Putting your money to work:

A simple guide to financial education

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IAJVS
International Association of Jewish Vocational Services

Nefe National Endowment for Financial Education

Bank of America

This booklet is meant to provide general financial information; it is not meant to substitute for, or to supersede, professional, legal, or medical advice.

Note: 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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Introduction

Welcome to life and culture in the United States and welcome to the U.S. system of money. This booklet has been created by the International Association of Jewish Vocational Services (IAJVS), the National Endowment for Financial Education (NEFE), and Bank of America to give you basic information on how to use the U.S. dollar and banking system to your advantage. We are excited to help you learn how to achieve your financial goals. We also encourage you to understand that most people in the United States go through a process of working hard, saving money, and carefully planning to buy homes, cars, and an education for themselves and their children. This process often takes years, if not generations.

Take time to think of your dreams and goals. The first step to making your dreams a reality is to write down what you want to achieve. Research shows that people who write down their goals usually save twice as much money toward those goals as people who do not write them down. To meet your goals or realize your dreams, find the cost of what you want to buy or achieve. For example, if you want to buy a house, you will have to pay not only the purchase price, but homeowners' insurance, property taxes, and the cost of improving and maintaining the home. Literally keep your goal in front of you. For example, cut a picture of a house that you like from a magazine and place it where you will see it often. Do not be discouraged if you cannot do at once everything you are determined to do. Saving even $5 from a paycheck will help you move toward success. Use the following table to begin to plan.

My goal	$ needed	By what date?	$ I will save weekly

Now that you have written down your goals, it is time to learn how to manage your money so you can begin to achieve your goals.

Manage your money

The best place to learn how to manage your money is by writing down how much money you earn and comparing it to the expenses you must pay. This is called *budgeting*.

Make a budget

Use the following tables to record your monthly income and expenses. In the second table, note that the first “expense” is for savings. This is because it is important to “pay” yourself first in order to achieve your goals.

Monthly income	Current income	Anticipated income
Take-home pay after taxes		
Commissions/tips/bonuses		
Child support/maintenance		
Unemployment		
Social Security or SSI		
Public assistance		
Food programs		
Tax refund		
Gifts		
Interest and dividends		
Other		
Total monthly income		

Monthly expenses	Current expenses	Anticipated expenses
Savings		
Rent or mortgage		
Electricity		
Gas/heating oil		
Telephone		
Groceries		
Transportation (bus fare, car payments, repairs, gas)		
Insurance (auto, homeowners/renters)		
Insurance (life, health, disability)		
Child care		
Child support/maintenance		
Support to other relatives		
Medical bills		
Taxes		

Monthly expenses	Current expenses	Anticipated expenses
Union or other dues		
Charitable donations		
Credit card/other loan payments		
Personal expenses (toiletries, clothing)		
Miscellaneous (Internet, continuing education)		
Other		
Total monthly expenses		

Now compare your expenses with your income. When there is money left at the end of the month, you have more to save toward achieving your goals. If your expenses exceed your income, examine how small changes in your spending can help you balance your budget. For example, if you have to take a lower-paying job, can you limit buying clothes and subscribing to cable television? Most people, from time to time, must make such choices.

