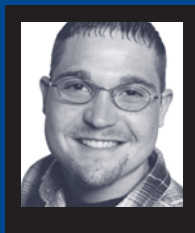
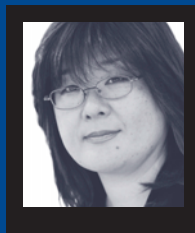
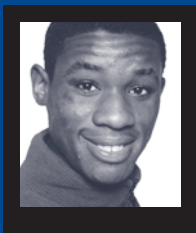




BUILDING FINANCIAL STABILITY & STRENGTH

positive
empowered
motivated
goal oriented
stable
confident



people

BUILDING FINANCIAL STABILITY & STRENGTH

GOOD SENSE INITIATIVE

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confident
self-assured

people

chapter one

YOUR FINANCIAL GOALS

empowered
confident



INTRODUCTION

What do you dream about? Do you want to buy a house someday? A more reliable car? Do you want a college education for your children? Or yourself? Maybe you want a higher-paying job but need more skills to get one?

Everyone has hopes and dreams for the future, but often we put them off because of our day-to-day bills. That's why the National Endowment for Financial Education® (NEFE®), Goodwill Industries International, Inc. and Bank of America have written this guide—to show that with a little financial know-how you can begin making your dreams come true.

In *Good Sense Initiative: Building Financial Stability and Strength*, you will gain a number of new skills that

will make you a stronger money manager. As you do the activities in each chapter, you will learn:

- How to save money and what savings can do for you.
- About banks, different types of bank accounts and how they can help you.
- To overcome money difficulties.
- How to make a spending plan.
- To set and reach goals.

This booklet is designed to be a fun learning experience. That means there are places where you are asked to respond to questions about your hopes and dreams, values and money habits. We have left spaces where you can write your answers. We hope these activities will prove to be both fun and useful. So let's get started building some financial stability and strength!

positive
motivated



in control
stable

The road to financial stability includes a few detours and roadblocks. But if you have a goal and a clear plan, you'll reach your destination. This chapter will help you put your dreams into words. It also will help you set some financial goals so you can make those dreams happen.

In this chapter you will learn to:

- Pinpoint your dreams.
- Set goals based on your dreams.
- Set money goals to make your dreams come true.

Honor Your Dreams

Dreaming about the future helps shape our lives. Maybe you've already achieved a goal like earning your high school diploma or buying a car because of something you dreamed long ago.

Because modern lives are so busy and complex, it's easy to lose sight of our dreams. Take a few minutes to relax and think about your life. Close your eyes and let your mind wander. What do you want for yourself? For your family? What are some dreams you had that maybe you've forgotten about? In the space provided, write down four things you'd like to see happen in your life and the life of your family. In the first space, write down something you want within the next three months. In the second space, write something you want one year from now. In the third space, write down something you'd like within five years. In the fourth space, write what you'd like many years from now.

Within three months, I want

Within one year, I want

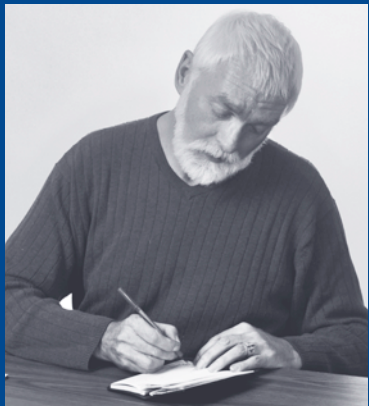
Within five years, I want

Many years from now, I want

goal-oriented

people

reliable
consistent
accountable
loyal
stable
responsible



Turning Dreams into Plans and Goals

Do your hopes look like impossible dreams? Think of it like this: Some dreams are like small hills that are easily hiked, while others are like huge mountains that require patience and tools in order to climb. Most dreams are achievable. It's all a matter of taking one step at a time.

Setting goals can help bring your dreams to life. What are goals? Goals are statements of what you want to achieve. While there is no right or wrong way to set goals, it is helpful to write them down and get specific. Some goals require money to achieve. Others don't. For example, if you dream of owning a home, you might write, "In one year, I want to save \$1,000 in my savings account to put toward a down payment on a house."

Activity: Put Your Goals into Words

Return to the dreams you wrote on page 3 and rewrite them as goals. Now, fill out the chart on page 5 and be as realistic as possible with your estimates. To make accurate estimates, do a little research first. For example, say you want to purchase a computer. Check the advertising circulars in the newspapers for prices on the kind of computer you want to buy. Then decide how much you can spare to save each month toward the computer. If the computer costs \$700 and you can save \$100 a month, it will take seven months to save enough money to purchase it.

(The first one is an example that has been completed for you.)

trustworthy
focused

GOALS

[illegible]

Congratulations! You just took your first step toward making your dreams come true.

steady firm
balanced
determined

chapter two

SMART BUDGETING AND SPENDING

In the last chapter you completed an exercise where you put words to your goals. You also gave ballpark figures about the cost of those goals and how much time it might take to save for them.

This chapter focuses on how—through smart saving and spending—you can come up with the money to reach your goals.

In this chapter you will learn to:

- Save money and what it can do for you.
- Find money to save.
- Distinguish between “needs” and “wants”.

Savvy Saving

At one time or another, everybody has a tough time paying bills. So when it's hard just to get by, how do people save money? And why is it important?

We'll start by offering a definition: Money saved is the money you keep above and beyond your daily expenses. Savings is the money you have left over after all your bills are paid.

Savings allows you to do special things for your family, like put a down payment on a house or help your children buy a computer for school. Savings helps you pay for emergencies such as car repairs or doctor visits. Savings can assist you in reaching your dreams.

inspired
durable
dependable



true
credible
secure

in control
responsible



How Do I Begin?

But where will all this savings come from when there are so many bills to pay?

Even people who make a lot of money feel this way. That's because it's easy to spend money. It's easy to save money, too, but it's a habit that must be learned.

Everybody can save money. It just requires a little knowledge and a new money routine. What's the secret to savvy saving? Here are a few simple tips:

Pay yourself first. Every time you get paid, put aside a little money for yourself before you pay other bills. After all, you earned it! See if your employer will automatically put part of your paycheck into a savings account for you (we'll talk more about savings accounts later in this booklet). You'll be surprised how fast your money grows.

Find and plug your spending leaks. We all spend money without realizing it. Maybe you buy two sodas everyday from the soda machine. If each soda costs 75 cents and you buy 10 sodas a week, that's \$7.50. If you do that 50 weeks a year, you've spent \$375 just on soda. If you drink one soda a day or bring two cans from home, you could save about \$187.50 a year.

To find those spending leaks, keep a spending diary. Each day write down everything you buy and how much it cost. Include all your purchases even small ones like candy bars and cups of coffee. Record your purchases for a week or even a month. People who have kept spending diaries report it's very eye-opening how much they spend without thinking. (Hang on to your spending diary, you'll use it to help complete your spending plan in Chapter 3.)

self-assured

people

confident
ambitious
self-assured
certain
focused
steadfast

Save bonuses or windfalls. Have you ever received money you didn't expect—birthday money or maybe a bonus for a job well-done?

A tax refund is another example. While many people think of a tax refund as “free” money and are tempted to spend it, it's actually hard-earned cash the government is returning to you. Receiving a tax refund means you paid the government more taxes than necessary. It's not free money at all; it's your money!

Windfalls like these represent the perfect opportunity to stash money away and start meeting your savings goals.

Lorraine saves

Last year, Lorraine received a \$750 tax refund from the government.

As a single mom with two kids, she had been working hard all year to

pay her bills and was dying to buy a flat panel TV as a reward. She

was also tired of living paycheck to paycheck and worrying every time

her car stalled. After much thought, Lorraine deposited the refund in

her savings account instead of buying the TV. The very next month,

her oldest child broke his front tooth on the playground and Lorraine

was able to pay the dentist with no worries. This year, she plans to

deposit her refund into her savings again.

empowered
centered

More Ways to Save

To really save more money, remember two things: You can save even more if you **increase your income** and **cut expenses**.

INCREASING YOUR INCOME

Here are some ideas on how you can make more money:

- Take classes to improve your job skills. (See if Goodwill Industries has a program to meet your needs.) This can translate into a higher-paying job or promotion.
- Work overtime or find a second job.
- Start a hobby business. Do you knit, sew, garden or cook? Charge for it. Many people don't have the time or the skills to do these things for themselves.
- Have a yard sale and sell the things you no longer need.

