



*Pamlico Community College  
Financial Literacy Bulletin*

## About Us

Pamlico Community College is a 2-year public institution that offers certificates, diplomas, and associate's degrees in a variety of subjects. Our current degree programs are as follows:

Associate in Arts  
Associate in General Education  
Associate in Science  
Associate in Accounting – also contains certificate and diploma options  
Associate in Business Administration – also contains certificate and diploma options  
Cosmetology Diploma – also contains a certificate option  
Associate in Criminal Justice - also contains certificate and diploma options  
Associate in Dental Laboratory Technology - also contains certificate and diploma options  
Associate in Early Childhood Education–Birth to Kindergarten - also contains certificate and diploma options  
Associate in Early Childhood Education–Career Track - also contains certificate and diploma options  
Associate in Electrical Systems Technology - also contains certificate options  
Associate in Electroneurodiagnostic Technology  
Associate in Environmental Science Technology - also contains a certificate option  
Associate in Environmental Management Technology - also contains certificate options  
Esthetics Certificate  
Esthetics Instructor Certificate  
Associate in Human Services Technology - also contains certificate options  
Associate in Medical Assisting - also contains certificate and diploma options  
Associate in Medical Office Administration - also contains certificate and diploma options  
Associate in Welding Technology - also contains certificate and diploma options

To enroll in one of the degree or certificate programs, visit [www.pamlicocc.edu](http://www.pamlicocc.edu). Select Admissions, then How to Apply, then the link to the PCC Admissions Application. You will need to create an account for CFNC to complete the application. While completing the application, you will have to complete a residency determination which is centralized in the state of North Carolina. There is a link within the application that will take you to [ncresidency.org](http://ncresidency.org). The information entered there must be as accurate as possible as that will assign an out-of-state or in-state tuition status which will affect the charges associated with taking courses here. For questions about the application or residency, contact Student Services by emailing [studentservices@pamlicocc.edu](mailto:studentservices@pamlicocc.edu) or calling 252-249-1851 ext. 3001.

Financial aid is available for students in diploma or associate's degree programs. Eligibility is determined by information provided on the Free Application for Federal Student Aid (FAFSA). Students completing FAFSA must have a Federal Student Aid (FSA) ID. To create an FSA ID, students will go to [fsa.ed.gov](http://fsa.ed.gov). Once created, the ID can be used to electronically sign the FAFSA. The FAFSA must be completed online at [fafsa.gov](http://fafsa.gov). **If you have never received Federal Student Aid before, you will not have to answer questions about any prior convictions.** If you have received Federal Student Aid, you will have to answer the following question: "Have you been convicted for the possession or sale of illegal drugs or for an offense that occurred while you were receiving federal student aid (such as grants, work-study, or loans)?" **If you can truthfully answer no to that question, then you are still potentially eligible for financial aid.**

*The resources in this bulletin are adapted from open source documents provided by the National Endowment for Financial Education, State Employee's Credit Union, and the Federal Trade Commission. Information provided related to financial literacy is designed to meet the requirements delineated in SACSCOC Principle 12.6.*

**40**

**MONEY**

**MANAGEMENT**

**TIPS**



**NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION**

**EVERY  
COLLEGE  
STUDENT  
SHOULD KNOW**

# CONSIDER COST WHEN CHOOSING A SCHOOL

DYING FOR A CHANGE OF SCENERY? HOPING FOR A BIG SCHOOL WITH PLENTY OF PEOPLE?

IT'S IMPORTANT TO REMEMBER THAT DIFFERENT SCHOOLS HAVE DRASTICALLY DIFFERENT COSTS ASSOCIATED WITH THEM.

If you're still weighing your options, here are some things to consider:

- In state or out of state?
- Public or private?
- Two-year or four-year?
- Driving or flying distance?
- Expensive or affordable city?
- Availability of public transportation and student housing?

There's no saying you can't get creative with your school choices, too. For example, you might find it would save you in the long run to complete your general education classes at a community college, where credit hours are cheaper. Then you could transfer to a pricier university to complete the specialized coursework for your major.

#### **BOTTOM LINE:**

Try not to pick a school just because you love its city or sports team. Put some thought into the costs, and make an informed decision—you'll thank yourself later!

# KNOW THE STORY BEHIND YOUR FINANCIAL NEED

ONCE YOU COMMIT TO YOUR SCHOOL OF CHOICE, IT'S TIME TO FIGURE OUT HOW YOU'LL PAY FOR IT. THAT PUTS YOU IN THE SAME BOAT AS A LOT OF THE STUDENT BODY—IN SEARCH OF FINANCIAL AID.

YOU PROBABLY THINK YOUR NEED FOR AID IS PRETTY OBVIOUS—YOU COULD USE ALL THE HELP YOU CAN GET. BUT IT'S ACTUALLY A DEFINED NUMBER THAT'S UNIQUE TO YOU, BASED ON YOUR SCHOOL AND YOUR FINANCIAL SITUATION.

#### **HERE'S HOW IT'S CALCULATED:**

$$\frac{\text{Cost of Attendance} - \text{Expected Family Contribution}}{\text{}} = \text{Financial Need}$$

#### **COST OF ATTENDANCE (COA)**

Each school has its own tally of the annual educational costs you and your family will incur if you attend. It includes:

- Costs you pay directly to the school for items such as tuition and fees, room and board, and books and supplies.
- General expenses such as transportation and miscellaneous personal expenses.

#### **EXPECTED FAMILY CONTRIBUTION (EFC)**

This is an estimate of the amount of resources your family has available to meet your entire COA, and it's generally consistent from school to school.

This number is calculated using a series of questions on the [Free Application for Federal Student Aid \(FAFSA\)](#).

