your Credit Report

AT LEAST EVERY YEAR

Types of Credit

single-payment credit

Items and services are paid for in a single payment, within a given time period, after the purchase. Interest is usually not charged.

- ▶ Utility companies, medical services
- ▶ Some retail businesses

revolving credit

Many items can be bought using this plan as long as the total amount does not go over the credit user's assigned dollar limit. Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance.

- ▶ Retail stores
- ▶ Financial institutions that issue credit cards

Continued...

installment credit

Merchandise and services are paid for in two or more regularly scheduled payments of a set amount. Interest is included.

- ▶ Some retail businesses, such as car and appliance dealers

Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in two or more regularly scheduled payments.

- ▶ Commercial banks
- ▶ Consumer finance companies
- ▶ Savings and loans
- ▶ Credit unions

How Much Can You Borrow? The 20-10 Rule

**never borrow more than 20% of your
yearly net income**

- ▶ If you earn \$400 a month after taxes, then your net income in one year is:

$$12 \times \$400 = \$4,800$$

- ▶ Calculate 20% of your annual net income to find your safe debt load.

$$\$4,800 \times 20\% = \$960$$

- ▶ So, you should never have more than \$960 of debt outstanding.
- ▶ Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%, but other debt should be included, such as car loans, student loans and credit cards.

Continued...

**monthly payments shouldn't exceed
10% of your monthly net income**

- ▶ If your take-home pay is \$400 a month:

$$\mathbf{\$400 \times 10\% = \$40}$$

- ▶ Your total monthly debt payments shouldn't total more than \$40 per month.

- ▶ Note: Housing payments (i.e., mortgage payments) should not be counted as part of the 10%, but other debt should be included, such as car loans, student loans and credit cards.

Applying for a Credit Card

costs:

- ▶ Annual Percentage Rate (APR)
- ▶ Grace period
- ▶ Annual fees
- ▶ Transaction fees
- ▶ Balancing computation method for the finance charge

features:

- ▶ Credit limit
- ▶ How widely the card is accepted
- ▶ What services and features are available

Credit Card Do's and Don'ts

shop around

- ▶ Look at various sources.

read and understand the contract

- ▶ Read the contract carefully.
- ▶ Don't rush into signing anything.
- ▶ Once a contract is signed, get a copy of it.
- ▶ Know the penalties for missed payments.

know your cost

- ▶ Figure out total price when paying with credit.
- ▶ Make the largest payments possible.
- ▶ Know the penalties for missed payments.
- ▶ Buy on installment credit only after you have evaluated all other possibilities.
- ▶ Don't be misled into thinking small payments will be easy.

Financial Services

Choosing a place to have a working relationship with your money

Consider: type—ATM, hours, funds insured, types of accounts, fees (daily balance, maintenance charge), interest rates, services and/or products, minimal balance without fees/costs; costs of printing checks, bounced checks, stopping checks, checking on balances: ATM, teller, online; withdrawal fees, special services; deposits—how and where

LOTS TO CONSIDER IN THIS RELATIONSHIP

Needs to Consider With A Car; new or used?

ownership (fixed) costs:

- Depreciation (based on purchase price)
- Interest on loan (if buying on credit)
- Insurance
- Registration fee, license, taxes

- ▶ Check warranties, implied and written
- ▶ Check for service contracts
- ▶ Check for re-calls

operating (variable) costs:

- Gasoline
- Oil and other fluids
- Tires
- Maintenance and repairs
- Parking and tolls

Maybe a Lease?

advantages

- Smaller initial outlay than down payment when buying on credit
- Monthly lease payments may be less than monthly finance payments
- Lease agreement provides detailed records for business purposes
- Oftentimes, all service charges related to maintenance are included in lease, so there is no additional outlay of money for regular maintenance

disadvantages

- No ownership interest in the vehicle
- Must meet requirements similar to applying for credit
- Additional costs occur (such as for extra mileage, certain repairs, ending lease early)

discussion of leasing vs. buying

- You must decide which option makes the most sense for your situation.
- Do you have cash available for a down payment?
- How much of a monthly payment can you afford?
- How long do you plan to keep the car?

Need a Loan for that Car?

variables include:

- Annual Percentage Rate (APR)
- Length of the loan
- Monthly payments
- Total finance charge
- Total to be repaid

Types of Auto Insurance Coverage

liability (40–50% of premium)

- Bodily injury coverage
- Property-damage coverage (e.g., to another person's car)

collision (up to 30% of premium)

- Pays for the physical damage to your car as a result of an accident
- Limited by deductible

comprehensive (about 12% of premium)

- Pays for damage caused by vandalism, hailstorms, floods, theft, etc..

medical

- Covers medical payments for driver and passengers injured in accident

uninsured motorist

- Reimburses you for bodily injury in accidents caused by uninsured drivers

towing and labor

rental reimbursement

- Pays a specific amount per day to rent a car while yours is being fixed

How Insurance Rates are Set

personal characteristics

- Age
- Sex
- Marital status
- Personal habits (e.g., smoking)
- Type and frequency of vehicle use (e.g., commuting)

geographic location (often classified by zip code)

- “Rural” usually lowers rates, “urban” usually raises rates

driving record

- Accident with death, bodily injury, or property damage in excess of \$400 may trigger surcharge on premium for 3 years
- Number and kind of moving violations (and total of associated points)
- Number of years insured with the company

vehicle characteristics

- Damage, repair, and theft record of type and model of car
- Age of car



So How Do I Make This Happen?

SAVING AND INVESTING

Ever heard of the 50/30/20 rule?

- ▶ This is a simple rule on how you should spend your after-tax money.
- ▶ 20% Savings.
- ▶ 30% Wants, such as shopping, dining out, and hobbies.
- ▶ 50% Needs, such as groceries, utilities, housing, insurance and car payment.
- ▶

Rule of 72

How many years will it take to double my money?

72 DIVIDED BY
= YEARS TO DOUBLE A SUM OF MONEY
INTEREST RATE

At what interest rate will my money double in a set number of years?

72 DIVIDED BY
= INTEREST RATE REQUIRED
YEARS TO DOUBLE
INVESTMENT

Remember Through All Your Financial Life... Privacy is Important

- ▶ Know that is by law that financial institutions protect your information
- ▶ Many databases: ■ Employment information ■ Credit reports ■ Tax information (IRS/state tax boards) ■ Criminal records ■ Social service records (welfare, Medicaid, etc..) ■ School records ■ Medical records
- ▶ To amend your records, Contact the agency in question ■ Await administrative review of request ■ If request is denied, you can request a court review
- ▶ Fair credit reporting act: gives consumers the right to dispute inaccurate information and permits them to insert their own version of disputed information into a credit report.

To Get a Copy of Your Credit Report

Experian Consumer Assistance Center P.O. Box 749029 Dallas, TX 75374-9029 1-800-643-3334 experian.com

■ Equifax Credit Information Services P.O. Box 105873 Atlanta, GA 30348 1-800-685-1111 equifax.com

■ Trans Union Consumer Relations P.O. Box 390 Philadelphia, PA 19064-0390 1-800-916-8800 transunion.com

HOUSTON HIGHWAY CREDIT UNION HAS MORE FOR YOU...

WANT TO LEARN MORE, JUST ASK... MORE CAN BE SENT TO YOU...

ALSO WE HAVE LESSONS FOR KIDS—PRE K THROUGH HIGH SCHOOL

FINANCIAL EDUCATION IS AN AREA THAT CAN BRIDGE THE SOCIO-ECONOMIC DIVIDE!

Give me a shout out!

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website

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