

Get MoneyWise

How To Save It And
How To Spend It Wisely



THE USAA
EDUCATIONAL
FOUNDATIONSM

Good Information for Good Decisions.SM

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You And Your Money

What do you want to do with your money? Buy clothes or CDs? Go to a concert or sporting event? Maybe you want to start a summer business, save for a vehicle or pay for college. The way you manage money can determine whether, and how soon, you get to do all or any of those things.

Learning to take care of money requires time and practice. This publication is a good place to begin. It contains important information on skills you will need when you are out on your own, such as:

- Choosing a bank.
- Using a checking account.
- Saving for the future.
- Creating a budget and spending wisely.
- Establishing a good credit reputation.



Choosing A Bank

All banks provide similar services but each one can be very different. Take time to shop for one that is right for you.

Shop Around

Start with research. You and your parents should gather information about several banks.

- Choose a bank with a strong reputation and no fees.
- Compare how services differ from one bank to the next. A Bank Comparison Chart on the following page can help.
- Look for conveniences such as ATM and debit services and electronic banking services.
- Think about every benefit a bank offers. Do not choose one just because it offers gifts, vouchers or cash rewards for opening an

account. Choose it because it is right for you.

Banking Tools

These definitions should help when comparing bank products and services:

- **Checking and savings accounts** help you handle money safely and track what you spend. Accounts created especially for students are usually the least expensive. Some accounts earn interest (money the bank pays you for keeping money there), but the amount will vary based on the interest rate. You may have to keep a minimum balance in your account to earn interest.

- **Automated Teller Machines (ATMs)** let you use a plastic, coded card to withdraw cash, deposit money and check your account balances any time of day. Find out about ATM fees. Many banks charge extra for using other banks' ATMs.
- **ATM/debit cards** look like credit cards but work like checks. Using an ATM/debit card is safer than using cash and easier than writing a check. Money is subtracted almost immediately from your account each time you use your ATM/debit card.
- **Pre-paid spending cards** can be used anywhere credit cards are accepted and work like gift cards. With a pre-paid card, you cannot spend more money than you have on the card.
- **Overdraft protection** is like a backup for your checking account or ATM/debit card. If you mistakenly spend more than you have in your account, overdraft protection authorizes the bank to move money from another account to keep you from being overdrawn.
- **Online banking services** let you manage your money from any computer with an Internet connection. Make sure a bank's online services are secure, easy to use and provide the services you want.



Compare Services

As you shop for a bank, keep track of what you learn.

Bank Comparison Chart

Does the bank:	Bank A	Bank B	Bank C
Offer a student checking account?			
Charge a monthly service fee? What is it?			
Have a minimum balance requirement? What is it?			
Pay interest on account balances? How much?			
Charge me if I write more than 10 checks each month? How much?			
Charge for printing checks? How much?			
Offer an ATM/debit card?			
Have ATM machines?			
Allow me to use other banks' ATM machines to withdraw money from my account? Will there be a charge? How much?			
Charge me to use my ATM/debit card? How much?			
Offer overdraft protection? How much does it cost?			
Have online services? Is there a usage fee?			

Self Test #1

Circle the correct answer for each question.

- You should choose a bank known for its great gifts.
T or F
- ATM/debit cards are the same as credit cards.
T or F
- Some banks offer student accounts. **T or F**
- Pre-paid spending cards have a spending limit.
T or F

Answers on page 20.

Protect Your Money

Like any business, some banks fail. To make sure you will always get your money back, choose a bank that is insured by the Federal Deposit Insurance Corporation (FDIC). If you choose a credit union, make sure it is covered by the National Credit Union Share Insurance Fund (NCUSIF).

Using A Checking Account

Opening a checking account is easy. Using it correctly can be harder. This section will teach you how to do both.

In most states, before you can open an account of your own, you must:

- Be at least 18 years of age or married.
- Have a Social Security Number (SSN).
- Be able to show proof of identity such as a driver's license or birth certificate.

If you do not meet these requirements, you can open a joint account with a parent or guardian.