#### **FINANCIAL NEED**

Whatever's left of your COA after your EFC has been applied is your financial need. Keep in mind that your financial need will differ from one school to the next because each school's COA differs.

#### **FINAL WORD:**

Although your financial need represents the total amount of aid you can receive, other variables—such as the amount of funding the school has and the types of financial aid you're willing to consider—affect whether you'll reach that maximum.

# COMPLETE THE FAFSA (EARLY AND OFTEN)

WANT FINANCIAL AID? YOU'LL HAVE TO APPLY FOR IT—AND THAT STARTS WITH THE *FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA)*. THIS IS THE FORM THE GOVERNMENT USES TO CALCULATE THE MAXIMUM AMOUNT OF NEED-BASED FEDERAL FINANCIAL AID YOU QUALIFY FOR.

## WHEN SHOULD I FILL IT OUT?

The FAFSA is available in early January each year and should be filled out ASAP. Different financial aid programs have different deadlines, often as early as February or March.

## WHAT WILL I NEED?

- Personal information such as your name, address and marital status
- W-2 forms and other tax documents to show money earned the previous year
- Any parent or guardian information required
- The names of the schools you're considering

## WHAT DO I DO NEXT?

**1. Look out for your Student Aid Report (SAR)**, a summary of FAFSA data you submitted. Check for any mistakes and correct them on your FAFSA online or on paper.

**2. Know you might be asked to verify information.** Some schools select students at random and some schools verify all students' FAFSAs. All you need to do is provide the documentation the school asks for by the requested deadline.

**3. Wait to hear from your college or university.** Once you've been accepted, your school will calculate your aid and send you an aid offer. Your aid offer can contain everything from scholarships and grants to work-study opportunities and loans.

## FINAL WORD:

Before you accept anything, it's important to fully understand where the money is coming from, what's required of you to remain eligible and whether (and when) you'll have to start paying it back.

# GET THE LOWDOWN ON STUDENT LOANS

YOU DON'T HAVE TO BE SCARED TO TAKE OUT STUDENT LOANS, YOU JUST HAVE TO FULLY UNDERSTAND HOW THEY WORK. HERE ARE SOME IMPORTANT ASPECTS TO BE AWARE OF BEFORE YOU SIGN ON FOR THE LONG HAUL:

## STUDENT LOANS ACCRUE INTEREST

As with any loan, you're not just borrowing a certain amount of money; you're borrowing a certain amount of money plus interest, which compounds over time. Federal loans have a low, fixed interest rate—but it still adds up.

## DIFFERENT LOANS HAVE DIFFERENT TERMS

There are several types of loans under the *Federal Direct Student Loan Program*, and they vary according to their terms.

For example, **direct subsidized loans** are need-based loans for which the government pays your interest while you're in school. **Direct unsubsidized loans** are non-need-based loans, and you're responsible for the interest from the outset.

## PRIVATE LOANS ARE DIFFERENT THAN FEDERAL

- Private lending institutions such as banks and credit unions offer credit-based student loans that don't have the same benefits as federal student loans.
- They usually have variable interest rates that can rise and fall every month, often without a maximum limit.
- They carry different loan terms, repayment schedules, fees and penalties.
- They might require you to get a co-signer for credit approval.

## BOTTOM LINE:

Use student loans as a last resort, after any available grants, scholarships and work opportunities; and use private loans only after you have exceeded your maximum awarded federal aid.

# KNOW YOUR REPAYMENT OPTIONS

ONCE YOU GRADUATE COLLEGE, YOU'LL LIKELY HAVE SIX MONTHS BEFORE YOU NEED TO START CHIPPING AWAY AT THE MONEY YOU BORROWED—PLUS INTEREST.

## MANAGING PAYMENTS

How much can you realistically afford to pay off each month? The answer lies with your debt-to-income ratio. Experts recommend that your educational loan payment represent no more than 10 to 15 percent of your income. Exceed that amount, and you might have trouble keeping up.

## TYPES OF REPAYMENT PLANS

Not all repayment plans are considered equal. While **standard** and **extended** repayment plans require that you pay a fixed rate over time (10 or 25 years respectively), other repayment plans aren't as rigid. For example:

- On a **graduated plan**, your payments start low and then increase every two years or so.
- On an **income-based repayment plan**, your monthly payments are capped at an amount deemed affordable for your situation.

## CONSEQUENCES OF NOT PAYING

If you miss a student loan payment, your loan becomes delinquent and you may incur late fees. If you fail to pay for 270 days, your loan goes into default, which has more serious consequences.

## TEMPORARY DELAYS

Under some circumstances, you can apply to have your payments temporarily postponed due to illness, unemployment or military service. A deferment is a period of time where you can delay the payment of the principal and interest of your loan. If you don't qualify for deferment you may be eligible for forbearance, which will reduce or delay your payments but interest will continue to accrue on your loan.

## LOAN FORGIVENESS

If you work in a certain field, part or all of your student loans could be forgiven. This includes professions such as teaching, public service, military, firefighting, law, medicine and working with certain government agencies.

## FINAL WORD:

If you're having trouble paying off your loans, tell your loan provider. There are things the company can do to help you out, such as change your repayment plan or terms.

# DISCOVER TYPES OF FREE MONEY

THERE ARE A FEW FREE GIFTS IN THE HIGHER EDUCATION ARENA, AND THEY COME IN THE FORM OF GRANTS AND SCHOLARSHIPS. WHO'S GIVING YOU THIS FREE MONEY? EVERYONE FROM THE FEDERAL AND STATE GOVERNMENT AND YOUR SCHOOL, TO PRIVATE COMPANIES AND NONPROFIT ORGANIZATIONS.

