

Money Matters

Personal Financial Management



Why Personal Finance is Important

- Where are you?
- Where are you going?



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Personal Finance

If you start off managing your finances properly, you will have an easy road to financial management.

Whenever you get behind on anything, it's hard to catch up.

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Debt Management

Budgeting: 5 step process

1. Identify income and expenditures
2. Plan your budget monthly
3. Monitor your spending
4. Review monthly for adjustments
5. Stick to it (even if you get off track due to an emergency)

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5 Steps In Action

1. Income: financial aid, work earnings, other supplemental funding...
Expenditures: food, entertainment, expenses...
2. Budget: $\text{Income} - \text{expenditures} = \text{residual}$
3. Monitor: balance accounts, balance projected budget vs. actual
4. Review: do you need to adjust anything?
5. Stick to it: don't get discouraged

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Options for a Tight Budget

- Outdoor activities
- Local parks
- On-site facilities: gym or recreation center
- College activities and clubs

Your Credit

- Establishing credit is important for future borrowing purposes.
- Being credit-worthy
- Establishing credit

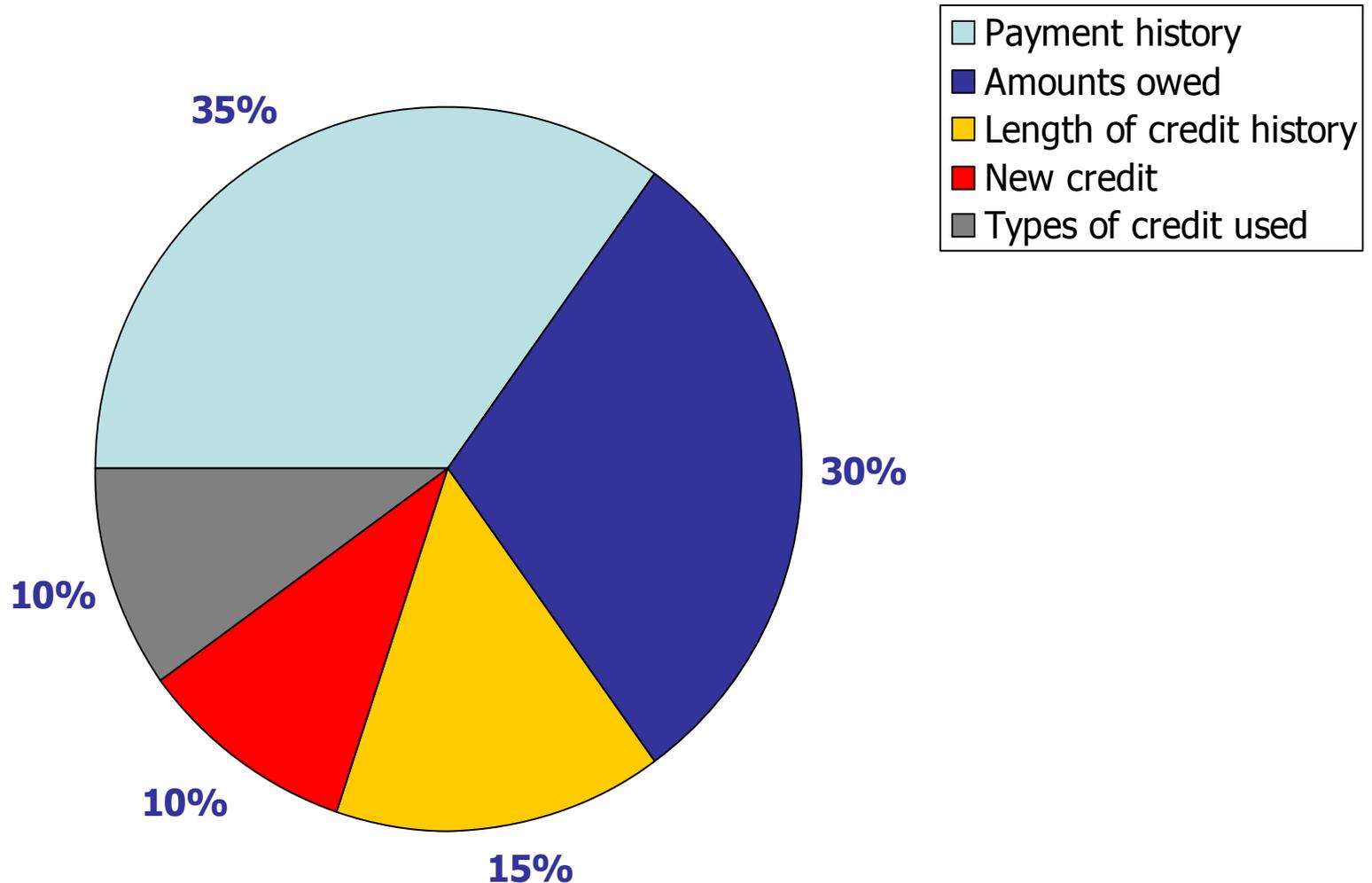


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Your Credit Score

- Most widely used credit scores are FICO scores.
- Scores range between 300 – 850: the higher the score, the lower your interest rate.
- Most people score between 600 to 700.
- It is based on your payment history and your level of outstanding debt.

What Makes up a Credit Score?



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Reviewing Your Credit Report

- Inspect your credit report
 - Law entitles you to one free report a year from each nationwide credit reporting agencies if you ask for it
 - Online: www.AnnualCreditReport.com;
 - Phone: 1-877-322-8228; or
 - Mail: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281
- Three nationwide credit reporting companies:
 - Equifax: 1-800-525-6285
 - Experian: 1-888-397-3742
 - TransUnion: 1-800-680-7289

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Loans and Debt

- Student Loans
 - Subsidized and Unsubsidized Loans (FFELP)
- Revolving Debt
 - Credit cards and some loans through financial companies
- Installment Debt
 - Car loans and personal loans from a bank

Credit Cards

- Things you might not know
 - Payments
 - Fees and finance charges
 - Interest
 - Credit limits



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Let's test your credit card knowledge.