- You may be able to download your checking account activity into a computer budgeting program.

Keeping a checking account does take some work.

- You have to record every time you put money into your account (deposit) and every time you take money out of your account (withdrawal).
- Each month, you should make sure the amount of money you think you have matches how much the bank thinks you have. That is called “reconciling your account.”

What You Need To Know

Checking accounts are a convenient and safe tool for handling money.

- Carrying checks or a debit card is safer than carrying cash, especially when buying something expensive.
- You can easily deposit or cash checks you receive on birthdays and holidays or from working.
- With an account, you can track what you spend and keep up with transactions using your check register and monthly bank statement. If your bank provides canceled checks or duplicate checks, these can also help you track your spending. If your bank processes checks electronically, the bank will probably include images of your canceled checks with your bank statement.

Opening Your Account

1. Choose the type of checking account you want, order checks and decide if you want an ATM/debit card.
2. Deposit money into your new account using cash, a check, electronic transfer from another bank or a parent's credit card. The bank can show you how to complete a deposit slip for the amount of money you will use to open your account.
3. Show the bank how you will sign your checks by completing a signature card. The bank keeps this card on file to make sure your checks are not used by another person. Sign each check just as you sign the signature card to make sure the bank will accept it.

Writing A Check

1. Write clearly in non-erasable ink. Start writing at the far left of each space.
2. Write the date in the space provided on your check.
3. Enter the payee — the person or company to whom you are writing the check.
4. Fill out the dollar amount in numbers.
5. Write out the amount in words as dollars and fractions of dollars and draw a line to the end of the space as

shown below. This keeps anyone from changing your check later. Example: A check for \$15.65 is written Fifteen and 65/100. A check for \$155.25 is One hundred fifty-five and 25/100.

6. Sign the check just as you signed your signature card.
7. Use the memo line as a reminder of why you wrote the check.
8. Present your check for payment. Be ready to show identification (ID), such as a driver's license, student ID card or other photo ID.

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Ryan Correa
123 Anywhere St.
Any City, ST 00000-0000

No. 1641

2 Oct. 15, 2005

3 Tamra Smith

4 \$ 25.00

5 Twenty five and ⁰⁰/₁₀₀ _____

7 for video games

6 Ryan Correa

8

TIP

Register First, Check Second

Ryan is buying three used video games from Tamra for \$25. Before he writes the check, he updates his check register by entering the check number, the date, a description of the purchase (to his friend Tamra for video games), the payment amount of \$25 and subtracting the \$25 from the balance in his account. Then, he writes the check.

Like Ryan, you should always record a check in your register before writing it. If you wait, you might forget to update your register and end up with an overdrawn account.

AD - Automatic Deposit • AP - Automatic Payment • ATM - Cash Withdrawal • DC - Debit Card • FT - Funds Transfer • SC - Service Charge • TD - Tax Deductible							
NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE, WITHDRAWAL (-)	✓	DEPOSIT, CREDIT (+)	\$ 100.00	
1641	10/15	to Tamra for video games	25.00				75.00

Using A Check

When someone writes a check to you, you have to sign the back of the check (endorse the check) before you can use the money.

- Endorse a check only when you are ready to use it. An endorsed personal check can be cashed or deposited by anyone.
- Write only in the endorsement area on the back of the check.
- Sign your name exactly as it appears on the front of the check.
Note: If your name is misspelled or does not match your signature card, sign it as it appears on the check. Then sign it again, correctly, to match your signature card.
- Include your account number on the back of the check.

The way you endorse your check tells the bank how you will use it. You can ask the bank to give you cash in return for the check (cash a check). You can deposit the check amount into your checking account (deposit a check). Or, you can use the check to pay money to someone else (sign over a check).

Cash a check. In return for your endorsed check, you receive cash equaling the amount of the check. You must show a photo ID. It is easiest to cash checks at your own bank, but you may also be able to cash a check at a grocery store. Avoid check-cashing services which charge a fee. For cash, endorse the check like this:

Cash Only
Tamra Smith



Deposit a check. After you present a check for deposit, the bank puts that amount of money into your account. The way you deposit your check determines how fast you can use the money.