## GRANTS

These generally are awarded based on your financial need, but sometimes on your academic performance or area of study. Examples include:

- **Federal Pell Grants** and **Supplemental Education Opportunity Grants (FSEOG)** for students with the highest need.
- **Teacher Education Assistance for College and Higher Education (TEACH)** grants for students who commit to teach in schools that serve low-income families.

Just like every other form of financial aid, grants have stipulations on them so be aware of what you need to do to maintain the grant. For example, if you take a TEACH grant and don't finish your program or required service after graduation, your grant switches to a loan.

## SCHOLARSHIPS

These sometimes are awarded based on need, but most often are given in recognition of your achievements or special characteristics. For example, if you:

- Are a good student or a star athlete
- Rocked your ACT or SAT
- Attend a certain church or live in a community with a Rotary Club
- Have a parent or guardian who is a veteran or works for a particular company

## BOTTOM LINE:

Make sure you are aware of all of your options when it comes to paying for school. There are countless ways to make money stretch, so get creative.

# APPLY FOR FREE MONEY

MAKE IT EASY ON YOURSELF WHEN IT COMES TO  
LOOKING FOR FREE MONEY. WHETHER YOU ARE  
SEARCHING ONLINE OR IN YOUR COMMUNITY  
FOR A LITTLE EXTRA AID, SEARCH SMART.

## SEARCH ONLINE

There are thousands of scholarships out there, and plenty of places to look. Start with these websites:

- [www.bigfuture.collegeboard.org/scholarship-search](http://www.bigfuture.collegeboard.org/scholarship-search)
- [www.finaid.org/scholarships](http://www.finaid.org/scholarships)
- [www.fastweb.com](http://www.fastweb.com)

## APPLY RIGHT

Once you're ready to apply for a scholarship, here are a few tips:

- **Know what's required.** Beyond the FAFSA, you might have to fill out another assessment such as the *CSS profile*.
- **Meet application deadlines.** If you have trouble remembering, set an alarm on your phone to remind you.
- **Apply for as many as possible.** Scholarships come in all shapes and sizes, from full rides that cover every penny to small awards that'll pay for a book or two.
- **Know the terms.** Do you have to maintain a certain GPA or level of participation to keep the money coming?
- **Talk to the financial aid office.** Winning one or more scholarships can affect your financial aid package.

## FINAL WORD: BEWARE OF SCAMS.

Legitimate scholarships never charge fees, guarantee amounts or hide their application information from anyone. And often they rely on students to come to them—not the other way around.

If a company seeks you out with offers of awarded money (this often happens via email), be cautious.

- Look for valid contact information.
- Google the company name and the word "scam" to see if others have been victimized.
- Don't give out your credit card, bank account or Social Security number, even if they say you need it to hold your scholarship.
- If you're unsure, contact your financial aid office for help.

# EARN YOUR AID

THERE ARE MANY WAYS TO EARN FURTHER  
AID, INCLUDING WORK-STUDY AND SERVING  
IN THE UNITED STATES MILITARY.

## FEDERAL WORK-STUDY

With this need-based financial aid program, you can earn money for your education through a job set up by your school (if it participates in the program).

Your FAFSA is used to determine how many hours you can work, and your student status and work-study assignment determine how you'll be paid (hourly versus salary). You're guaranteed at least minimum wage, and you can have your wages paid to you or to the school.

## RESERVE OFFICER TRAINING CORPS (ROTC)

If serving in the military after college appeals to you, check out the availability of ROTC on your campus. ROTC scholarships are awarded by every branch of the military and cover tuition and other education expenses, plus provide a small living allowance.

In return for the aid, you must agree to join the military as an officer on active duty, in the reserves, or in the National Guard for a set number of years after graduation. Learn more at [www.todaysmilitary.com](http://www.todaysmilitary.com).

## GI BILL

If you've already served and are heading to school, check out your benefits under the GI Bill, a program that has been helping military veterans pay for school for more than 70 years. Learn more at: [www.benefits.va.gov/gibill](http://www.benefits.va.gov/gibill).

## FINAL WORD:

Whether you're signing on for a part-time work-study job or an even bigger service role, carefully consider how it will impact your role as a student and your life after graduation.

# EVALUATE YOUR AID OPTIONS

WITH SO MANY DIFFERENT EXPENSES AND SOURCES OF FUNDING, IT CAN BE DIFFICULT TO FIGURE OUT EXACTLY HOW MUCH A YEAR OF SCHOOL WILL COST YOU (AND HOW YOU SHOULD COMBINE YOUR AID TO PAY FOR IT).

**1. Start by listing out all the costs of attendance.** You can get a rough estimate from your school, but it can be helpful to define all the specifics of your particular situation:

- Tuition and fees
- Housing and meals
- Books and supplies
- Transportation and other miscellaneous education costs

**2. Subtract any gift aid you've been awarded** in the form of grants and scholarships. This will leave you with your net cost.

**3. Determine how you'll cover your net cost:**

- Earned aid (work-study or military benefits)
- Any family contribution
- Loans (federal or private)

**4. Before accepting any form of financial aid:**

- Find out what's required of you for that financial aid option (e.g., maintaining a certain GPA, reapplying or renewing every year).
- Know the terms of the financial aid (e.g., interest rates for borrowing, repayment schedule).
- Take out only what you need and use it only for school expenses.

#### FINAL WORD:

Once you accept financial aid, know what you need to do to keep it coming. This includes:

- **Reapplying every year.** Even if nothing has changed in your circumstances, you must reapply every year to continue receiving financial aid.
- **Maintaining academic progress.** You also must show you're successfully progressing toward your college goals.

