



Financial Literacy 101

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BURSAR, STUDENT BUSINESS SERVICES



Student Financial Literacy Week Events

Workshops

Tuesday – What is a Budget?

Wednesday – Understanding Student Loan Repayment

Thursday – What is a Credit Score?

Friday – Setting Long-Term Financial Goals

Information Tables

Financial Aid and Student Business Services, Library Courtyard



What is Financial Literacy?

The ability to understand how money works in the world

- Skills and knowledge
 - Your tools, brain and behaviors
- Make informed and effective decisions
 - Create a lifetime of financial well-being
- Manage financial resources
 - Cash, investments, house, car, retirement, insurance



Responsible Financial Behaviors

Do you....

- Follow a budget to limit your spending?
- Have a credit card?
- Pay your entire credit card bill each month?
- Pay your credit card on time?
- Build an emergency fund?
- Save and invest 5-10% of income?
- Balance your checkbook?



Risky Financial Behaviors

Do you....

- Use a credit card to get a cash loan?
- Overspend your credit limit?
- Write a check without enough money?
- Have more than 2 credit cards?
- Make only the minimum monthly payments?



Five Principles of Money Management

- Earn
 - Understand your pay and benefits
- Save & Invest
 - Set goals and start small
- Protect
 - Emergency savings and adequate insurance
- Spend
 - Shop around and compare prices/products
- Borrow
 - Build credit, but understand interest





Understand Your Paycheck

STATEMENT OF EARNINGS AND DEDUCTIONS

RETAIN THIS FOR YOUR RECORDS. CONTACT YOUR DEPARTMENT IF YOU HAVE ANY QUESTIONS ABOUT YOUR TOTAL EARNINGS

Employee Name:
JOHN QUINCY PUBLIC

Social Security No.
123-45-6789

Check Date
10/25/10

Tax Status: MARRIED-03 **Check No.:** 123456 **Dist Cd:** 000

Total Gross Earnings → 1,618.87 **Net Pay** → 1,223.41 **Pay Period Ending** → 10/15/10

EARNINGS				REDUCTIONS AND DEDUCTIONS		YEAR TO DATE	
Description	Month	Hours	Gross Pay	Description	Amount	Description	Amount
REG PAY	101	88.00	1,618.87	TIAA CREF	139.42	YTD GROSS	22,202.16
				UNIFORM HLTH	18.00	FIT GROSS	20,466.99
				TOTAL RED	157.42	FED INC TX	1,796.37
				OASI 6.20%	100.06	OASI GROSS	22,132.16
				F INCOME TAX	97.17	OASI TAX	1,372.19
				MEDICAL AID	4.72	MED GROSS	22,132.16
				TIAA LTD	9.55	MED TAX	320.92
				SEBB LIFE B1	0.33		
				LIFE B2 SMOKE	2.68		
				MEDICARE 1.45%	23.40		
				TOTAL DED	237.91		

THE NEXT PAYDAY IS WEDNESDAY, NOVEMBER 10, 2010.

CONTRIBUTIONS MADE ON YOUR BEHALF	
Contribution Description	Amount
MEDICARE 1.45%	23.40
TIAA-CREF	121.42
OASI 6.20%	100.06
MEDICAL AID	10.42
HCA	850.00
TOTAL CONT	737.68



Understand Your Paycheck

Gross pay – money earned before taxes and deductions

- Check your hours worked to be sure they are properly listed

Net pay – the amount left over after taxes and deductions, also called take-home pay

EARNINGS			
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Understand Your Paycheck

Deductions – any amount withheld from your gross pay by your employer

- Federal and state tax
- Social security tax
- Medicare tax
- Health insurance premium
- Union dues
- Retirement contribution

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Understand Your Retirement


- It is never too early to start saving for your retirement.
- Compound interest is the easiest way to grow your retirement
- Take 5% of your paycheck, starting with your first job, and invest it



Understand Your Retirement

How Much do You Need to Retire?

Your Age Now	<input type="text" value="25"/>	
Your Planned Retirement Age	<input type="text" value="65"/>	
Your Life Expectancy	<input type="text" value="85"/>	estimate yours , 79 in U.S. on average
Expected Social Security Income \$	<input type="text" value="1800"/>	/Month estimate your number at SSA.gov
Other Income after Retirement \$	<input type="text" value="0"/>	/Month pension, rental property income...
Average Investment Return	<input type="text" value="6"/>	%
Inflation Rate (Annual)	<input type="text" value="3"/>	%
Your Current Income	\$ <input type="text" value="45000"/>	/Year
Income Needed after Retirement	<input type="text" value="75"/>	% 70-80% to maintain life style

Calculate 



Understand Your Retirement

How Much do You Need to Retire?