Your total monthly income $ ______________

Your total monthly expenses - ______________

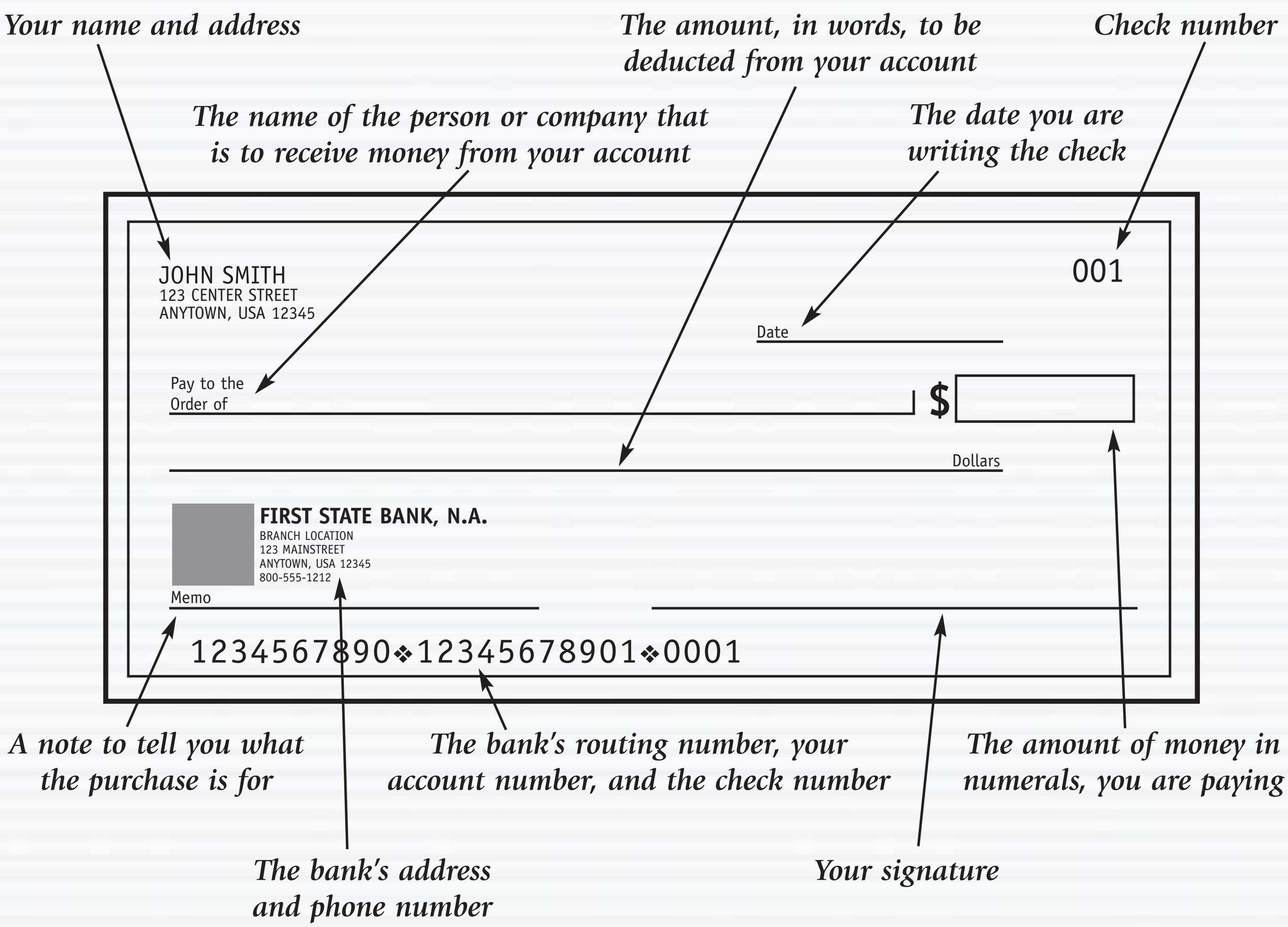
Amount after you subtract expenses from income = ______________

Banking

Banking in the United States is a helpful way to manage and grow your money. It is also very safe. The funds you deposit in a bank are insured, and your accounts are secure. Banking in the United States includes making deposits and withdrawals using an automatic teller machine (ATM). Your counselor will help you choose the best financial institution for your banking needs, based, for example, on location, the people available to help you, and types of banking services offered. For now, there are two basic types of accounts: a checking account and a savings account. You can open both accounts at the same financial institution. Information on a basic savings account is on page 19.

A checking account is a convenient way to pay your expenses. A *check* is a legal instrument that tells your bank how much money is to be paid from your account to the person or company to whom you wrote the check. When you open a checking account, your bank will give you examples that will show you how to use a register to record transactions. You also will receive a monthly statement of your account, with instructions on how to balance it. Study these examples and keep good records. Also, carefully read the bank's information on the fees you may be charged each month on the account. Record any fees as deductions in your register.