# KNOW WHAT TO DO IF SOMETHING CHANGES

LIFE CAN CHANGE A LOT WHILE YOU'RE IN SCHOOL—AND SO CAN YOUR FAMILY'S FINANCIAL SITUATION. YOU OR YOUR PARENT OR GUARDIAN MIGHT HAVE HOURS REDUCED AT WORK, OR LOSE A JOB COMPLETELY. WHEN THINGS LIKE THAT HAPPEN, YOU MIGHT BE ELIGIBLE FOR MORE FINANCIAL AID.

#### TAKING ACTION

When a life-changing event occurs, call or write your school's financial aid office. Typically, they'll ask you to file a financial aid appeal, a request to have your aid reconsidered due to a change in your financial situation.

#### HOW TO FILE A FINANCIAL APPEAL

1. Gather any relevant documentation they'll need as proof (and be sure to make copies before submitting it).
2. Write a letter or anything else they require for explanation.
3. Ask the financial aid office when you can expect a response to the appeal.
4. Keep track of whom you talked to and when.

#### TIPS FOR COMMUNICATING WITH THE FINANCIAL AID OFFICE

Aid offices are responsible for just about every aspect of aid, from calculating financial need to processing loans and monitoring students' eligibility. They are busy places, so it's a good idea to know how to communicate with them.

- Make an in-person visit if your circumstances are complex or if you haven't gotten through or heard back.
- Know that all written communication, including email, is on record.
- Always request confirmation that they received your message.
- Always respond in writing when original documentation is required.
- Keep a record of all communications with the aid office in case of errors or questions in the future.

#### BOTTOM LINE:

Do what you can to stay in school and seek more financial aid, and rely on people to help you.



# START WITH THE BASICS

IT'S IMPORTANT TO LEARN THE BASICS OF MONEY MANAGEMENT BEFORE YOU ENCOUNTER THE BIGGER FINANCIAL DECISIONS IN YOUR FUTURE.

If your school doesn't offer a Money 101 course, that doesn't mean you're going to be a financial failure. There are plenty of other places you can go to get a good foundation, and one of them is *CashCourse*®.

## WHAT'S CASHCOURSE?

A free online resource specially designed for college students, where you can:

**Read articles and watch videos** on everything from spending and saving to credit and debt.

**Get answers to your specific financial questions, such as:**

- Is it possible to over-borrow?
- Should I choose a fixed or a variable rate on a personal loan?
- How can I finance grad school if I'm still paying regular student loans?

**Translate confusing financial jargon.** Use a glossary to learn confusing terms like APR (annual percentage rate) and YTD (year-to-date).

**Run the numbers with interactive financial calculators.**

- How long will it take to pay off my credit card?
- Should I live on or off campus?
- What would my loan payments be?

**Make sure you've covered your bases with comprehensive checklists** for moving, saving—even adopting a pet.

**Create a monthly budget,** adding entries for your specific expenses and saving them online.

**Find stories from other college students** about how they've managed their money in college.

## FINAL WORD:

CashCourse doesn't have any ads, agenda or bias. It's a NEFE-produced guide available at [www.cashcourse.org](http://www.cashcourse.org).

# PUT YOUR MONEY IN THE BANK

WHETHER YOU'VE CARRIED CASH ALL YOUR LIFE OR HAD A CHECKING ACCOUNT SINCE YOU BECAME A TEEN, YOU'LL WANT TO FIND A BANKING SOLUTION THAT WILL WORK FOR YOU WHILE YOU'RE IN COLLEGE.

## HERE'S WHY:

**1. It's a lot safer than leaving money in your dorm room or apartment.** When your money is in a bank, it's protected by vaults and security guards and is federally insured.

**2. It allows you easy access to your money.** You can:

- Purchase things with a debit card.
- Withdraw cash at any time from the ATM.
- Pay bills — such as car insurance, rent and credit card payments — that can't be paid with cash.

**3. It might help you grow your money.** Many banks offer interest-earning accounts such as money market and saving accounts.

## WHEN CHOOSING A BANK OR CREDIT UNION:

**Ask about accounts and services.**

- Does it offer a student or basic checking account with low or no monthly fees?
- Can you get overdraft protection, so you don't get dinged for withdrawing too much?
- Does it offer online banking, mobile deposits, text alerts and 24-hour customer service?
- Can you set up automatic transfers or bill-pay services?

**And don't forget about fees.** Will it charge penalties for:

- Monthly account use?
- Falling below a minimum balance?
- Using an ATM not owned by the bank?
- Having insufficient funds?

## FINAL NOTE:

Consider your lifestyle and needs. Think about factors such as the bank's location and services and what you want to be able to do with your money. You might even consider an online-only bank (just keep in mind you'll be giving up any face-to-face communication).

# USE YOUR CHECKING ACCOUNT RESPONSIBLY

MONEY IN THE BANK CAN BE A LITTLE EASIER TO LOSE TRACK OF THAN CASH IN YOUR POCKET. THAT'S BECAUSE YOU NEVER REALLY SEE IT UNTIL IT APPEARS AS A NUMBER ON A RECEIPT OR AN ENTRY ON YOUR STATEMENT.

TO ENSURE YOU DON'T RUN INTO ISSUES, KNOW THE INS AND OUTS OF YOUR CHECKING ACCOUNT AND TAKE ADVANTAGE OF SERVICES THAT MAKE IT EASIER FOR YOU TO TRACK YOUR MONEY.

## KNOW HOW THINGS WORK

**Find out when your bank processes transactions.** If you make a purchase on the weekend, will it show up as a pending charge until the bank opens on Monday?

**Be aware of holds on your account.** In some cases — like with a deposit on a hotel room — you might have a hold on your account. This means you can't access those funds until they are released.