You will need \$597,715 at Age 65 to Retire

Saving Needed at 65: \$597,715
Equivalent Purchase Power Now: \$183,234
Life Style after Retirement: Similar to your current life style

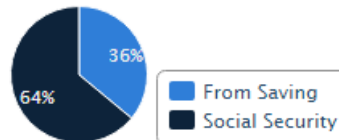
Monthly Income at Age 65

Total:	\$9,174
From Saving:	\$3,303
From Social Security:	\$5,872
From Other Income:	\$0

Monthly Income at Age 85

Total:	\$16,570
From Saving:	\$5,965
From Social Security:	\$10,605
From Other Income:	\$0

Breakdown of Monthly Income at Age 65





Financial Goals

- Establish short, mid and long-term financial goals
 - Short-term: Under a year
 - Pay off a credit card, medical bill, or establish an emergency fund
 - Mid-term: 1-5 years
 - Pay off a car, credit card, or establish credit (if no credit history)
 - Long-term: More than 5 years
 - Save for a down payment, buy a house, pay off student loans
- Determine completion time, total amount needed, and monthly goal



Long-Term Financial Goal Example

You want to save up a down payment for a house over the next 10 years.

Assume \$350,000 purchase price, requiring 10% down payment (\$35,000)

10 years = 120 months

$\$35,000/120 = \291.66

Save \$291.66 per month in order to reach this goal within 10 years.



Test Your Knowledge

If you put \$100 in a savings account with an interest rate of 5% per year and left the money in the account for five years, how much would you have in the account at the end of the 5th year?

Year	Amount	Interest Earned	Total at year-end
1	\$100.00	\$5.00	\$105.00
2	\$105.00	\$5.25	\$110.25
3	\$110.25	\$5.5125	\$115.7625
4	\$115.7625	\$5.7881	\$121.5506
5	\$121.5506	\$6.0775	<u>\$127.6281</u>



Create an Emergency Fund

- An adequate emergency fund will provide enough money to cover your expenses for three to six months
- From your budget, determine monthly expenses, then multiply
- Determine the time frame for building the fund
- Divide the total amount by the months in the time frame to determine the amount needed to save each month



Emergency Fund Example

Establish emergency fund of \$5,000 within 2 years

2 years = 24 months

$\$5,000/24 = \208.33

Place \$208.33 per month in a separate savings account



Spend..... But Spend Wisely

There's an app for that:

- RedLaser - Scan a barcode with RedLaser and you're locked into information from retail and online stores.
- ShopSavvy - Tell the app what you're looking for and it'll keep an eye out for when you can get it at a discount. You can also see when there are sales at major stores.
- Buy Via - It compares prices at national and local outlets and lets you set up alerts (including location-based) for products.
- Shop Advisor - ShopAdvisor watches price changes so you don't have to. Aside from price comparisons, you can set up an alert for when an item reaches the price you're willing to pay for it.



Insurance is Also a Financial Instrument

What type of car insurance will:

Pay to replace a stolen car?

Collision

Comprehensive

Liability

Pay for a loss resulting from a lawsuit after injuring someone with your car?

Collision

Comprehensive

Liability

Pay for damages to your car from an accident that you cause?

Collision

Comprehensive

Liability



Use Credit Cards and Loans Wisely

- Manage credit cards wisely
 - Pay it off every month
 - Carry a balance of 30% or less
- Make the most of promotions
 - Travel miles, cash back
- Shop around for the best interest rate and consider refinancing



Test Your Knowledge

Suppose you charge \$100 on a credit card. If you paid only \$15 each month, which card would charge you less over the next 12 months?

A 0% APR card that charges a \$1 fee every month



A 6% APR card with no monthly fee





Where do you go from here...

- Attend another workshop
- Use your financial aid refund check wisely
- Part-time/summer job
- Become a member at a Credit Union



Resources

www.moneymattersoncampus.org

www.annualcreditreport.com

www.mymoney.gov

www.startwithchange.com – student loan payment calculator

www.igrad.com

www.saltmoney.org

www.everfi.com

www.mint.com – free budgeting tool

www.feedthepig.org



Questions?