After you have an account, find out if your employer offers direct deposit of your paycheck. This is a fast, safe way to automatically deposit money into your account. If you must deposit your money in person, endorse the check by signing your name on the back of the check. Endorse the check only after you have arrived at the bank. If you deposit your check using an ATM, write "for deposit only" and your account number below your signature.


Your name and address
The amount, in words, to be deducted from your account
Check number
The name of the person or company that is to receive money from your account
The date you are writing the check
JOHN SMITH
123 CENTER STREET
ANYTOWN, USA 12345
001
Date
Pay to the Order of
$
Dollars
FIRST STATE BANK, N.A.
BRANCH LOCATION
123 MAINSTREET
ANYTOWN, USA 12345
800-555-1212
Memo
1234567890❖12345678901❖0001
A note to tell you what the purchase is for
The bank's routing number, your account number, and the check number
The amount of money in numerals, you are paying
The bank's address and phone number
Your signature

Getting help with your finances

Sometimes life events can be personally and financially demanding. Fortunately, programs exist that can help make your money go farther and ease the stress you may feel over not having enough to take care of your family and yourself. When you face challenges such as having to work at a lower-paying job, remember that your situation does not represent who you are. The important measure of a person is not money, but how one handles life. For those tougher times, here are resources on which to rely until your finances improve.

Earned income credit

The Earned Income Credit (EIC) is for working people who earn a low to moderate income. It reduces taxes, supplements wages, and makes going to work even more attractive. In addition to a tax refund, workers may receive extra cash from the Internal Revenue Service (IRS). Even workers whose earnings are too small to owe income tax may receive the EIC. (Talk to your counselor on earned income credit.) For example, you qualified for an EIC for the 2002 tax year if:

- You were single or married and worked full- or part-time at some point during the year.
- You were not raising children in your home, were between the ages of 25 and 64 on Dec. 31, 2002, and your income was less than $11,060 if you were single or $12,060 if you were married. (Subject to change - Check with your counselor.)
- You were raising one child in your home for more than six months of the year and your income was less than $29,201 if you were single or $30,201 if you were married.
- You were raising more than one child in your home for more than six months and your income was less than $33,178 if you were single or $34,178 if you were married.

Workers raising children in their homes can get part of their EIC in their paychecks throughout the year. They receive the second part after they file their tax returns. The Center on Budget and Policy Priorities in Washington, D.C., has clear information on how EIC works, how to apply, and who qualifies for EIC. Their Web address is www.cbpp.org. Click “Earned Income Credit,” then “Earned Income Tax

Credit Outreach Kit" for the current tax year. Also, see IRS publication 596 *Earned Income Credit* at www.irs.gov. Click on Formspubs for this specific form.

Child and dependent care credit

If you pay someone to care for a child, spouse, or dependent so you can work, you may be able to reduce the amount of federal tax you pay. In general, a tax credit is available to people who, in order to work, must pay for the care of children younger than 13 or a spouse or dependent who is physically or mentally unable to care for himself or herself. In addition, certain other requirements must be met. Most states participate in this new service program. To learn if you qualify for the Child and Dependent Care Credit, visit www.cbpp.org and follow these links: "Earned Income Credit," "Earned Income Tax Credit Outreach Kit," and "Facts About the New Child Tax Credit." Also, see IRS publication 504, *Child and Dependent Care Expenses* at www.irs.gov. Click on Formspubs for more information about this credit.

Supplemental security income

Supplemental Security Income (SSI) pays a monthly benefit to people with minimal income and resources who are at least 65 years old or who are blind or disabled. Benefits can apply to children as well as adults. If eligible, you may receive both SSI and Social Security, which is a program of the federal government. In most states, a person who receives SSI is eligible for health benefits under Medicaid, a health insurance program funded by both the state and federal government. For clear information on eligibility, visit the American Association of Retired Persons Web site, www.aarp.org, and type "SSI" into the search feature near the top of the screen. Click "AARP Webplace | Supplemental Security Income."