CUTTING EXPENSES

Here are some tricks on how you can curb spending:

- Shop for deals. When making purchases (like a washing machine) or contracting services (like car repair), shop at three stores or providers. You'll be surprised by the differences in price.
- Buy store brands in the grocery store and use coupons. You can save a bundle.
- Check out videos and DVDs from the library instead of the video store. The price is right—free!
- Avoid fast food. Cooking at home is cheaper and healthier than dining out.
- Evaluate your cell phone plan. Many cell phone plans charge large fees for roaming and extra minutes. In the case of pre-paid cellular, companies exact big reactivation charges. Study these plans. A company offering a free phone may not be the best deal in town when it comes to monthly charges. Also decide how many minutes you really need and stick to them.



loyal
balanced

people

sustained
in control
goal-oriented

secure
proven

Wants and Needs

Do you know the difference between something you want and something you need? Sometimes it's hard to tell. Have you ever said, "I need a new sweater," when what you really mean is, "I want a new sweater."

Knowing how to distinguish between needs—things you must have to live—and wants—things you'd like to have—can give you a lot of power over your money. Why? Because it can help make your whole life more secure.

This isn't about giving up all of life's pleasures in favor of healthy savings. (We all need a treat now and then.) It's about putting your money toward the things that will make your life the best it can be. When spending money, it's a good idea to make sure your needs are met first before you spend on extras.

Activity: Meeting My Needs

Check the items on page 11 that represent needs or wants in your life. Then add some of your own ideas in the spaces provided.

refreshing
balanced



decided
enriched

Need	Want
	New coat
	Larger apartment
	Water
	Telephone
	Cell phone
	Garbage bags
	Dining table
	Milk
	Shoes
	Bed
	Call waiting
	Car
	Cable TV/premium channels
	Paper towels
	Disposable diapers
	Lottery tickets

My Needs

My Wants

organized

people

chapter three

PLANNING MAKES GOOD SENSE

admired
permanent

determined



What's the big deal about planning?

We've already learned why goal setting is important—if you have a destination in mind, you're more likely to reach it. Likewise, if you begin planning to improve the quality of your life, your money situation will improve.

In this chapter, you will learn to:

- Understand how a spending plan can help you.
- Create a spending plan for yourself.

The Spending Plan: What's In It for Me?

A spending plan is like a road map. It helps keep you on course financially. Basically, the purpose is this: It can help you save money—so you can do more things for yourself and your family—and it can help you from running out of cash before payday. As you can see, a spending plan can make life a lot less stressful.

Very few people excel at keeping their financial lives straight in their heads. By putting your financial life on paper, you can see what's going on in your financial life. This gives you more control so you can learn to not only live within your means—but also improve them!

The Spending Plan: How to Do It

A spending plan is not a bunch of rules you *have* to live by, it's a guideline. It's a tool you can adjust as you change the way you think about money and spending money. And it can really help you manage it. Ready to start?

Here are the five steps to creating a spending plan:

1. Identify your income.
2. List your expenses.
3. Compare your income and expenses.
4. Make your spending plan.
5. Review how you did and make changes.

Step 1: Identify Your Income

Your income is the money you have coming into your household. Use the following chart to list all sources of income you can think of. (Remember to include any additional sources of income you might receive, such as public assistance, child support, etc.)

To find this information, review your pay stubs, deposit records from banks, or other records of money you have received. If you only know yearly amounts for some sources of income—like bonuses or tax refunds—divide the yearly amount by 12 to get an estimated monthly amount.

Activity: Income Chart

Income/Assistance Source	Monthly Amount
Salary—(your own net pay after taxes)	\$
Salary—(others in household net pay after taxes)	\$
Other job(s)	\$
Self-employment income	\$
Job bonuses	\$
Child support/alimony	\$
Interest on savings	\$
Social Security or Supplemental Security Income (SSI)	\$
Gifts	\$
Tax refund	\$
Public assistance	\$
Food stamps	\$
Housing assistance	\$
Disability income	\$
Other	\$
	\$
Total	\$

true
self-assured

people

organized
determined
respected

honored
admired
stable

Step 2: List Your Expenses

An important thing to remember as you begin creating your spending plan is to be as realistic as possible. This is especially important as you begin to estimate your expenses. (Hint: You can use the spending diary you created in Chapter 2 as a source of information.) Other sources of information include:

- Cancelled checks from your checking account or your checking account statements.
- If you have a credit card, use your credit card statements for six months (then divide the total by six to get your average monthly amount you charge).
- Any receipts or invoices for things you pay for once or twice a year, such as tuition or insurance.

Using these items, you can fill in the blanks of the charts on pages 18-19. This chart will give you an idea of what you spend on each category in one month. You'll notice that we put "savings/investments" at the top of the list so you can pay yourself first! Also, feel free to list things we may not have included on the chart.

accountable
certain



focused
inspired

Are You Getting All Your Tax Credits?

Reducing the amount of income taxes you pay is one way to cut expenses. Here are some tax breaks you might qualify for:

Earned Income Tax Credit (EITC)—You may be eligible for the Earned Income Tax Credit, a special credit for low-income individuals or families that can reduce your taxes. Even if you did not have to pay any income taxes in previous years, you may still be able to get the EITC. Many legal immigrants also qualify. The EITC can reduce your tax bill—a lot. Depending on the number of children you have, marital status, your income, savings and investments, you could qualify for a credit ranging anywhere from about \$300 to as much as almost \$4,000.

For example, in the year 2003:

Workers who earned less than \$29,666 (or less than \$30,666 for married workers) and were raising one child in their homes may be eligible for an EITC of up to \$2,547.

Workers who earned less than \$33,692 (or less than \$34,692 for married workers) and were raising two or more children in their homes may be eligible for an EITC of up to \$4,204.

Workers at least 25 and under 65, who earned less than \$11,230 and were not raising children in their home may have been eligible for an EITC of up to \$382.

consistent

people

faithful
respected



goal-oriented
consistent
radiant
firm
steadfast



loyal
secure



How Do I Get the EITC?

To get the EITC, you must file a tax return such as the 1040 or 1040A. There are many ways to figure out your credit:

1. Use the earned income tax credit worksheet included in your tax instruction booklet.
2. Have the IRS figure the credit for you by writing “EITC” on the earned income tax credit line of your tax form. You may be able to receive part of your EITC in your paycheck each payday if you believe you are eligible for the credit this year and have a qualifying child. To receive these advance payments, you must complete form W-5 and give it to your employer. You must still file a return to claim your EITC.
3. Find an organization hosting a Volunteer Income Tax Assistance (VITA) program. Volunteers with the VITA Program will help you complete your tax return at no charge.
4. Use a commercial tax preparer.

Helpful hint: Avoid rapid refunds, quick refunds, and refund application loans because they are quite costly. You will pay a very high percentage of your potential refund in fees to the tax preparer for this service.

- **Child and Dependent Care Credits** – If you paid someone to take care of your child while you worked, or looked for work, you may be able to claim a tax credit. To find out more, contact the IRS at 1-800-829-1040, or visit www.irs.gov.
- **Lifetime Learning Credit** – This tax credit helps families pay for educational expenses. You can take a credit against your income for 20 percent of the first \$10,000 spent on educational expenses. It is a nonrefundable credit, which means you can use it to reduce your tax bill, but not increase a possible tax refund.
- **Hope Credit** – The Hope credit is another way to receive credit for educational expenses. Under current law, you can credit your first \$1,000 in expenses and 50 percent of your next \$1,000. If you spend \$2,000 or more per year on education, you can take a nonrefundable credit of \$1,500.

empowered

people

Activity: Expenses Chart

Expense	Amount I Spent in One Month
Savings/investments	\$
Credit card payments	\$
Loan payments	\$
Mortgage/rent	\$
Property tax (if you own your own home)	\$
Alimony/child support	\$
Utilities	\$
Life insurance	\$
Phone	
- Cell phone	\$
- Local charges	\$
- Long-distance charges	\$
Loans (family and friends)	\$
Charitable contributions (church offerings and donations to nonprofit organizations)	\$
- Other	\$
Food	
- Groceries	\$
- Dining out	\$
- Snacks	\$
- Other	\$
Health Care	
- Dentist	\$
- Doctors	\$
- Prescriptions	\$
- Supplies	\$
- Insurance	\$
- Other	\$
Transportation	
- Car payment	\$
- Car repairs	\$

accountable

Expense	Amount I Spent in One Month
Transportation (continued)	
- Insurance	\$
- Bus fare	\$
- Other	\$
Entertainment	
- Movies, tickets, DVD and video rentals	\$
- Other	\$
Education	
- Tuition	\$
- Books	\$
- Other	\$
Hobbies	\$
Home improvement or repairs	\$
Personal expenses (hair care and beauty supplies, etc.)	\$
Clothing/uniforms	\$
Other	
- Laundry	\$
- Pet care	\$
- Child care	\$
- Gifts	\$
Cable/Satellite TV	\$
Total	\$

Example: When Samuel began tracking his expenses, he was shocked. He had no idea he spent so much. In one month, he spent \$20 on ATM charges, \$150 on a gift for his girlfriend, and ran up an extra \$300 in cell phone charges just because he didn't stick to his plan. Add rent, car expenses and utilities, and no wonder he wasn't saving anything. To get a handle on his spending, Samuel decided to make a list of his bank's free ATMs and keep it in his car. Instead of buying his girlfriend expensive presents, he decided in the future to surprise her with homemade gifts. Plus, he upped his cell phone plan \$10 a month to reflect his real usage (even though he'd pay an extra \$10 a month, it would prevent \$300 phone bills). *Did your spending surprise you?*

permanent

people

stable
goal-oriented
friendly
honest
organized

Step 3: Compare Your Income and Expenses

Time to do the math.