## SET UP SAFEGUARDS

**Make things automatic.** Set up direct deposit for your financial aid and paychecks and auto bill pay for all your routine services (so you don't forget pay them).

**Take advantage of notifications.** Many banks will email or text you if your account balance is low or something's changed on your account.

**Password-protect everything.** Set up different passwords for your online bank account, email address (where you'll receive any statements or notifications from your bank), smartphone and mobile banking apps.

## PAY ATTENTION

**Monitor your spending.** Review your online transactions and be mindful of your account balance at all times (you don't want to spend money you don't have).

**Balance your account each month.** Verify each transaction on your statement and review your spending line by line. You want to make sure you didn't get double-charged somewhere and that your account hasn't been compromised.

## Look out for fraud.

- Regularly verify your account and billing data to make sure it hasn't changed.
- Watch for unauthorized transactions, especially during periods of heavy debit card use (e.g., the beginning of the school year and the holidays).
- Report any suspicious activity to the bank ASAP, so it can start helping you resolve the situation.

## FINAL WORD:

- Remember to keep your debit card safe, too.
- Leave it at home if you're prone to losing things or having things fall out of your pocket.
- No matter how close you are to your friends or roommates, avoid lending your cards to anyone.
- Leave your cards out of plain sight, even in your room. You can never be too careful about protecting your money.
- Use cash while you're out, so you can avoid having to put down your card to open a tab.

# GET ORGANIZED

WHETHER REAL OR VIRTUAL, YOU'LL NEED A PLACE TO STORE IMPORTANT RECORDS, BILLS AND DOCUMENTS, SO YOU KNOW WHERE TO FIND THEM WHEN YOU NEED THEM.

## FIND THE RIGHT STORAGE SOLUTION FOR YOU

**Physical:** For basic bills and documents, look into a simple accordion file or a small filing cabinet. Make separate folders for documents from your school, bank and service providers. As you put things away, add reminders of any deadlines and due dates to your phone.

**Electronic:** If you know you'll be more organized with virtual files, look into setting up a system on your computer or on cloud storage. Save electronic files to specific folders, and scan or take pictures of paper documents and upload them. Just be sure to back up your files on an external hard drive so you don't lose them if your computer dies.

## KNOW WHAT TO SAVE

It's OK to throw away receipts from everyday purchases once they are visible on your bank statement. But for bigger items, such as your student loans, you'll want to know what you need to hold onto.

### School-Related:

- Pending applications
- Signed contracts
- Financial aid offers and agreements
- Records of your courses, grades and credits

### Income-related:

- Pay stubs
- Tax returns and W-2s

### Account and service agreements:

- Statements for your checking, saving and investment accounts
- Credit card and loan agreements
- Contracts and bills for your phone, cable and Internet

### Records of coverage:

- Insurance policies (e.g., car, renters', health)
- Car title and registration
- Receipts and warranties for big purchases

## BOTTOM LINE:

When in doubt, save it—or at least make a copy.

# CURB TECH EXPENSES

IN TODAY'S WORLD IT'S COMMON FOR STUDENTS TO USE ELECTRONICS AT SCHOOL, BUT YOU CAN EASILY LIMIT YOUR SPENDING ON TECH.

## KNOW WHAT YOUR SCHOOL OFFERS AND REQUIRES

- Are you required to have a laptop or tablet for class?
- Do you need any special software, such as word processing for papers?
- Do you have access to free Wi-Fi, public computers and a printing stipend?

## ASSESS YOUR NEEDS

Identify how you'll use your technology to determine the level of tech you need.

- Will you be completing online coursework and conducting research, in addition to streaming video and making calls?
- Do you really need a top-of-the-line processor, or will a simpler model work for you?
- Could you get by with a regular phone, or do you require smartphone capabilities?

## FIND THE BEST DEAL

- **Shop at the campus bookstore** and compare to student prices at other stores.
- **Hold off on just-released versions**—you may see prices drop later.
- **Look for refurbished items** that work like new and come with a warranty, but are significantly cheaper.
- **Try selling your old equipment first.** In some instances, the manufacturer may be willing to buy back your equipment or offer you store credit.

## FINAL NOTE:

**Protect your devices.** Once you've acquired the technology you need to be successful in school, make sure you protect it.

### Know the coverage that comes with your device:

- Does it have a warranty, or do you need to get insurance or other protections?
- Are you covered for cracked screens, water spills or other accidental mishaps?
- **Investigate tracking tools** available for finding lost or stolen devices—and remember to turn them on.

# CREATE A SPENDING PLAN

WHEN YOU FIRST START MANAGING YOUR MONEY, IT CAN BE EASY TO LOSE TRACK OF WHERE IT'S GOING. THAT'S WHY IT'S IMPORTANT TO HAVE A PLAN FOR YOUR MONEY. HERE'S HOW TO GET STARTED:

## KNOW WHERE YOUR MONEY CURRENTLY GOES

Start by tracking your expenses for a month. Write down every penny—from school expenses and bills to sodas and packs of gum—using a notebook or an app on your phone.

## DRAW UP A PLAN

1. **Identify your monthly income.** This includes financial aid paid directly to you, assistance from your parents or guardians and after-tax income from a job.
2. **Rank your expenses.** Start with fixed expenses, to make sure they get paid first; then list variable expenses, estimating how much each will cost.
3. **Subtract your expenses from your income.**
4. **Set aside anything left over** for periodic expenses, which might not occur that month (but can take out a big chunk of your income if they do).
5. **Put your plan into action.**

## REVIEW AND ADJUST THE PLAN

After the first month, evaluate how you did and make any necessary changes in your plan for the next month. For example, if you're spending more than you have:

- Try cutting some of your variable expenses (e.g., eat out less)
- Look for ways to earn more money (e.g., get a part-time job or sell some of your stuff)

## FINAL NOTE:

Don't stress too much about your spending plan in the beginning. The point is to create one and start using it.