More help

Your IAJVS counselor, the Internet, and the public library will have information on other programs, including the Low Income Home Energy Assistance Program, the Summer Food Service Program for Children, the National School Lunch Program, and the Special Supplemental Nutrition Program for Women, Infants and Children.

Buy a home for you and your family

A mortgage is a loan to buy a home

There are several different types of mortgages. These include a fixed-rate 30-year mortgage, a fixed-rate 15-year mortgage, a fixed-rate, 10-year mortgage, and an adjustable-rate mortgage. *Fixed-rate* refers to the single interest rate at which your loan will be financed. An *interest rate* is the money you pay for borrowing money and using a loan. To qualify for a good rate of interest, usually 5 to 8 percent, you will need to build a good credit history. (You will learn about credit in the next section of this booklet.) A healthy credit rating helps you get a loan and lets you choose how to finance a home.

How to get a loan to buy a home

When you decide it is time to buy a home, it is best to apply and be prequalified for a mortgage. This means that when you find the house you want to buy, you will already know the amount of money you can borrow. When you are prequalified, the seller will know you are a serious buyer who, when you make an offer to buy, is able to complete the purchase.

Your options for financing a home include an arrangement called "owner-carry," whereby the seller of a piece of property agrees to finance the loan for the buyer. In effect, the buyer borrows money from the seller instead of, or in addition to, a financial institution. Another option is to receive financing through a mortgage broker, a business or person who works with more than one bank or financial institution. A broker will work with you to find the best loan based on your individual finances. A third option, the most widely known, is to obtain a mortgage from a bank or financial institution.

You also will pay insurances and taxes

Conventional mortgages require homeowners to insure their property for at least the amount of money owed on a mortgage. If the insurance is cancelled or lapses, a mortgage company will obtain a separate insurance policy on the property and charge the cost to

the person who holds the mortgage. When you buy insurance, it would be wise to get a policy that will pay the cost of replacing your home. It would also be wise to reread your insurance policy every one to two years and increase your coverage so it is up to date with the actual cost to rebuild or repair your home in case of damage. Homeowners' insurance also covers the belongings in your home and homeowner's liability insurance protects you in case there is an accident and someone is hurt on your property.

Each year, the county in which you live will assess taxes on your property. If you do not agree with the tax amount, you may appeal the assessment. Your counselor can advise you on this process. If you do not pay your taxes, the government can place a lien on your property, which means the government, to secure payment of the taxes owed, has a claim on your house. If you continue to not pay, the government will foreclose on your home and sell it to collect the taxes.

There is an easy way to pay your insurance and taxes. When you get your mortgage, the principle amount you owe, the interest on the mortgage, the taxes, and the insurance, or PITI, can be included in your regular mortgage payment. PITI is an abbreviation for principle, interest, taxes, and insurance.

Learn more about buying your own home

A guide from the Fannie Mae Foundation that explains more about buying a home, including information on financing and mortgages, is *Opening the Door to a Home of Your Own*. To receive a free copy of the booklet in English or Russian, phone 1-800-688-4663.

Understanding a mortgage

A *mortgage*, besides referring to the loan for buying a home, is your pledging the property you are buying as the security for the money you now owe. The word also refers to the deed, or legal document, by which the pledge is made.

Build good credit

You will build good credit by paying your bills on or before the dates they are due. Having a good credit record makes it easier for you to obtain a loan from a financial institution to buy a home, for example, or to fund your children's education. A positive credit record shows lenders that you are able to keep your promise to repay a loan. You will also pay a lower interest rate on your loan than you would with a poor credit rating. Building good credit also is important to your eligibility to work for certain employers.

Pay your bills on time

Mark on a calendar when you must mail or pay your bills online so creditors can process your payments before the due dates. Have your telephone, electric, gas, and insurance bills automatically paid by electronic transfer from your checking account. (Remember to record automatic payments in your check register.) For example, to pay your phone bill by electronic transfer, ask the phone company for the form to fill out to establish this payment arrangement. Remember, automatic payments from and deposits to your account are a fast, safe way of managing money.