Write down your total monthly income (from Step 1): _____

Write down your total monthly expenses (from Step 2): _____

Subtract your expenses from your income and put the amount here: _____

If your monthly income is larger than your monthly expenses, you are doing great! Keep it up and see if there are other ways you can stash more into savings or reduce any excess spending.

Are your expenses larger than your monthly income?

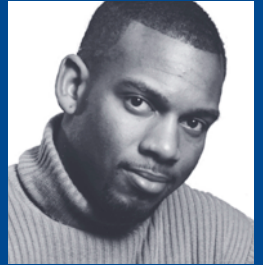
Then it's time to put your spending plan to work!

Step 4: Create Your Spending Plan

Now that you know how much you spend and earn in one month, you can start to get more control. Your spending plan will help you predict your spending. Go back to Chapter 1 and review your goals. Use your goals to help you make decisions about where to cut back expenses.

To decide which expenses to trim, revisit your Expenses Chart, too (on page 18). If, when completing Steps 1 through 3, you realized that you spend \$100 on Pay-Per-View and Cable TV, you may decide that your goal of owning a home is worth more to you and your family than the \$1,200/year (\$100 multiplied by 12 months) you spend on paid TV. These can be tough decisions to make. But if you keep your eye on the prize of your larger goal—home ownership, more education, or whatever it may be—it makes cutting expenses easier.

Now return to your Expenses Chart on page 18 and mark each expense as “variable” or “fixed.” Variable expenses are expenses that change every month like how much you spend on groceries or how much you spend eating out. Fixed expenses are like your rent or mortgage—they stay the same every month. You may find that you can influence some of your variable expenses by keeping a tighter grip on your wallet.



focused
established
settled

cordial
respected

people

true
loyal
invested
enriched



Activity: Commit Your Spending Plan To Paper

Review your income from Step 1 and project how much you will receive monthly and put it in the “planned” column. Review each expense from Step 2 and set targets—how much you want to spend—and jot it down in the “planned” column. Keep in mind that you can use your goals to help you decide where to cut back in a category. See which variable expenses you can curb. In the “actual” column fill in what your income and expenses really were for the month, figure the difference and log it in the “difference” column.

Now create your spending plan for one month, on page 24, using the one to the right as a model.

focused
self-assured
spirited
bold

Sources of Income	Planned	Actual	Difference	
Net salary—1st income	\$1,500	\$1,500	0	
Net salary—2nd income	\$500	\$450	-\$50	In this sample spending plan, the estimated second income turned out to be less than planned.
Child support	\$250	\$250	0	
Total Income	\$2,250	\$2,200	-\$50	

Expenses				
Savings goal	\$50	\$50	0	
Credit card payment	\$50	\$50	0	
Car insurance	\$100	\$100	0	
Rent	\$650	\$650	0	
Car repairs	\$45	0	+\$45	No car repairs were necessary this month, leaving \$45 extra to put in savings or toward paying off the credit card.
Gas	\$50	\$45	+\$5	Gas prices went down this month.
Phone/cell phone	\$100	\$145	-\$45	
Electricity	\$60	\$55	+\$5	
Baby sitting	\$400	\$400		
Groceries	\$350	\$400	-\$50	Can you think of ways to cut this grocery bill?
Clothing	\$100	\$75	+\$25	Yes! This is less than the target.
Entertainment	\$150	\$200	-\$50	How do you think this could be trimmed?
Miscellaneous expenses	\$200	\$275	-\$75	If your spending plan shows this kind of difference, go back to your expenses and see if you can make any changes.
Total expenses	\$2,305	\$2,445	-\$140	

In the above model, there is a \$140 difference between “planned” and “actual” expenses. There is also a \$245 difference between actual expenses and actual income.

trustworthy

people

Category	Yes (%)	No (%)
Government should do more	75	25
Government should do less	25	75

Category	Yes (%)	No (%)
Government should do more	75	25
Government should do less	25	75

honest
empowered
developed
inspired



Step 5: Make Changes

If your spending plan is out of balance, can you think of ways to bring it back into line?

Remember you have three choices:

Increase your income. Can you take a part-time job or get a better one? Can someone else in your household take a job? Do you have a hobby you can turn into a part-time business? Have you checked to see if you are getting all of the government benefits you might be eligible for?

Cut your expenses. Are there spending leaks you can still plug? Are there small lifestyle changes you can make to save money?

Do both. Increase your income and cut expenses.

Make a few changes then revisit your spending plan next month. How'd you do? If your income consistently exceeds your expenses, then you're doing a phenomenal job!

settled
dependable
centered

organized

people

chapter four

Handling Your Money

accountable
trustworthy

You set your financial goals in Chapter 1 and learned the basics of managing your earnings and expenses in Chapter 3. This chapter will help you handle your money, so it is safe and available when you need it. Handling your money is just as important as earning it—that's because you want your money to work for you. In this chapter, you will learn to:

- Understand your paycheck (gross vs. net pay, payroll deductions, etc.)
- Appreciate the highlights and pitfalls of interest and interest rates.
- Choose banking services.

Reading Your Paycheck

Paychecks are more complex than they appear at first glance. Mostly, we just want to know how much money we get. But if we simply look at the number in the little box, we could miss some important information. For example, how would you feel if your employer miscalculated your hours and paid you less than you actually earned? What if too much money was deducted for your health insurance?

Every paycheck comes with a summary explaining how much you earned and how much money was withheld. As you probably know, the amount you earn is greater than the amount you actually take home. That's because your employer withholds deductions to cover taxes, Social Security and Medicare, and any benefits you pay for, such as healthcare insurance.

established



focused

true
friendly
invested



The total amount you earn is called “gross” pay or earnings. After deductions, the amount left is called “net” pay or earnings.

Below you’ll find some common items listed on most paychecks. Look at your last pay stub and see if you can identify the following:

Rate is the hourly rate you earn.

Hours are the number of hours you worked during the latest pay period.

This Period is the area that shows how much you were paid during the latest period (rate multiplied by hours).

Year-to-Date is the money you have earned since January 1 of the current year.

Gross Pay is the total amount of money you earned before deductions.

Federal and State Income Taxes pay for government services and programs. These are often the largest deductions from your paycheck.

Social Security (also known as FICA) and Medicare Tax pay for one-half of your future Social Security and Medicare benefits. Your employer pays the other half.

Net Pay is the total amount you earned after all deductions are taken out. This is the amount you can apply to your spending plan and financial goals.

organized
confident

people



steadfast
balanced
rooted

Get into the habit of looking at your paycheck. If you fill out time sheets, do they match the number of hours listed on your check?

Examine the benefits you receive, such as health or dental insurance. Are you paying for something you don't need, or have covered through another family member or assistance program? You may be able to cut the benefit and save money.

If you still have questions about some of the items or the amounts on your pay stub, ask someone in your human resources or payroll department to explain it further.

consistent
steady
firm

developed

Banking Basics

When taking charge of your money, consider where you are going to keep it. If you operate on a cash basis, meaning you like to cash your check and keep your money with you, you run the risk of losing it or getting ripped off. Also, you'll pay hefty fees for check-cashing services and for money orders when paying certain bills.

Your best choice is to choose a financial institution that's convenient to where you live or work. There are many kinds of financial institutions, but probably the most common are banks, credit unions and savings and loans.