- Electronic funds transfers are available on the day the bank receives them.
- If you deposit a check from another bank, it may be several days before you can withdraw your money.

You can deposit a check at the bank, at your bank's ATM, or by mail. Make sure you follow your bank's deposit instructions. To deposit a check, endorse it this way:

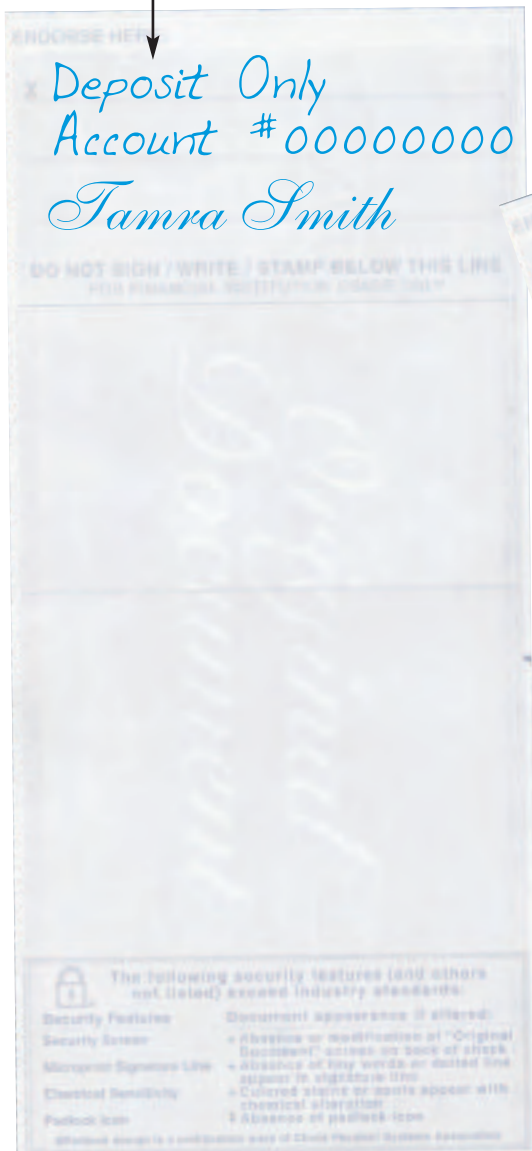
Deposit Only
Account #00000000
Tamra Smith

Sign over a check. You may want to give someone else a check that was written to you. Maybe you owe a parent or a friend some money. By signing the check over to them, you give them permission to use it. You would endorse the check as follows:

Pay to the order of
Mrs. Janelle Smith
Tamra Smith

Bad Checks

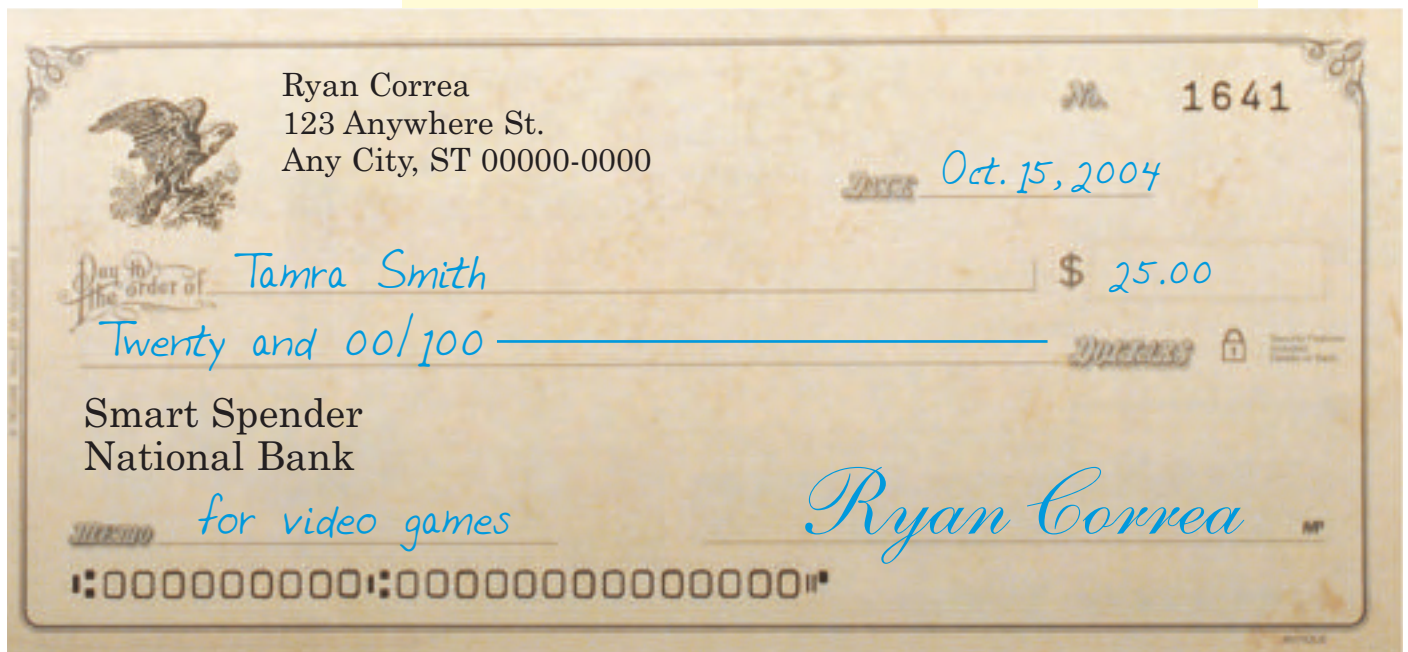
Your check is bad if there is not enough money in your account to cover the amount you wrote on the check. If this happens, the check will be returned to you marked "Insufficient Funds." You will probably have to pay a fee of \$10-\$30 to both your bank and the merchant to whom you wrote the check. Knowingly writing bad checks is against the law.



To keep from writing bad checks:

- **Make sure there is enough money in your account** before you write a check or use your ATM or debit card.
- **Record every check, ATM, debit, and online purchase in your check register** and subtract them from your running account balance.
- **Keep track of bank fees** and subtract them from your account balance as they are charged.

- **Compare your check register with your monthly bank statement** as soon as you receive it. If their amount and yours do not match, you should try to resolve it. If you cannot solve the problem, contact your bank.
- **Consider getting overdraft protection** so your account is covered if you make a mistake.



Fix This Check

Today is October 15, 2005. Ryan just wrote a check for some video games he is buying from Tamra. There are two things wrong with it. Why does Tamra ask Ryan to write her another check?

Answers on page 20.

Check Processing

After Tamra deposits Ryan's check, it is processed either by mail or electronically. Within 2–3 days or as little as a few hours, the amount of the check (\$25) is subtracted from Ryan's checking account balance and added to Tamra's checking account balance. The time it takes to complete this transfer of money is called "float" time.

Should Ashley Float The Check?

Q: Ashley has \$50 in her checking account. A coat she wants is on sale for \$90 plus tax, and it is the last one in her size. Tomorrow, she will get \$100 for taking care of a neighbor's pet. If Ashley buys the coat today, she thinks her check might

"float" through the bank system for a few days before clearing (being subtracted from) her account. That would give her time to deposit her pet sitting money. Should Ashley go ahead and buy the coat?

A: **No way.** With electronic imaging technology, Ashley's check could clear in just a few hours and her account would be overdrawn. **Never float a check.**

Using ATM/Debit Cards

Like checks, ATM/debit cards are tools for handling money in your account. Before using them, you will need to choose a Personal Identification Number (PIN). It will be your personal code for getting to your money.