We'll look at two scenarios, the only difference is the monthly payment.

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Scenario #1:

- You charge \$2,500
- You pay \$50 a month
- Yearly interest rate is 20%

How long will it take to pay the balance?



Answer:

9 years

1 month!

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Recap:

- You charged \$2,500
- You paid \$2,920 in interest over the 9 years
- You paid 116 % interest
- Not a good deal!

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Scenario #2:

- You charge \$2,500
- Payments are \$100 per month
- Yearly interest rate is 20%

How long will it take to pay the balance?



2 years

9 months!

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Recap:

- You charged \$2,500
- You paid \$761 in interest over the 2 years
- You paid 30.4% interest

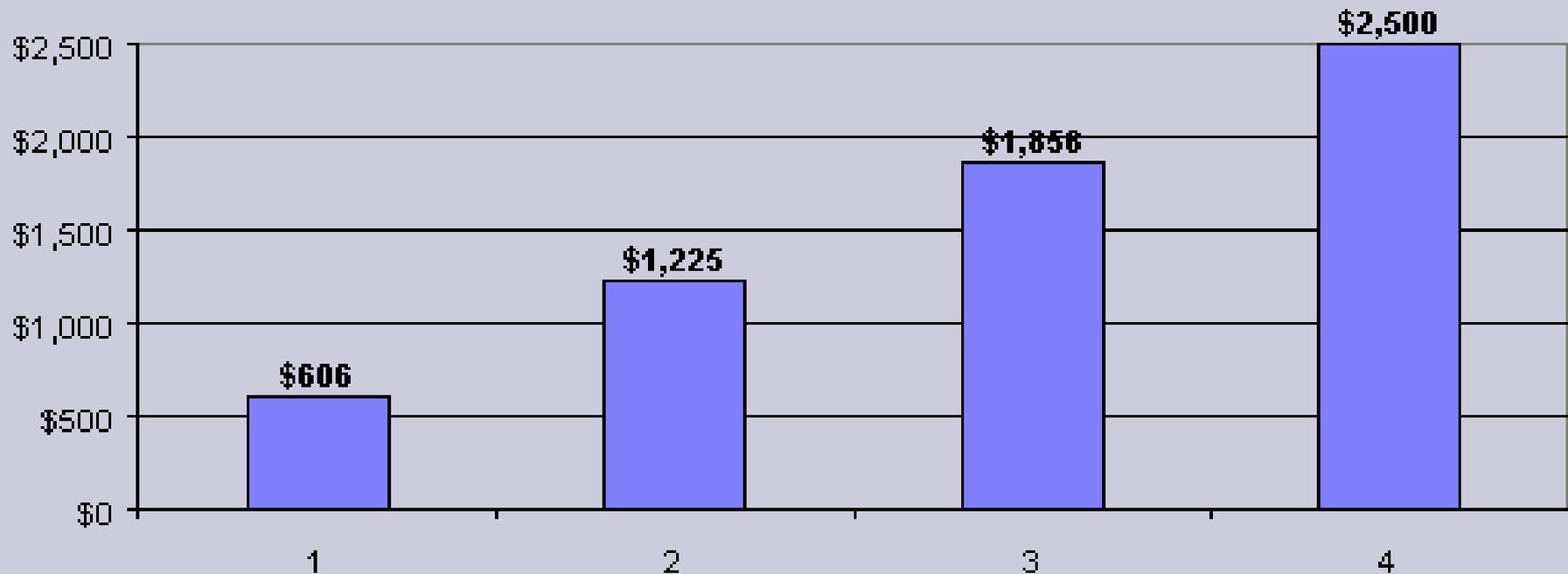
- Compare to saving \$2,500 in the bank for 2 years 9 months, earning 3% per year interest = \$214.72

A Note About Savings

Savings Calculator

Starting amount:	<input type="text" value="\$0"/>	<input type="text" value="0"/>	<input type="text" value="50k"/>	<input type="text" value="100k"/>
Years:	<input type="text" value="4"/>	<input type="text" value="1"/>	<input type="text" value="50"/>	<input type="text" value="100"/>
Additional contributions:	<input type="text" value="\$50"/>	<input type="text" value="per month"/>		
Rate of return:	<input type="text" value="2.00%"/>	<input type="text" value="compound annually"/>		

Your total is \$2,500 after 4 years.



Planning For Life After Graduation

Student Loan Repayment

You Borrow	For How Many Years?	Interest Rate	Monthly Payment	Total Interest Paid
\$10,000	10	6.8%	\$115	\$3809
\$15,000	10	6.8%	\$173	\$5714
\$15,000	10	8.5%	\$185	\$7,317
Compare to \$10,000 of credit card debt	10	20%	\$200	\$14,000



U.S. Debt Statistics

- Over 70% of all marriages that end in divorce are due to financial problems.
- 75% of all Americans are THREE (3) paychecks away from bankruptcy.
- On average, when you buy something with a credit card, you pay 132% MORE THAN IF YOU USED CASH.

Statistical Information from effectivefinancial.com

Great Resources are Available

Overall financial wellness:

- www.youngmoney.com
 - Monthly subscription for money matters
 - Great articles
 - Calculators

Student aid information:

- www.ecampustours.com
- www.mapping-your-future.org
- www.Edfinancial.com



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Summary

- Handling your finances wisely now will payoff in the long run.
- It may take extra time, but it is well worth the effort.
- Having a plan is the first step toward a successful financial future. Start yours today!