Keep in mind that banks are extremely safe places to keep your money. Most banks and credit unions are insured by the federal government, so your money is safe. (Before opening any kind of account, make sure the bank, savings and loan, or credit union is insured!) Plus, they are easy to use. Just like grocery stores want your business, banks want your business too. Because banks want your business, the customer service people at the bank will help you establish the accounts you need to manage your money well.



enriched established

people

loyal
spirited



Checking Account Basics

A checking account makes it easy for you to store your money and pay your bills. It is a safe and convenient option that can save you money on check-cashing fees and might even earn you a little interest. (Interest is the money the bank pays you for keeping your money there.) With a checking account, you can write checks for bills and expenses, which minimizes your need to handle cash. Checks also give you a record of what you buy and pay for.

Just like you might shop around for a good deal on a vacuum cleaner, you can shop around for good deals on bank services. Shop around at local banks (including credit unions and savings and loan organizations) to see which ones are most convenient for you. Select ones with the best deals on checking and savings accounts. For instance:

- Do they pay interest on checking accounts? At what rate? (Remember, interest is money they pay you to keep an account at their bank.)
- What fees or additional charges are you required to pay?
- How much is a bounced check charge for insufficient funds? (These fees can add up and have a rippling effect, especially if you've written several checks on an account that lacks funds.)
- Does the bank offer overdraft protection? Overdraft protection is a service banks offer where they will cover your "bounced" checks for you. While this is a convenient service, it can also result in a lot of debt if you don't pay the bank back right away.

- How much do they charge per check or per month?
- How much money do you need to open an account? (Some banks ask you to have an initial deposit of \$25 to \$100.)
- Which banks can accept direct, automatic payroll deposits from your employer? This often is the fastest, safest, and most convenient way to get your money into your account. You authorize your employer to make this deposit for you. It can simplify your life and protect your money.
- Can you access your money through an Automatic Teller Machine (ATM)? Is there a fee for using ATMs? (There is more information on this topic later in this chapter.)
- Which banks charge for money orders or check supplies?

Managing Your Checking Account

A checking account requires a bit of record keeping, but this can help you track the money you spend. It can also help you compare actual expenses to your monthly spending plan. Keep a record of every check you write in the account register of your checkbook.

admired

Sample Checking Account Register

Check Number	Date	Description of Check	Amount	Code	Deposit/Credit	Balance
			\$		\$	\$
			\$		\$	\$
			\$		\$	\$
			\$		\$	\$
			\$		\$	\$
			\$		\$	\$
			\$		\$	\$



bold
established
ambitious

people



Keeping an account register can ensure that you do not write a check that exceeds the amount of money you have in your account. This is called bouncing a check. If you bounce a check, you'll pay some hefty fees.

Here are some reasons to avoid bouncing checks:

- The business that accepted your check can charge you a large penalty.
- Your bank can charge you a big fee for bouncing the check.
- Bounced checks can hurt your credit rating.
- Bouncing checks can cause your checking account to be cancelled.

Some of you probably have had checking accounts for years, but others of you are just getting your first checking account. For those of you who are new to checking accounts, keep in mind that in order for the bank to process your checks, it must be completely filled out.

Take a look at the sample check (you might even take a crack at filling it in just for practice). Writing checks is easy, just make sure all the information is complete.

bold
established
settled

Your Name Address Information City Information XXXXX		XXX-XXX-XXX	00000
Pay to the Order of		Date	
			\$ <div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
		Dollars	
Memo			
00000000000000000000000000000000 0000			

Bank Statements

At the end of each month, you will receive a statement from your bank that summarizes everything that happened with your account. Compare the bank's records to yours. If your records don't match, compare your account register with the bank's records to find the problem. Usually differences are due to:

- A check you wrote that didn't make it to your bank for withdrawal by the time your statement was printed.
- A deposit that hasn't yet cleared all of the banks and hasn't been credited to your account.
- You didn't write down a check or ATM withdrawal.
- You didn't write down a deposit.
- Someone is stealing from your account. If you suspect a problem, contact your bank immediately to stop all account activity.

It's a good idea to keep all bank records for about seven years. You may need them for tax records and other purposes.

Depositing Checks

Direct deposit is a fast, safe, and convenient way to put money into your account. Your employer automatically deposits your money into your account on payday. It's as simple as that.

If you don't have direct deposit, here's how you go about making a normal deposit: Complete a deposit slip (at the back of your checkbook) and take the check to the bank as soon as possible.

After completing your deposit slip, sign the check you want to deposit on the back and give it to the teller at your bank. (Don't sign the check until you are at the bank. Once signed by you, anyone can cash your check.)

ETA Accounts (Electronic Transfer Account)

If you receive federal government checks for wages, salary, retirement, SSI, disability, or veterans benefits, you can arrange for an ETA account and the money will be deposited automatically into your account. You'll receive a special ETA card and have convenient and safe access to your money at ATMs and at places that accept ATM cards for purchases. ETA accounts are available even if you have been unable to qualify for a checking or savings account in the past, and have no permanent address. ETAs are a safer solution than carrying a lot of cash or worrying about lost or stolen checks in the mail. Call SSA for more information at 1-800-772-1213 or visit www.eta-find.gov.

trustworthy

people

bold
spirited
trustworthy



established

Automated Teller Machines (ATMs)

Using an ATM is a convenient way to access money in your account. ATMs are convenient, but using them requires more discipline than writing checks.

If you use an ATM, your bank will issue you an ATM card that will allow you to access your money immediately from ATM machines. If you use an ATM card to access your account at an ATM, you will get a receipt from every transaction. Put them in your wallet or checkbook and immediately record the withdrawal from your account register in your checkbook. Many people forget to track their ATM transactions

and lose control of their account balances. This can cause your checks to bounce and the penalty fees can disrupt your spending plan.

You'll notice ATM machines all over the place, at other banks, convenience stores, grocery stores and airports. If you use an ATM machine that is not owned or operated by your bank, you could end up paying as much as \$4 for a single withdrawal. That doesn't seem like much, but if you make withdrawals three times a week, you've paid \$12. Multiply that over the course of a year (52 weeks) and you've spent \$624 just getting cash from ATMs!

How do you avoid ATM fees? Look for ATMs owned or operated by your bank, they are usually free to customers.



invested
ambitious
in control
decided

Debit Cards

A debit card looks like a credit card, but it's NOT. Many debit cards do two jobs: First, you can use your debit card to get cash from an ATM machine. Remember to record the amount you get from the ATM in your checking account register as if you've written a check.

Second, a debit card works just like a check. Every time you pay for something at a store using your debit card, you are spending money from your checking account. All you have to do is hand the cashier your debit card and then sign a receipt.

Here's the catch: Every time you use your debit card, you still need to write down whom you paid and how much in your checkbook register. Then, subtract what you paid from your account balance, just like you do when you write a check. If you don't keep track of your debit card spending, you could bounce checks.

ON THE ROAD WITH YOUR ATM AND DEBIT CARDS

Maybe you don't carry your checkbook register everywhere you go. So how can you keep track of your ATM withdrawals or debit card purchases? Here's a suggestion:

Keep a log in your car or wallet. Record the date, amount withdrawn or spent, and where you made your withdrawal or purchase. Then each week, transfer your log to your checkbook register.

HERE'S A SAMPLE:

Date	Location	Amount
11/04	Grocery store	\$45.07
11/09	ATM/cash	\$40
11/16	ATM/cash	\$40
11/21	Post office	\$12.56
11/22	ATM/cash	\$20

motivated

people



secure
firm
credible
believable

Savings Accounts

A savings account is a good place to deposit money and save for your short- and long-term goals. A savings account typically earns more interest than checking accounts. If you are ready to begin saving, shop around to see if your current bank is the best place for your savings account. Consider the interest rate you earn on your money. Look for an account with the highest interest rate that compounds your interest frequently (this way your money will add up faster).

Other Savings Opportunities

After paying off debts and building some savings, investigate ways to build your savings even faster. Some alternatives include Individual Development Accounts, Individual Retirement Accounts, and a program called America Saves.

INDIVIDUAL DEVELOPMENT ACCOUNT (IDA)

An IDA is a matched savings account. This means that when you put your money into your IDA, the government, a private sector organization, or another individual matches your savings. This is an incredibly good deal.

The purpose of IDAs is to offer families a financial incentive to save money toward specific goals. For instance, the program might give you a dollar for every dollar you save. Other IDA programs match every dollar you save with \$2 or \$3. The program also helps build your financial skills with helpful information.