- **Sign the signature panel** on the back of your card as soon as you get it.
- **Keep your ATM/debit card in a safe place.**
- **Memorize your PIN.** Never write it on the card. Never carry it in your purse or wallet. Do not share it, not even with a bank representative, police officer or someone in a store. You are the only one who should know it. If you have a joint account with a parent or guardian, talk with them about whether they should have access to your PIN.
- **Treat your card as if it were cash.** Never leave it lying around. Get it back every time you use it.
- **Do not share your ATM/debit card number over the phone or online,** unless you have called the company, and the company is well known.
- **Enter ATM/debit card transactions into your check register when you make them.** Subtract amounts, including any service fees, from your account balance, just as if you wrote a check.
- **Notify the bank immediately if your ATM/debit card is lost or stolen.** This helps protect you if someone else uses your card.
- **Use ATMs only in well-lit, busy locations.** Stand right in front of the screen so no one can see you enter your PIN.



TIP

Self Test #2

Circle the answer to each question.

1. You must have a SSN and proper identification to open an account.

T or F

2. Your friends should know your PIN. **T or F**

3. It is not important to enter ATM/debit card transactions into your check register. **T or F**

4. You can deposit money into your account from any ATM. **T or F**

Answers on page 20.

Choose A Smart PIN

- Do not use your initials, birth date, telephone number, SSN or any other identifying number.
- Do not choose repeating numbers, such as 2222 or 4646.
- Do not choose consecutive numbers, such as 1234 or 8765.



Keep Up With Your Account

Each month you will receive a bank statement showing every time money entered or was taken out of your account. Always compare (reconcile) your check register entries with the bank's entries to make sure they agree. You can do this electronically if you have budgeting software. To reconcile your account:

- 1. Gather all checking account records**, including deposit and withdrawal slips and ATM/debit card receipts.
- 2. Check each item on the statement** that matches its corresponding entry in your check register.
- 3. Enter any bank charges**, including ATM/debit card fees and check printing fees that you may not have recorded. Subtract them from your balance.

- 4. Enter any deposits** you may not have recorded, including interest if your checking account earns it. Add them to your balance.
- 5. Look for unchecked items on your check register.** These are items that were not processed before the closing date on your bank statement. Total the outstanding amounts. If a check has not cleared within 7–10 days, you should contact the payee and your bank to find out where it is.

- 6. Subtract the outstanding total from the ending balance** on your bank statement. This number should match the balance in your check register.
- 7. If your account does not balance, double-check your register and bank statement** to be sure you checked all corresponding items. Make sure you logged them properly. Check your math. If you cannot make the numbers agree, contact your bank.

Self Test #3

Circle the correct answer for each question.

1. Checks can be processed within 24 hours. **T or F**
2. You should endorse a check immediately after you receive it.

T or F

3. After you deposit money into your account, it may not be available for several days. **T or F**
4. You can endorse a check anywhere on the back of the check.

T or F

Answers on page 20.

Saving Sense

Saving means setting aside money on a regular basis, preferably every time you receive it. Saving is like planting money. With time, the money you save will grow.

Although it may not seem important to you now, saving is the best way to reach your financial goals.

It helps you:

- Prepare for big purchases, such as a bike, game system or a new computer.
- Pay for special activities, such as a concert or a play.
- Pay for college expenses.
- Prepare to be on your own.

To make the most of your money, start saving now. Even if you do not have a job, you can set aside some of your allowance or gifts of money you receive. The important thing is to make saving a regular part of your life.

Getting Started

To save, you must spend less money than you have. Saving requires discipline. Here are some tips for making it a habit:

- **Pay yourself first.** As soon as you receive money, set aside at least 10 percent–15 percent into a savings account before spending any. If you cannot afford this much, set aside as much as you can afford to save.
- **Think of saving as a bill you have to pay.**
- **Collect loose change.**

Empty your pockets and wallet at the end of each day and put the change in a container. Every few months, deposit the change into your savings account.

Earning Interest

The best part about saving is earning interest. If you have an interest-bearing savings account, the bank pays you for keeping money there. The more money you keep in your savings account and the longer you leave it there, the more money the bank will pay you.