Order your credit report

The following companies each have a report of your credit. Order your report from each company every year and review it to make sure the information is correct. To order, you will need your Social Security number, year of birth, and mailing address.

- Equifax, 1-800-685-1111, www.equifax.com.
- Experian, 1-888-397-3742, www.experian.com.
- Trans Union Corporation, 1-800-916-8800, www.transunion.com.

Your counselor can help you take the steps to correct your report, as necessary.

Use a credit card to help build good credit

You can get into debt by overusing credit cards, but using them wisely can show that you can manage credit well. Compare card offers and choose the one with the lowest interest rate and annual fee. Be sure to read and understand the terms and conditions of the card agreement. Open no more than two credit

card accounts. If you want to use a credit card to begin to build a credit history, but do not yet qualify for a major card such as MasterCard or Visa, apply for a secured credit card or a card offered by a department store. A secured credit card account is one in which you deposit money. Your credit limit for the account usually is the same as or one-half of the amount you deposit. You will be required to pay off the credit charges each month. A list of reputable secured card issuers is at www.bankrate.com. Be sure to pay off the account every month or keep the balance very low.

Avoid predators that lend money

Though it may seem like an easy way to get money quickly, check-cashing stores, payday lenders, pawnshops, and car-title loans will cost you money you cannot afford. Be smart about where you spend and avoid "lenders" that are in business to take advantage of you.

To meet your goals, save your money

In coming to the United States, you have followed the way of millions of immigrants. For more than 400 years people have come to the United States to create opportunities for themselves. As you read in the introduction, whatever opportunity you seek, saving money will help you find it. Even saving a small amount every month will help you achieve a goal such as owning your own home. Imagine that you save $30 every month. Also imagine that every year your savings earn an *interest rate* of 5 percent. This means that for every $100 you save, you earn about an extra $5. Your monthly savings would add up over 20, 30, and 40 years to the following amounts.

20 years	30 years	40 years
$12,382	$25,072	$45,791

So, what could you do with this money? You could buy a second-hand vehicle in good condition for $12,000 or less. In 30 years, you might use $24,000 to start a business or make a down payment on a home.

When you save money, you are also ready for an emergency. Emergencies may not be part of the expenses you budget for each month. Your savings, however, can help pay for unexpected expenses. A good guideline is to save enough money to cover all of your expenses for at least three months. This amount will help you manage larger emergencies, such as someone in your household losing his or her job.

You need to save to meet long-term goals. Remember the goals you wrote down in the introduction to this booklet? When you make plans for your future, you motivate yourself to save. Consider some long-term goals you want to achieve. Write down the goals that you want to reach in one year. Then, write down goals that you want to reach in 10 years.

The goals I plan to reach with my savings in one year are:

The goals I plan to reach with my savings in 10

years are:

Ways to start saving your money

- Every day put at least $1 and any loose coins in a can or jar. At the end of each month put this money into a savings account.
- Ask your employer if you can have money put into your savings account directly from your paycheck.
- Are you paying off a loan? Once you have paid off the loan, continue to make the same payment each month to your savings account.
- Do your habits cost money? Give up costly habits, such as smoking. Save the money you would spend on these habits.

Open a savings account

You can open a savings account with as little as $100. Some financial institutions may require less than this amount. One benefit of a savings account is that you can quickly withdraw money in case of an emergency. Once you are in the practice of saving and have accumulated money, you can choose a savings plan that earns more interest than a basic savings account. As your money grows, you will have additional choices for saving and investing.

Start saving for retirement now

In the United States, people look forward to retirement as a reward for many years of hard work. Americans see retirement as a time for making a priority of personal interests, such as travel, hobbies, and spending time with family. To do such things, one must finance his or her retirement, even when it is many years away. Importantly, some employers mandate a retirement age of 65 years old. Such a requirement makes it necessary to save money for those years when you may not be working full time.