# DEVELOP A MONEY MANAGEMENT STYLE

THERE IS NO RIGHT OR WRONG WAY TO MANAGE YOUR MONEY. YOU'RE GOING TO DO THINGS DIFFERENTLY THAN YOUR FRIENDS AND FAMILY MEMBERS, AND YOU'LL CHANGE HOW YOU MANAGE YOUR MONEY OVER TIME.

THE IMPORTANT THING IS TO KNOW WHAT'S DRIVING YOUR MONEY BEHAVIORS, SO YOU CAN MAKE MORE INFORMED DECISIONS FOR YOUR LIFE.

## ALIGN YOUR SPENDING WITH YOUR VALUES

Everyone has different ways they like to spend their money. You might shell out for experiences such as visiting new cities and playing intramural sports, while your roommate likes having the latest sound system or flat-screen.

- **Focus on what's really important to you** when deciding how to spend and save your money. For example, if you're trying to save up for a new tablet or a trip, you might not have room in your spending plan to go out to eat all the time.
- **Don't be afraid to say "no" to something your friends want to do** if it's going to take away from your greater goals.

## DISCOVER YOUR FINANCIAL IDENTITY

Your financial identity is the way you approach money management—what you think about and rely on when you've got decisions to make. Knowing your financial identity can provide insights into what you need to do to become financially self-sufficient.

When you're first starting out:

- **You might find financial decisions overwhelming, and your focus may be on other things.** This may lead you to act impulsively, so it will help you to slow down, gather information and carefully contemplate a decision before going forward.
- **You might want to adopt the financial practices of your parents or guardians.** While modeling their positive behavior is good, remember you'll face different challenges and opportunities than them. Ideally you will seek out additional insight and opinions.

## FINAL WORD:

Not sure where you are on the financial identity spectrum? Take the Smart About Money Financial Identity Quiz.

# SET SMART FINANCIAL GOALS

GOT THINGS YOU WANT TO BUY OR EXPERIENCE IN THE FUTURE? CHANCES ARE THEY COST MORE MONEY THAN YOU HAVE RIGHT NOW. THAT DOESN'T MEAN THEY'RE NOT DOABLE; IT JUST MEANS YOU HAVE TO MAKE THEM A PRIORITY—AND THAT'S WHERE GOALS CAN HELP.

## WHY HAVE GOALS?

When you're managing your money every month, it can be easy to get caught up in day-to-day expenses and forget to save for later on. If you write down your goals and incorporate them into your spending plan, you'll have a better chance of achieving them.

## NEED HELP DEFINING YOUR GOALS?

### Get specific:

- What's the desired end result, and what steps do I need to take to get there?
- Is there anyone else I need to involve?

### Define your goals:

- How will I know I've succeeded?
- How many actions will it take?

### Make sure you have the means:

- Do I have, or can I get, the resources I need?
- Are the plans I've put in place going to get me there?

### Confirm the importance:

- Is this a worthwhile goal for me, and am I willing to commit to achieve it?
- How does it fit in with my other goals—can I work toward all of them at once?

### Set a timetable:

- When is the deadline?
- Is it a short-, medium- or long-term goal?

## FINAL NOTE:

Life is full of surprises. You'll likely have situations that threaten to derail you—establish checkpoints and plan strategies to cope, so you'll be more likely to keep at it.

# SPEND YOUR MONEY WISELY

WITH A LITTLE SELF-AWARENESS AND SELF-CONTROL, YOU CAN TRANSFORM INTO A SMART SPENDER. HERE ARE A FEW THINGS TO KEEP IN MIND THE NEXT TIME YOU'RE GETTING READY TO MAKE A PURCHASE.

## BE A SAVVY SHOPPER

- **Make a shopping list** and stick to it.
- **Decide how much you can spend**, and limit temptation by only carrying cash.
- **Search for coupon codes and promotions** online, and ask about discounts when you get to a store.

## FIND THE BEST DEAL

- **Consider used over new.** Go for refurbished electronics and previously owned books.
- **Comparison shop.** Check prices at several stores and online retailers.
- **Get the inside scoop.** Read reviews online and talk to people you trust.

## THINK THROUGH BIG PURCHASES

- 1. Define your goal.** What do you want to achieve with this purchase?
- 2. Establish your criteria.** What aspects are "must-haves" and what are "nice-to-haves"?
- 3. Choose a few options,** taking anything that doesn't match your needs off the table.
- 4. Identify the pros and cons of each.** For example: "Option A has all the features I need and is in my budget, but it's not the color I want. Option B is the right color, but costs \$200 more than I can spend."
- 5. Decide what's best.** Choose the purchase option that best fits your criteria and financial situation.
- 6. Evaluate the results.** Do you feel good about the purchase? What might you do differently next time?

## FINAL NOTE:

**Know your triggers.** Are you a sucker for a sale? Do you have a weakness for \$4 lattes? Recognize what leads you to spend, and avoid those situations as much as you can.

## TAKE TIME CHOOSING CLASSES

DURING A SEMESTER, YOU CAN GET FINANCIAL AID FOR ANYTHING FROM LESS-THAN-HALF TIME TO FULL TIME ENROLLMENT. CHOOSING CLASSES SO YOU'RE NOT OVERWHELMED IS KEY TO SUCCESS IN THE FIRST SEMESTERS.

### START OUT WITH ONE OR TWO CLASSES

- Don't let your advisor convince you to take more classes than you are comfortable with working on at once.
- Know your limits when choosing between online and seated class options and take the course options that fit your learning style.