There are two types of interest you can earn:

- **Simple interest** is calculated only on the amount of money you deposit. Your money grows slowly.
- **Compound interest** is calculated on your savings plus the interest you have already earned. Your money grows more quickly.

Either way, your money is growing all by itself.

The sooner you start saving, the longer your money has to grow. If you add to your savings balance regularly (once each week, once each month), even in small amounts, your money will increase much faster.

Self Test #4

Circle the correct answer.

1. Saving will not be important until I am older. **T or F**
2. I cannot save until I get a job. **T or F**
3. Banks pay me to save money with them. **T or F**
4. Compound interest increases your savings more quickly than simple interest. **T or F**

Answers on page 20.



Managing Your Money

Right now, you probably do not have many expenses. If you make some bad spending decisions, you will still have a place to live, food to eat and clothes to wear. This is a good time to learn how to manage money. In a few years, the way you take care of your money will matter a lot, and you will have less room for mistakes.

Managing money is not easy. Many adults end up deeply in debt, even facing bankruptcy, because they spend more money than they have. Learning good money management skills now prepares you to succeed on your own later.

Be A Smart Spender

The first step in managing money is knowing where it goes. Add up every dollar you spend for a month and keep track of what you buy. You may be surprised how much you spend and on what things.

Next, think about the difference between your needs and your wants. For example, you need to eat, but do

you need to spend money on after-school trips to the corner coffee shop or dinner at a restaurant? Smart spenders know that needs and wants are different, and they create a plan for both — called a budget.

Create A Budget

If you follow it, a budget puts you in control of your money. It is a tool for knowing where your money comes from (income) and planning where it goes (saving and spending).

Use the work sheet on the following page to make your own personal budget. Copy it. At the beginning of the month, write the amount you plan to spend in the appropriate column. During the month, record what you actually spent. Track your spending for a few months. Skip expenses that do not apply to you.

TIP

Before You Buy

Before you buy something, stop and ask:
Is it in my budget? Do I really need this? Can I borrow it?
Can I buy it second-hand or at a discount? Can I share it,
and the cost, with a friend?



Budget Work Sheet

Income For The Month Of:	Amount	
Job money (babysitting, pet sitting, yard care)		
Allowance		
Other (birthday money)		
Total Monthly Income		
Monthly Expenses	Amount I Plan To Spend	Actual Expenses
Giving: Church		
Charity		
Other		
Savings: Regular savings		
Gift fund (Christmas, birthdays)		
Vacation money		
Special purchases (bike, game system, computer)		
Entertainment: Movies, concerts, sporting events		
Electronics		
After-school activities		
Books and magazines		
CDs / DVDs and batteries		
Eating out (fast food, vending machines)		
Other		
Personal: Gifts for friends		
Clothes, shoes, accessories		
Haircuts, makeup		
Hobbies		
Other (cell phone)		
Total Monthly Expenses		
Extra Money (subtract total expenses from total income)		

Follow Your Budget

Once you create a budget, stick to it. Do not spend on things that are not included in your plan unless you are willing to substitute another item for it.

If your plan is not working, you can always adjust it. Maybe your estimates were unrealistic and simply need adjusting. Or, maybe you do not like that the plan puts limits on your spending. Make sure you know what the problem really is and be honest.

Following a budget is not easy. It shows that you have a set amount of money and it forces you to make choices about what you will do with that money.