Why would anybody give you “match” money for free? IDA programs are partnerships among financial institutions, faith-based organizations, community-based nonprofit organizations, schools, and employers. IDA program partners each have their own reasons for participating. Financial institutions (like banks) hope to keep you as a long-standing customer as you continue to build assets. Faith-based and nonprofit groups believe people who own assets will help build better communities.

IDAs are available in some communities to help lower-income people reach specific financial goals, including:

- Furthering your education (or your child's education).
- Buying a first home.
- Starting a small business.

The beauty of IDAs is they won't disqualify you from other government programs, such as Temporary Aid to Needy Families (TANF). To find out more, call the Corporation for Enterprise Development at 1-202-408-9788 or visit www.idanetwork.org.

Activity: Me and My IDA

Fill in the blanks below to see how your IDA can add up to some serious cash!

Your monthly savings goal \$ _____

+ Your monthly match money \$ _____

Total IDA monthly amount (your contribution + your match money) \$ _____

Multiply your monthly total times 12 to get your yearly amount \$ _____

How many years can you save in your IDA? \$ _____ years

Multiply _____ years times yearly amount \$ _____

This equals the approximate future value of your IDA.

(Remember, to reach this amount you have to meet your monthly savings goal.)

steady
trustworthy

people

ambitious **steady**
motivated
accountable

Individual Retirement Accounts (IRA)

Saving for retirement is an important long-term goal. Your employer may offer retirement plans as part of your benefits package. Plus there are many ways you can save for retirement—and save on taxes—apart from your job. An IRA is one of those options.

IRAs

It takes about \$500 to \$1,000 to start most IRAs, but you can deposit as much as \$3,000 a year if you are single, and a non-working spouse can put in \$3,000 a year as well. However, you can't withdraw the money until you reach the age of 59—without facing penalties and taxes. The good news is: The money you put into this account is not taxed until it is withdrawn.

Roth IRAs

The amount of money you can put into a Roth IRA is the same as for the traditional IRA. The difference is you pay taxes on the money you deposit now instead of when you withdraw it. Another difference is that the Roth allows you to withdraw some of the money without paying penalties or taxes. When you get to this point in your financial planning, do some additional research by asking a financial expert.

America Saves

America Saves is a nationwide coalition that helps people save and build wealth. Through information, advice, and encouragement, the program helps people pay off debt, build emergency funds, save for homes, save for education or retirement.

To date, 17 local chapters have been developed under this national campaign. To see if a chapter is available near you, visit www.americasaves.org. If there isn't a chapter nearby, the national organization is a valuable resource. Contact them for a free consultation with a financial planner. Also, you can subscribe to the free newsletter, *American Saver*.

Overcoming Past Banking Problems

Some people hesitate to use banks because they've had problems in the past. If you've experienced banking troubles, you may find it difficult to open an account at first. Most banks though will work with you to help you overcome past problems. Here's what you do:

- Speak to the bank manager in person to explain your past and present circumstances. He or she may be able to help you proceed.
- If a bad bank report is causing you difficulty, ask to see a copy and review it carefully to make sure it is correct and that it is yours. There are probably other people in the country with your name and mistakes do happen. If the report is accurate, take care of past problems by paying outstanding bills.

stable
consistent

goal-oriented



- Open a savings account first. Wait a few months and reapply for a checking account. Most banks are willing to offer checking accounts if you already have a savings account.
- Keep trying until you find a bank that wants your business. But insist on a bank that is insured.

Identity Theft and Financial Exploitation

Identity theft happens when someone gets your personal information and makes purchases and financial transactions under your name. The crime of identity theft is rising and can cost you time and money. It's difficult to detect and stop.

To minimize your risks, be careful with your personal and financial information:

- Shred documents that have your name, Social Security number, bank account numbers, credit card numbers, driver's license data, or other private information before throwing them out. Thieves can pull this information from the trash.
- Never offer financial or personal information to people over the phone, through the mail, or over the Internet, unless you know them well. Thieves have tricked people into providing this information in hopes of winning prizes and awards. Once they get the information, they can steal from you.
- Keep your wallet, checkbook, credit card, driver's license, and Social Security card in secure places and be careful when you use them in public. Thieves can look over your shoulder or distract you to memorize key information.

rooted dependable

people



invested
true
focused
enriched

in control

Banking 'Alternatives' (and Money Predators)

In the jungle, a predator is a beast that preys on other animals. The same is true of financial predators.

Opening a bank, savings and loan, or credit union account may seem overwhelming, but it beats the alternative. Let's take a look at some of those "alternatives."

Check-Cashing Stores

If you don't have a checking or savings account, you may be tempted to take your paycheck or a personal check to a check-cashing store. The thing to remember about check-cashing stores is that they charge enormous fees and could reduce your ability to save for goals.

Many check-cashing stores charge fees of about \$4 for every \$100 on a payroll check. For personal checks, they usually charge even more. Four dollars may not sound like much, but it adds up.

For example, Darrell's weekly paycheck is about \$350 after taxes. Because he knows the guy at the check-cashing store, he goes there to cash his check.

This is how much Darrell pays every year just to cash his check:

$\$350 \text{ at } \$4 \text{ on every } \$100 = \14 a week

$\$14 \times 52 \text{ weeks a year} = \728 a year

What's the bottom line? Darrell loses \$728 of his hard-earned money to the check-cashing store every year.

Activity: What Would I Pay at a Check-Cashing Store?

What would a check-cashing store cost you? Complete the following exercise and see.

Your paycheck amount (after taxes) _____

Take your paycheck amount and multiply it x \$4 (or \$2 for every \$50) = _____
(cost per payday)

Take your cost per payday:

_____ x 52 weeks a year (or 26 if you get paid every two weeks) = _____

This is how much it would cost you in one year if you cashed your paycheck at one of these stores!

Wouldn't you rather have this money to save for long-term goals or to pay for unexpected expenses?



confident
empowered

people

focused
established
balanced

consistent

Payday Lenders

Many check-cashing stores also make pay-day loans. These loans may seem like an easy way to help you make it to pay day. But before signing your life away, read the fine print.

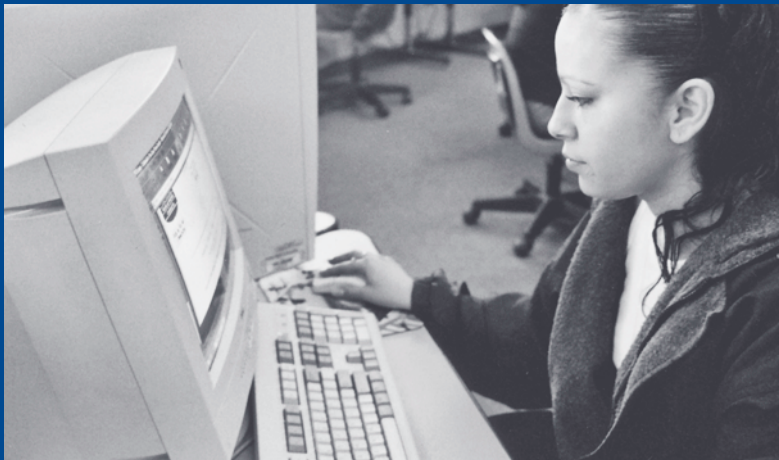
Let's say you write a personal check for \$115 to borrow \$100 for two weeks from one of these places. The pay-day lender agrees to hold the check until your next pay day. At that time, one of three things will happen:

Option 1: The pay-day lender deposits your check—and keeps your \$115.

Option 2: You redeem the check by paying the \$115 in cash—and the lender returns the check.

Option 3: You pay a fee to extend the loan for another two weeks.

In this example, the cost of the initial loan is \$15; this equals a 391 annual percentage rate (APR). (The APR is the price you pay to use someone else's money). If you roll over the loan three times, you're paying \$60 to borrow \$100! This is a great deal for the lender and a not-so-great deal for you.



trustworthy



Wiring Money Abroad

Many people have relatives who live in other countries to whom they might send money. Sending money via Western Union is costly. Many banks such as Bank of America with its new SafeSend to Mexico service have begun offering money transfer services that are safe, easy, and cheaper than Western Union. If you need to send money, check with your bank to see if they can do it and how much they charge.

Additional Resources on Banking

The following resources will help you find more information about banking:

www.improveyourfinances.com

www.bankofamerica.com

www.fdic.gov

confident
steady
settled

people

chapter five

BORROWING MONEY

honest
empowered

permanent



We all borrow money at some time—to buy a car, a house, or maybe to attend college. Used wisely, it can help you. Used improperly, it can cost you dearly. This chapter explains your options for borrowing money and will help you decide when to use credit.