### IF YOU DON'T ATTEND...

- Your instructor can withdraw you from classes if you are not submitting assignments online or are not attending your seated classes. Make sure you're keeping up with your assignments and class times.

### WITHDRAWING FROM CLASSES

- If you feel overwhelmed during the semester, talk with your advisor about your course load and determine if there are courses from which you can withdraw.
- If you withdraw from all of your classes after your financial aid has been disbursed, you will owe money back to the college as you will not have completely earned the amount in federal funding you received.

**FINAL NOTE:** Your classes and your regular attendance greatly affect your financial aid status, so you should be careful when selecting courses to ensure that you don't take on more than you can handle.

# PLUG SPENDING LEAKS

SPENDING LEAKS OFTEN FLY UNDER THE RADAR, UNTIL YOU REALIZE HOW MUCH THEY'VE ADDED UP OVER TIME. YOU CAN PREVENT THESE SNEAKY SITUATIONS BY PAYING CLOSER ATTENTION TO YOUR MONEY.

**Cut out costly habits**, like smoking, buying expensive coffee drinks, hitting up vending machines and going out to eat.

**Make sure you have the right meal plan.** Adjust it for next semester if you're not eating as much as you planned; and look into rolling over meals.

### PAY ATTENTION TO YOUR STUDENT CHARGE ACCOUNT

- Treat it the same way you would your checking account.
- Keep track of your spending on your phone or on your computer.
- Limit spending to necessities only.

### SEEK OUT DEALS

- Shop at thrift stores, garage sales and online community swap sites.
- Look for daily deals, coupons and discount codes.
- Buy used textbooks.

### CUT HOUSEHOLD EXPENSES

- Turn off the lights when you're not in the room.
- Unplug appliances and electronics when you're not using them.
- Open the windows instead of using the A/C, and put on a sweater in lieu of the heat.

### FINAL NOTE:

Being a student does have some benefits when it comes to plugging spending leaks. Try flashing your student ID card at the movies, restaurants and on public transportation to see if they offer any special deals for students. Save money on entertainment by seeking out free concerts, festivals and plays on campus and in the city.

# CHOOSE YOUR CREDIT CARD CAREFULLY

CARD PROVIDERS MAKE SIGNING UP FOR CREDIT CARDS INCREDIBLY APPEALING.

WHETHER THEY'RE EMPHASIZING THE SWEET REWARDS OR THE LOW MONTHLY PAYMENTS, IT CAN BE EASY TO GET SWEEPED UP IN THEIR SELL.

**TAKE TIME TO RESEARCH YOUR OPTIONS.** Try not to say "yes" to any offer that comes your way. Make sure you clearly understand the terms and conditions, fees and perks of the card first. Also, avoid chasing after rewards. If you are considering a rewards card, make sure you're not getting a high interest rate and unforgiving terms in return.

**KNOW THAT SOME CARDS REQUIRE YOU TO HAVE A CERTAIN CREDIT SCORE TO QUALIFY.**

Unless you already have a variety of other loans, it's unlikely you'll have more than a fair or average score.

- **Look to your bank.** It might offer a number of cards for applicants with limited credit histories, such as a student card with a low balance or a secured card connected to your checking or savings account.
- **Talk to your parents or guardians.** Ask whether they would consider adding you as an authorized user on one of their cards, so you can start building a credit history.

**AVOID SIGNING UP FOR MULTIPLE CARDS AT ONCE.**

You only need to start with one card.

- **Look for cards with** no annual fees, low interest rates and 20- to 30-day grace periods.
- **Beware of cards that** charge one-time processing fees or offer low introductory interest rates that shoot up after a few months.

**FINAL WORD:**

**Never co-sign for someone else's credit card.** If you do, you'll be legally liable to repay any debt that person incurs.

# USE YOUR CREDIT CARD RESPONSIBLY

WHEN YOU FIRST START USING YOUR CREDIT CARD, IT CAN BE EASY TO GET CARRIED AWAY. TO ENSURE YOU DON'T GET IN OVER YOUR HEAD WITH YOUR CREDIT USE, TAKE THE FOLLOWING STEPS:

**PAY OFF YOUR BILL IN FULL EACH MONTH—AND MAKE SURE YOU PAY IT ON TIME.**

- If you only make the minimum payment, you'll be left with a balance, which will increase over time thanks to interest.
- If you pay your bill late, you'll incur a fee, and it will look like you can't handle your payments.

**Know what's going on with your account by reading your statement each month.** Not only will it give you a picture of how much you're spending and when your payment is due, but also it will alert you to any unauthorized charges.

**ESTABLISH A "CREDIT CODE OF BEHAVIOR."**

- **Only use your card for certain types of purchases,** so it's easier to keep track of how much you're spending throughout the month.
- **If you charge anything big, have a plan to pay it off.** If you plan to pay it off over time, know how interest will impact the overall cost.

**Withdraw cash using your debit card,** instead of withdrawing a cash advance from your credit card. You'll avoid fees and a hefty interest rate.

**FINAL NOTE:**

**Know what your credit card company is required to tell you.** For example:

- On every statement, your card provider must spell out how long it'll take you to pay off your balance if you only make the minimum payments.
- If your card provider plans to increase your interest rate, it must notify you in writing 45 days beforehand.

# BUILD A GOOD CREDIT HISTORY

YOUR CREDIT HISTORY IS A TRACK RECORD OF YOUR CREDIT USE, AS RECORDED BY THREE DIFFERENT CREDIT REPORTING BUREAUS (EXPERIAN, TRANSUNION AND EQUIFAX). EVERY TIME YOU OPEN A NEW LINE OF CREDIT OR MAKE A LATE PAYMENT, FOR EXAMPLE, THE CREDIT REPORTING BUREAUS TAKE NOTE.