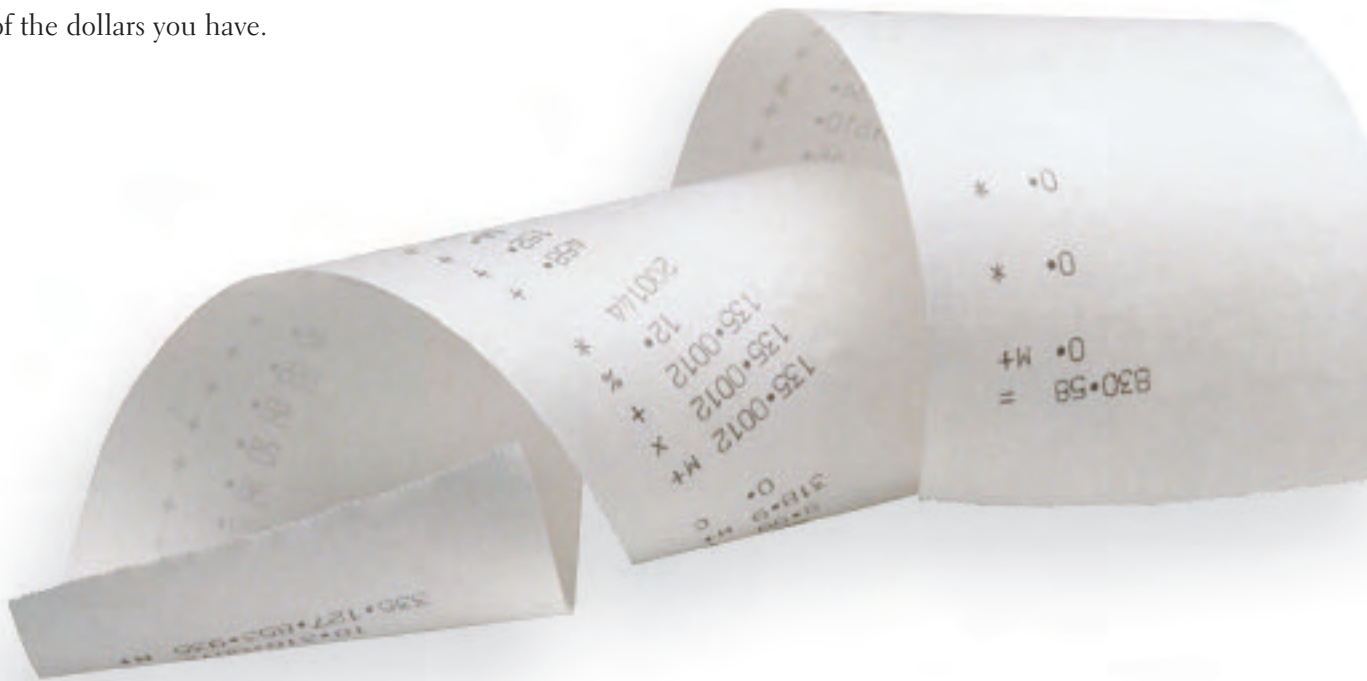
However, following a budget also teaches you to be responsible and to control money so you can get the most out of the dollars you have.

Self Test #5

Circle the correct answer.

1. Smart spenders know where they spend every dollar. **T or F**
2. A good rule for saving is “pay yourself last.” **T or F**
3. Following a budget teaches you to control your money. **T or F**
4. If something you need is on sale, you should go ahead and buy it no matter what. **T or F**

Answers on page 20.



Getting Ready For Credit

Credit is a financial tool that will help you pay for college, buy a vehicle or own a home. When the time comes, your ability to get credit — and use it wisely — can be affected by the way you manage your money now.

Establishing A Credit Reputation

When you become a bank customer, you begin building a reputation for using credit. For example, using checking and savings accounts without overdrawing them shows you can manage money well. This will give you a better chance of getting a credit card, vehicle loan or home loan when you need it.

Once you begin using credit, you improve your credit reputation every time you pay your bills on time. This is very important, because employers, landlords, insurance companies and other businesses will review your credit history as they make decisions about you.

Your credit reputation is summarized in a credit report — a public, month-by-month electronic record of your interactions with banks and credit card issuers. There is also a numerical summary (like a grade) of your credit report. It is a three-digit credit score.

This credit score reflects:

- Whether you pay your bills on time.
- How much debt you have.
- How long you have used credit.
- How much new debt you have.
- What kinds of debt you have (credit cards, vehicle loans, home loans).

The higher your score, the better. A high score can make it easier to get loans, find a place to live, obtain affordable insurance and even get the job you want.

What Is Credit?