In this chapter, you will learn to:

- Identify different types of credit.
- Use credit to your advantage.
- Understand the importance of your credit rating and learn to protect it.

To Your Credit

Credit is another word for borrowed money or loans. When you borrow money, you must pay it back, plus interest and fees, by a specified time. Interest is the cost of borrowing money—and your cost of credit goes up when the interest rate goes up. Because of interest, it's easy to double the cost of an item if you pay with a high-rate credit card or loan.

Why would you want to use credit? It is usually best to plan and save for your needs and wants. However, there are times when credit has its place. It makes sense to use credit to purchase things that are going up in value or will last a long time. Ask yourself: Will my purchase last longer than the debt? If so, using credit might be a good choice.

People often use credit to pay for big things like cars, houses and schooling. Using credit for “wants” like vacations or fine dining can sometimes be problematic. Also when buying something on credit, it's important to make your payments on time. If you don't, you can incur costly penalties and your interest rate might go up. Plus your credit rating can suffer.

focused



friendly
amicable
organized

Good Credit Simplifies Your Life

Your credit rating is based on your financial history. If you make debt payments on time and pay them off in full, you should have a solid credit rating. In other words, you have good credit. Bad credit results when you repeatedly miss credit card or loan payments, or have racked up too much debt.

A person with a good credit rating can borrow more money than a person with a bad one. A good credit rating can also result in lower interest rates, which makes it less expensive to borrow money.

Bad credit, on the other hand, can interfere with long-term goals you might have such as qualifying for a mortgage or getting a car loan. Worse yet, bad credit can affect your ability to get a job or even an apartment!

Your Credit Report

A credit report shows how much debt you have now and how much you've had in the past. It shows whether you have made payments on time. It documents any loans you have not paid back at all.

It is a good idea to check your credit report once a year. Why? Because like everybody, credit reporting agencies make mistakes, too.

proven
stable cordial

people

To get a copy of your credit report, contact one of the following credit reporting organizations:

Source	Date Ordered
Equifax: 1-800-685-1111, www.equifax.com	
Experian: 1-888-397-3742, www.experian.com	
TransUnion: 1-800-888-4213, www.tuc.com	
Get a free credit report at www.freecreditreport.com .	

certain
decided
confident
rooted



As you've seen, bad credit can have a huge affect on your life. If your credit report is riddled with errors about your financial past, it could prevent you from getting a loan, a job, or a place to live.

You have the right to get mistakes corrected. The good news is—it's free!

Your credit report will include information on how to correct errors. Follow the instructions on how to tell the credit-reporting agency about the error. If they need additional information, they will tell you what to send. You also may want to explain the problem in a brief letter. The credit-reporting agency must investigate your complaint within 30 days and report back with its results.

It is usually best to follow any telephone call to the credit-reporting agency with a letter explaining the error and what needs correcting. When you write a letter, you have a "paper trail" documenting what was said. This way you don't have to rely on memory to recall what happened during the phone call.

Employers and Your Credit Report

More and more employers are pulling credit reports on potential hires. Why? Because employers feel that good credit and good workers amount to the same thing. The good news is: Employers must get your written permission before peeking at your credit report. The bad news is: If you say “no,” the employer probably will assume you have something to hide.

Credit Repair

Fixing your credit rating takes time, but it's worth it. Here's how you can repair and build good credit:

Pay bills on time. It's easy to forget a bill now and then. Mark your calendar when you must mail your bills each month so they will be delivered before they are due. If you have an illness, call your creditor and let them know. Or if you know, you will miss a payment, call them ASAP. And, pay something on the bill, even if you can't pay the whole thing.

Pay loans as soon as possible. Missed payments or late ones can hurt your credit.

Pay off credit cards every month. If this is too hard to do, cut up and cancel the card. Or, put it away until you can pay it off. If you can't do that, try paying more than the minimum every month. Paying \$10 more every month above your minimum will help you wipe out your debt sooner.

Avoid “credit repair” companies. There are nonprofit, community-based organizations like Consumer Credit Counseling Service that provide counseling to people with credit problems. But there are also companies that promise to “fix” your credit history for a fee. Promises like, “We can erase your bad credit, 100 percent guaranteed,” are phony. Stay away.

Reduce your debt. Start to pay off your debts by putting money toward them every month.

Eliminate payments you can't afford. Say you bought a car and can't make the payments. It may be better to sell the car and pay off the loan. If the creditor repossesses the car, it will only hurt your credit rating more.

in control
adaptable

people

empowered



Types of Credit

You'll find there is a world of credit available to you. Some loans will work to your best advantage and some won't. Here are some of the most common credit options:

Credit Cards

Credit cards can be great sources of convenience and they can also get people in hot financial water. It's usually a good idea to steer clear from using them to make spur-of-the-moment purchases like buying a new outfit or CD player. However, emergencies happen and a credit card can help.

The problem with credit cards is they are so easy to use. Remember credit card companies are not giving you free money. They are giving you loans that you have to pay for. So if you don't pay them off every month, high interest fees kick in.

Here's how they work:

Say you are carrying a \$1,000 balance on a credit card that charges 18 percent interest. If you only pay the minimum monthly amount, it will take you almost eight years (94 months!) to pay it off—and that's if you never charge anything again! Plus, when you add up all the interest, your \$1,000 credit balance will end up costing you \$1,880.

Now check out the following chart. It shows how if you add something extra to your minimum monthly payment, you can slash the amount of time and money it takes to pay off your card.

bold
established
ambitious
goal-oriented

\$\$ added to your minimum credit card payment	You'll save	You'll pay it off this much sooner
\$5	\$330	32 months
\$15	\$550	54 months
\$25	\$620	64 months
\$50	\$690	75 months



positive
confident
people



Tips for Using a Credit Card

- Choose to carry only one credit card and use it for emergencies and planned purchases. To stop credit card offers from showing up in your mailbox, call 1-888-5OPT-OUT (1-888-567-8688).
- Shop around for a card that has no annual fee and a lower interest rate. You can shop for the best credit card deals on the Internet—try the Bank Rate Monitor's site at www.bankrate.com.
- Pay bills on time to avoid penalty fees and to protect your credit rating.
- Pay the full balance each month if possible. Or pay as much as you can.
- Keep your receipts to make sure all charges are yours.
- To avoid identity theft, shred any receipts showing your credit card number or other personal information—after you check them against your credit card bill at the end of the month.
- Keep a record of your account numbers, expiration dates, and the phone numbers of each credit card issuer. Keep it in a safe place in case your card is lost or stolen. This information will help you cancel the account or report a loss quickly.

Consumer Installment Loans

A consumer installment loan is used to pay for things such as cars, appliances, and other expensive items. You sign a contract with the dealer or store and agree to pay a certain amount of money to them every month until the loan is paid off.

reliable
valued
ambitious
consistent

rooted
accountable

Home Loans

If one of your goals is to own a home, you will need a loan called a mortgage. When ready, research mortgage rates, market prices, down payments, and monthly payments. These vary dramatically. You may qualify for first-time home buyer programs. Ask your bank or local Goodwill for tips on finding more information in your area.

Activity: Debt Recovery

If you have a bunch of loans and debts already, try using this chart as a tool to wipe out your debt. Before you know it, you'll start to see the amounts dwindle. You'll like the way that feels.

Lender	Interest Rate	Amount Owed	Monthly Payment	Total Paid	Months to Pay Off
		\$	\$	\$	
		\$	\$	\$	
		\$	\$	\$	
		\$	\$	\$	
		\$	\$	\$	

Help is a Phone Call Away:

Want some great advice and help getting out of debt? Get free credit counseling and information by calling:

National Foundation for Credit Counseling at 1-800-388-2227 or www.nfcc.org

Myvesta – Call 1-800-680-3328 or www.myvesta.org

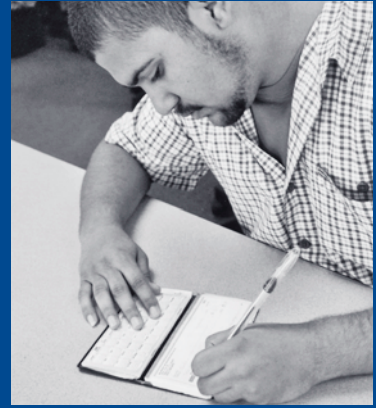
confident

people

chapter six

INVEST IN YOURSELF

motivated
positive



There are many ways to invest in yourself. You can save money and invest in stocks, bonds, or real estate. You can invest in further education. You can invest in different types of insurance that will protect your assets.