It does not take a lot of money to start saving for retirement. If you begin now, you will have the money you need during your later years. Start by setting retirement goals. For example, ask yourself the following questions. How many years until I want to retire? Where will I live after retirement? How many years do I anticipate being retired? What activities and lifestyle will I want to pursue? Use the budget worksheet from pages 7-9 to plan a budget for your retirement. To keep living your current lifestyle during retirement, you will need 80 to 100 percent of your present income. Your counselor or a financial planner can help you determine the *inflation* for your retirement years. Inflation is an increase in the cost of living, which may rise, for example, 4 percent each year from now until you retire.

Your employer may sponsor a retirement plan. If so, carefully choose your benefit plan and understand how the money will be disbursed and when you will pay taxes on it. (Remember, *taxes* are a percentage of income or property you are required to pay in support of the government.) In addition, Social Security, a program of the U.S. federal government, gives some retirement income. Look at the pay stub from your paycheck and you will see that some of your earnings have gone to Social Security. You will begin receiving this money back when you retire. For an estimate of the Social Security benefits you will receive in retirement, ask your counselor to help you obtain Form SSA-7004 (available from www.ssa.gov (click "forms" and enter "7004" in the search box) or by phoning toll free 1-800-772-1213).

Glossary

assets. *Assets* are the tangible and intangible resources of a person or business and include such things as cash, real estate, material goods, skills, and education.

charitable contribution. A *charitable contribution* is an amount of money you freely give away, ideally to an organization whose mission has deep meaning for you and that operates solely as a result of people's contributions of money and volunteer time. You may choose to make a charitable contribution on a regular basis, such as once each month or each year.

commission. A *commission* is a fee or percentage of the proceeds of a sale that is paid to a worker, such as a salesperson or broker, in addition to or in place of a salary or wages.

dependent. A *dependent* is a person who relies on another person or organization for financial support and well-being.

dividend. A *dividend* is a portion of a company's profit that is paid to its shareholders. For example, if the Bell Corporation (a fictitious company) announced an annual dividend of $5 per share of its stock, and you own 100 shares, you would earn $500 each year, or $125 paid quarterly. The Bell Corporation's board of directors would decide how large a dividend the company would pay or if it would pay one at all. The larger and more mature a company is, the more likely its board of directors will be to issue dividends.

Internal Revenue Service, or IRS. The *Internal Revenue Service* (IRS) is the agency of the United States Government that collects federal taxes on one's income. *Internal revenue* is the income the government receives by taxing its citizens' income, profits, luxuries, and amusements. Your federal income tax return, which is the paperwork you submit to the IRS showing how much tax you owe, is due each year. The annual date for filing taxes customarily is April 15.

liability. A *liability* is a debt owed by a person or business, often to the disadvantage of the individual or organization owing the debt.

Acknowledgments

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NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive, sound decisions to reach their financial goals. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

The International Association of Jewish Vocational Services (IAJVS) is a not-for-profit association that links 28 non-sectarian health and human services agencies in the United States, Canada, Israel, and Argentina. Each year, the IAJVS network provides a diverse range of educational, vocational, and rehabilitation services to more than 320,000 individuals from across the social strata, and works with over 40,000 employer organizations.

The IAJVS network is guided by a common mission set forth by the medieval Jewish philosopher Moses Maimonides: *the greatest charity lies in helping people to become self-sufficient*. To realize our shared mission, IAJVS provides its member agencies with services that strengthen local capacity. IAJVS serves as the collective voice, representing the network nationally and internationally, and promoting the important work of its local agencies, both here and abroad. For more information on IAJVS and its members, visit www.iajvs.org

One of the world's leading financial services companies, Bank of America is committed to

making banking work for customers like it never has before. Through innovative technologies and the ingenuity of its people, Bank of America provides individuals, small businesses and commercial, corporate, and institutional clients across the United States and around the world new and better ways to manage their financial lives. The bank's national initiative, America/Banks, seeks to promote financial literacy to help people move from poverty to self-sufficiency.

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 an Internet Web site that provides online access for more than 3 million customers. For more information, visit www.bankofamerica.com.

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