Credit is borrowing — when you buy something now with a promise to pay for it later. Using credit costs money. You have to pay the amount you borrowed, plus interest and sometimes fees. When credit is used, there is a creditor (the person, bank, store or company who is owed money) and a debtor (the person who owes it).

Healthy Credit Habits

Credit is helpful, but it can be dangerous if you do not use it wisely. You should talk with your parent or guardian to decide whether you need credit. If you apply for a credit card or loan:

- Decide exactly how you will use it. Use credit for items you know you can repay each month.
- Pay bills on time and in full. Never skip a payment.
- Limit the number of credit cards you own. You probably do not need more than one.
- Know the terms and conditions of your credit card and loan(s). If you have questions, ask the issuer to explain.
- Keep credit card and loan information in a safe place.
- Keep copies of sales slips and compare charges when your monthly statements arrive. Call the company immediately if you see a discrepancy.



Balancing Your Finances

It is time for you to start practicing good money management skills. Remember these important points.

Choose The Right Bank

- Does the bank have a good reputation?
- Is the bank insured?
- Does the bank have the services you want?
- Can you afford the bank's fees?

Take Care Of Your Checking Account

- Enter all transactions — checks, ATM/debit card, bank fees, deposits — into your check register.
- Calculate your balance after every purchase.
- Reconcile your bank statement monthly.

Save, Save, Save

- Begin saving now, even in small amounts.
- Make saving a habit.

Manage Your Money

- Know how much you have in your account(s).
- Plan your spending; create a budget.
- Stick with your budget.



Answers To Learning Exercises

Self Test #1

1. *False.* Choose a bank that meets your needs and has a good reputation.
2. *False.* ATM/debit cards work like checks. The purchase amount is deducted from your bank account.
3. *True.* Accounts created for students are usually the least expensive.
4. *True.* With a pre-paid spending card, you cannot spend more money than you have on the card.

Fix This Check

1. Year is incorrect.
2. Numeric and written dollar amounts do not match.

Self Test #2

1. *True.* In most states you must have a Social Security Number (SSN) and be able to show proof of identity such as a driver's license or birth certificate.
2. *False.* You should not share your PIN.
3. *False.* To avoid overdrawing your account, you should always use your check register to record ATM and debit withdrawals and purchases.
4. *False.* It must be an ATM owned by your bank.

Self Test #3

1. *True.* Checks can be processed within 2–3 days or as little as a few hours.
2. *False.* Endorse a check only when you are ready to use it.
3. *True.* The way you deposit your money determines how fast you can use the money. If you deposit a check from another bank, it may be several days before you can withdraw your money.
4. *False.* You must write only in the endorsement area on the back of the check.

Self Test #4

1. *False.* The sooner you start saving, the longer your money has to grow.
2. *False.* You can save part of your allowance.
3. *True.* If you have an interest-bearing savings account, the bank pays you for keeping money there.
4. *True.* Compound interest is calculated on your savings plus the interest you have already earned.

Self Test #5

1. *True.* Smart spenders know that needs and wants are different, and they create a plan for both — called a budget.
2. *False.* A good rule for saving is “pay yourself first.”
3. *True.* A budget puts you in control of your money. It is a tool for knowing where your money comes from (income) and planning where it goes (saving and spending).
4. *False.* You should check your account balance and budget. Stop and ask whether it is a smart purchase. If so, see if you can substitute a planned expense for the item you wish to buy.

Research Hints

You will find a wealth of information on this topic at your local or college library or on the Internet. The Internet is a wonderful research tool where you can find sites providing general information, related links and resources that can help you in your search. Log onto a search engine and type keywords on the subject matter you are researching. Exploring the numerous Internet sites available to you will strengthen your research and lead you to more information on this subject. Feel free to seek professional assistance, such as advice from physicians, attorneys or other professionals, as appropriate for your particular situation.

The USAA Educational Foundation offers the following related publications:

<i>Managing Credit And Debt</i>	(#501)
<i>Personal Records</i>	(#506)
<i>Financial Planning And Goal Setting</i>	(#511)
<i>Financing College</i>	(#513)
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