In this chapter you will learn to:

- Identify the most common types of investments.
- Understand your educational options beyond high school.
- Begin thinking about saving for retirement.
- Identify different types of insurance.
- Determine whether buying a home is right for you.

Beginning Investing 101

Investing means putting your money or time into something that you hope will return something in the future.

Maybe you've loaned your brother money to start a restaurant and now that he's successful you're getting terrific returns. That's an investment. Maybe you have purchased mutual funds as part of your employer's retirement plan. That's an investment, too.

Investments differ from savings in that there is risk involved. Say you loaned your brother money for that restaurant and it failed? You would lose your money. That's not the case with your savings account. In a savings account your money is safe, but it only earns 1 to 3 percent in interest. Investments carry greater risk, but they also can offer greater rewards.



goal-oriented

in control
stable



settled
steady
rooted

Getting Started

As you begin investing, it's a good idea to have the following things in place:

Do you have a checking and savings account? We talked about the value of savings in previous chapters. Pay yourself first—in savings—and deposit the rest of your money into your checking account.

Set up an IDA. This is a high return, low risk investment. Put as much as you can every month into your IDA.

Eliminate debt. Debt is very expensive. If you wipe out your debts, you are getting rid of a big expense every month.

Establish a rainy day fund. Try to stash three to six months' living expenses into an emergency fund. Many people use money market accounts for their rainy day funds. Money market accounts earn higher rates of interest but may have higher minimum balances.

Do you have retirement savings? It's never too soon to save for retirement. The earlier you start saving, the more it adds up. If you have a retirement plan through work, try to begin participating in it right away. Some employers match your savings. Your human resources department can help explain your options. You can also do this yourself by putting money into IRAs, Roth IRAs, and other savings.

Save for your other goals. (Remember your spending plan.)

balanced

people

loyal
reliable
accountable
confident



Common Types of Investments

You'll discover that there are many opportunities to invest. It can be extremely confusing. That's why many people pay financial planners to handle their investments. Below you'll find definitions for the most common types of investments you're likely to encounter.

Bonds – When you buy a bond, you are loaning money to the issuer of that bond who promises to pay you back with interest at a later date. Bonds are issued by corporations, the U.S. government, and state and city governments.

Certificates of Deposit (CDs) – are fixed amounts of money deposited with financial institutions for a given amount of time. CDs have fixed interest rates that depend on how much you deposit and the length of time the money is left in the financial institution. Usually there are penalties for withdrawing your money early.

Mutual Funds – When you invest in a mutual fund, the mutual fund company uses your money to buy shares of stocks and bonds in many different companies. The idea behind most mutual funds is that they are actively managed, meaning a fund manager is watching and adjusting the investments constantly to respond to stock market changes. By investing in many companies, mutual funds spread out the risk.

Individual Stocks – You also can buy individual stocks. This means you own part of a company. This can be even riskier than buying mutual funds, unless you feel confident you can identify and research good companies. In most instances, when you buy stocks and bonds you'll also have to pay a broker's fee.

Real Estate – Real estate represents land, houses, buildings, anything related to property ownership.

valued
consistent

spirited
empowered

Money Grows!

Monthly Amount Invested	Age to Start Investing				
	25	30	35	40	50
\$25	\$87,275	\$57,347	\$37,259	\$23,776	\$8,651
\$100	\$349,100	\$229,388	\$149,036	\$95,104	\$34,604
\$200	\$698,200	\$458,776	\$298,072	\$190,208	\$69,208

This chart shows how powerful regular savings can be compounded over time. As you can see, if you start investing \$25/month at age 25, by the time you're ready to retire you'll have \$87,275.

*Value at age 65.

self-assured
focused
responsible

people



steady
enriched
balanced
settled

Learn More, Earn More

One of the best ways to ensure financial stability and success is to continue your education beyond high school. Whether you attend a traditional four-year college, a community college, a vocational school, or pursue other types of training, you are giving yourself the greatest gift in the world—an education.

Keep in mind that you can get more education at any stage of life. You don't have to be a traditional-aged student of 18 to 22. Because of changes in technology and our society, people often return to school as adults to learn new things and improve their employability.

honest
loyal

Four-year Colleges and Community Colleges

Community colleges and four-year colleges and universities offer a huge range of programs for people of all ages. Some schools are very hard to get into. While others open their doors to anyone with a high school degree.

Use your resources at Goodwill to get as much information as you can about your options in higher education. Goodwill also offers programs that will help connect you to sources of financial aid, making college easier to afford.

Applying for Financial Aid – About 95 percent of student aid comes from the federal government, state government and colleges and universities. Your key to hooking up with the financial aid system is the Free Application for Federal Student Aid (FAFSA) form. You can get copies of the FAFSA from your college financial aid office or by calling 1-800-4FED-AID. And you can apply online at www.fafsa.ed.gov.

Here are some things to remember about the FAFSA:

- **Apply early.** The sooner you apply, the better your chance of receiving financial aid. For example, if you are applying for the fall semester, submit your FAFSA as soon after January 1 of the year you plan to attend.
- **Read the instructions carefully.** Terms like “household” and “parent or guardian” have specific meanings in the financial aid world. To answer questions correctly, read the instructions.
- **You don’t need to file your tax return before you submit your FAFSA.** If you have already filled out your tax return, the FAFSA will be easier. But you do not need to submit your tax return to the IRS before you submit your FAFSA. You can submit an updated form after your tax return is filed.
- **Apply online if possible.** If you can complete the FAFSA via the Internet (www.fafsa.ed.gov), great. This is the fastest way to apply for financial aid. Plus, your application will be reviewed before it is submitted. This reduces the chance that your application will be rejected because of errors.
- **Keep your paperwork.**
- **Submit a FAFSA every year.** Your FAFSA is good for one academic year only. You must complete a new one every year you are in school.

cultivated
inspired
developed

people

firm
stable

Roshelle's Dream

When Roshelle, a high school junior, took her first job as a sales clerk at a nearby department store, she felt rich and spent every dime she earned on new clothes. But she also dreamed of going to college. Working with her local Goodwill's youth services program, she applied for college scholarships and Federal financial aid, and ended up with a full scholarship that paid for everything but her books and spending money. With the future in mind, Roshelle immediately began putting half her paycheck in savings. By the time her first year in college rolled around, she had saved \$3,000 for books and other expenses.

Reviewing the SAR

About four weeks after you send in your FAFSA, you'll receive the Student Aid Report (SAR). Review it carefully and make sure it is complete and accurate. If you find a mistake or need to make changes to the information on your SAR, you may want to speak with your college's financial aid officer before mailing in corrections.

Your school will use this information to make a financial aid award. Typically aid is paid directly to the school on your behalf.

More tips on financial aid

Every school has its own financial aid program on top of what the government pays. Some schools require you to fill out additional forms to apply for scholarships or merit-based awards, others don't.

It's a good idea to meet with a financial aid officer at your school of choice. This individual can help guide you toward additional awards for which you might qualify.

It Pays to Be Educated

A high school graduate, on average, earns 40 percent more than a person without a high school diploma.

A vocational or technical school grad earns roughly 80 percent more than a high school dropout.

A four-year college graduate earns 75 percent more than a high school graduate and 2.5 times what a high school dropout earns.

radiant
empowered

Investing in Insurance

You can't see or touch insurance, but it can certainly make your life more secure. Here are some common types of insurance to consider:

Health Insurance – Health care insurance is critical; it can literally mean the difference between life and death. If your employer offers a health care plan, you might want to consider joining it—even if you have to pay part of the cost. Chances are if you join your employer's plan, you will get better insurance for less money than you could get on your own. A health-care plan is the most valuable benefit an employer can offer. If you are looking for a job, you may want to limit your search to employers who offer this benefit.

Disability Insurance – This type of insurance replaces a portion of your wages if you become sick or hurt and can no longer work. This is another very important form of insurance. Statistics show that you are more likely to be disabled for 90 days than you are to die before age 65—and 90 days is a long time to wait for a paycheck! If your employer offers disability insurance, take advantage of this valuable benefit if you can possibly afford it. If your employer doesn't offer this type of insurance, shop for a policy with a reputable insurance agent.

Rental Insurance – If you rent a home or an apartment, this kind of insurance protects your valuables in case of theft, fire and other calamities. It also protects you against personal liability in case someone is injured at your place.

Home Owner's Insurance – When you own a home, you have a lot to protect so you will want to have home owner's insurance. Home owner's insurance protects your home from all kinds of trauma ranging from something relatively minor—such as hail damage to your roof—to losing your entire home to fire.

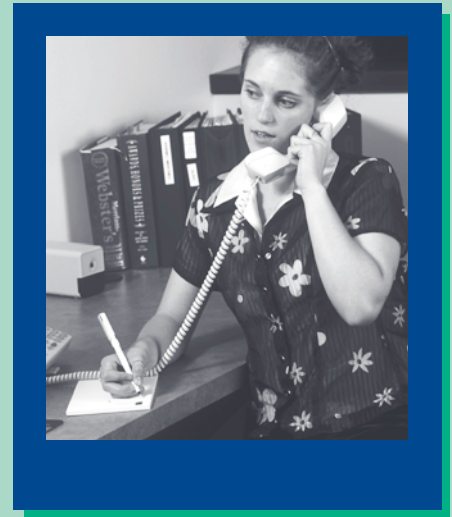
Life Insurance – Most people benefit from having life insurance, however the amount you need depends on many factors. For example, do you have a spouse and/or children? If so, would your loved ones need money to pay off debts and live comfortably if you were no longer there to provide? Some employers offer life insurance benefits while others do not. If you need additional coverage speak to local insurance agents. You can also get quotes from Quotesmith (www.quotesmith.com; 1-800-556-9393) or QuickQuote (www.quickquote.com; 1-800-867-2404).

Auto Insurance – State law requires car owners to carry some auto insurance. Still, that amount may not be enough to pay for a serious accident. You can save money on car insurance by taking the highest deductible you can afford. The deductible is the amount you pay before the insurance kicks in. Ask for every discount available for airbags, automatic seatbelts and a safe driving record. Shop around. A good local agent can be a great advocate in pricing and if you ever have to make a claim.

goal-oriented

people

reliable
consistent
accountable
loyal
stable
responsible



Home

A lot of people dream of homeownership. Is purchasing a home right for you?

One of the enormous benefits of homeownership is that it gives you an asset. When you rent an apartment, you get a place to live, but you don't own anything. When you purchase a home, it's yours.

trustworthy
focused

bold established

Activity: Buying vs. Renting What's Right for Me?

Answer each statement with a “yes” or “no.”

- _____ I have good credit. Or I have repaired my credit.
- _____ My debts, including my new mortgage, don't exceed 36 percent of my household income. (To do the calculation: Take your debt payments per month and divide it by your gross income per month. If your mortgage and debt payments equal \$900 and you and your spouse gross \$3,000 per month then your debt ratio equals 30 percent.)
- _____ I have saved money for a down payment.
- _____ I have a regular source of income to pay a monthly mortgage payment.
- _____ I am ready to live in this community for a few years.
- _____ I am ready to take care of a home, which includes lawn care and home maintenance.

If you answered “yes” to each question, you might be a good candidate for homeownership. (For free guides on choosing a mortgage and homeownership, contact Fannie Mae Foundation at 1-800-688-4663 for the booklets, *Choosing the Mortgage That's Right for You* and *Opening the Door to a Home of Your Own*. For Spanish language versions, call 1-800-782-2729.)

Martin and Shirley's Dream

For years, Martin and his wife Shirley wanted to buy a home. But with two kids, there always seemed to be other expenses that got in the way. When their youngest son started first grade, Shirley, who had always worked part-time, got a full-time job at the school and the couple began saving half her salary toward a down payment. Within a year and a half, the couple had enough money saved to buy a small three-bedroom house with payments they could afford—and money left over for an emergency fund.

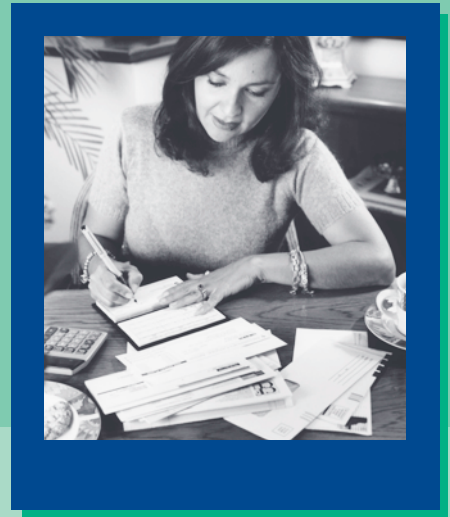
confident goal-oriented

people

chapter seven

RESOURCES

empowered
confident



- Contact the Consumer Information Center for a variety of helpful publications on saving money, including the *Consumer Action Handbook* and the *Consumer Information Catalog*. Call 1-888-878-3256 or visit www.pueblo.gsa.gov.
- Visit www.consumer.gov for helpful consumer information from the government.
- Visit www.consumerworld.org to connect to more than 2,000 consumer resources and offers information on several helpful consumer topics.
- Visit www.consumersunion.org for a good resource from the publishers of Consumer Reports.
- Visit Web sites such as www.smartsources.com, www.stretcher.com, and www.cheapskatemonthly.com for ideas and opportunities to save money.
- Look for nonprofit groups that hold classes on making low-cost healthy meals. For example, contact Share Our Strength at 1-800-969-4767 or visit www.strength.org. This group teaches cooking, nutrition, and budgeting skills.
- Refer to the FDIC Money Smart curriculum. This is another source of educational information about finances available through local community organizations. Check with your local Goodwill to see where it is offered in your area.

Several nonprofit organizations and free resources can help you with financial planning and investments, including:

- Alliance for Investor Education:
www.investoreducation.org
- National Association of Investor's Corporation (investment clubs) www.better-investing.org
- Find a Certified Financial Planner or get a free kit on financial planning at www.cfp.net.
- Visit www.ncee.net to learn about financial literacy programs for all ages, including teachers
- For information about your federal income taxes, call the IRS at 1-800-829-1040 or visit www.irs.gov.
- Access most government Web sites and a wealth of public information at www.govspot.com.

positive
motivated

certain
decided
rooted

Conclusion

When you reach a financial goal, it is incredibly satisfying. Watching your child graduate from college, moving into your first home, or winning the battle against debt—these are tremendous accomplishments. These are things to celebrate.

We hope this booklet has been a valuable source of information for you and that you will continue to use it. Refer to it when you have questions or concerns as well as when you need a financial refresher. The skills you have learned here will hold you in good standing for the rest of your life.

Good luck. Now start dreaming!



focused

people

ACKNOWLEDGMENTS

motivated
goal-oriented



Good Sen\$e Initiative: Building Financial Stability & Strength was written and produced for Goodwill Industries International, Inc., as a public service by Denver-based National Endowment for Financial Education®, (NEFE®); William L. Anthes, Ph.D., *President*; Brent A. Neiser, CFP, *Director of Collaborative Programs*; and Jeannette Herreria, *Project Manager of Collaborative Programs*.

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Goodwill Industries International is a network of community-based, autonomous member organizations that serves people with workplace disadvantages and disabilities by providing job training and employment services, as well as job placement opportunities and post-employment support. With locations in the United States, Canada and 22 other countries, Goodwill helps people overcome barriers to employment and become independent, tax-paying members of their communities.

Goodwill recognizes that low-wage workers face numerous challenges on their paths to economic independence. A job is the first step towards economic self-sufficiency but others skills and/or supports are needed to overcome barriers that can impede success. Goodwill Industries recognizes that proper management

of financial resources including asset accumulation and investment strategies help people move towards financial stability. Goodwill's Good Sen\$e Initiative aims to help the people we serve better manage their money by providing financial education and the access to resources and support needed to attain economic self-sufficiency. Families of varying economic backgrounds all work hard to achieve some level of economic stability. Goodwill's Good Sen\$e Initiative provides an opportunity for Goodwill clients to learn to effectively manage dollars earned—maximizing the worth of every dollar.

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The company enables customers to do their banking and investing whenever, wherever, and however they choose through the nation's largest financial services network, including approximately 4,400 domestic offices and 13,000 ATMs, as well as 38 international offices and a Web site that provides online access for more than three million customers. For more information, visit www.bankofamerica.com.

positive
empowered
motivated
goal oriented
stable
confident
people



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION



Goodwill Industries International, Inc.



This booklet is meant to provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice. The content areas in this material are believed to be current as of this printing, but, over time, legislative and regulatory changes, as well as new developments, may date this material.

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