## WHAT'S IN MY CREDIT SCORE?

Your credit score is calculated using both positive and negative information found in your credit report, which is a summary of your credit history. The most commonly used credit score is from FICO, and it ranges from 300 to 850.

To learn what factors are considered and which have the most weight in your score, visit [www.onyourown.org](http://www.onyourown.org).

## WHO USES MY CREDIT SCORE TO MAKE DECISIONS ABOUT ME?

Not only do lenders consult your credit score, but also landlords, employers and service providers. If you have a poor credit history, you could be turned down for a job, denied an apartment, charged a high insurance rate, or required to put down a deposit to set up Internet.

## HOW CAN I BUILD OR IMPROVE MY CREDIT SCORE?

- **Pay everything on time**, from basic expenses and utilities to loan and credit card payments.
- **Apply for credit only when you need it.**
- **Try to use only 25 percent of the total credit available to you**, so it doesn't look like you're heavily relying on it to get by.
- **Never max out your credit card**—that's a red flag to lenders.
- **Remedy any inaccuracies** you see on your credit history immediately.

## FINAL NOTE:

**Check your credit report regularly.** You can request a free report from each of the credit reporting bureaus by going to [www.annualcreditreport.com](http://www.annualcreditreport.com). You might consider staggering the reports throughout the year, so you can keep a watchful eye.

# GET HELP IF YOU'RE IN DEBT TROUBLE

YOU MIGHT BE IN DEBT TROUBLE IF YOU DON'T KNOW HOW MUCH YOU OWE, BORROW FROM ONE CREDIT CARD TO PAY ANOTHER, MISS PAYMENTS OR PAY YOUR BILLS LATE OR START HEARING FROM YOUR CREDITORS OR COLLECTION AGENCIES.

JUST LIKE WITH ANY OTHER FINANCIAL ISSUE, IT'S IMPORTANT TO SPEAK TO THE RIGHT PEOPLE AND TAKE THE RIGHT STEPS TO RESOLVE IT.

## PEOPLE TO TALK TO

- Start with your parents or guardians, who can offer insight into your situation.
- Seek help from the National Foundation for Credit Counseling, whose experts can help you formulate a plan.
- Consult with your financial aid advisor, or see a psychologist on campus to help you cope with the mental consequences of debt.

## STEPS TO TAKE

- **Put away your credit cards, but don't close down the accounts completely.** You might need them at some point, and closing your accounts can have a negative impact on your credit score.
- **Know what you owe.** It might not be as bad as you think.
- **Contact your creditors directly** and ask them to lower your rates.
- **Make a budget** to determine how much money you can set aside to pay off debt.
- **Reward yourself.** It can be hard to stay disciplined over weeks and months of paying down debt. Create milestones you can celebrate and give yourself breaks along the way.

## FINAL NOTE:

**KNOW THE APPROPRIATE AMOUNT OF DEBT FOR YOU. FOLLOW THE 20-10 RULE:**

- When deciding whether to take out money, limit the amount you borrow to less than 20 percent of your annual net income.
- When setting up your monthly payments, limit them to less than 10 percent of your monthly net income.



# HARNESS THE POWER OF COMPOUNDING INTEREST

WHAT'S THE BEST THING YOU CAN DO TO GROW YOUR MONEY? GET AN EARLY START.

EVEN IF YOU DON'T HAVE MUCH TO PUT AWAY, SMALL AMOUNTS CAN ADD UP TO BIG NUMBERS IN THE LONG RUN—THANKS TO COMPOUNDING INTEREST.

#### KNOW HOW IT WORKS

When you save or invest your money, it earns interest according to a particular interest rate. That interest then gets added to your baseline total, and starts earning interest along with the original amount.

For example, if you save \$1,000 in an account with a 10 percent interest rate, you'll have an extra \$100 at the end of a year. The second year, you'll earn another 10 percent, not only on your original \$1,000 but also on the \$100 in interest you earned the previous year.

#### UNDERSTAND HOW IT CAN ADD UP

The longer you keep your money in an interest-earning account or investment, the more compound interest works in your favor, and the easier it can be to attain your financial goals. This is true even if you stop contributing along the way.

#### FINAL WORD:

When you save or invest for the long term, it's important to remember that your money won't be worth as much later as it is now due to inflation.

Inflation is when the prices of food, gas, clothes and other goods and services increase over time, because it costs more to provide them.

# KNOW WHERE TO INVEST YOUR MONEY

WHEN YOU INVEST, YOU BUY AN ASSET YOU BELIEVE WILL INCREASE IN VALUE—ANYTHING FROM A RENTAL PROPERTY TO STOCK IN A COMPANY. INVESTMENTS ARE RISKIER THAN SAVINGS BECAUSE THERE'S NO GUARANTEE YOU'LL EARN MORE THAN YOU PAID FOR THE ASSETS.

#### NAVIGATING THE STOCK MARKET

**Stocks** – When you buy stock in a company, you are providing money to a company to run a business and you become part owner of the company. If the company does well, the value of the stock increases.

- **How you make money:** You make money by selling the stock when it's worth more than you paid for it. You also might receive a quarterly or annual dividend from the company's profits.
- **Potential risks:** Stock prices can change due to the company's current or expected sales and profits, changes in the economy or government regulations, or recent publicity the company has received—good or bad.

**Mutual Funds** – When you buy a mutual fund, you pool your money with other people's money and become part owner of a portfolio of stocks, bonds and other assets owned by the fund.

- **How it's managed:** Each mutual fund has an investment objective—income, growth or something else. A portfolio manager does all the work researching investment opportunities and conducting the actual buying and selling. You make money when you receive dividends or sell the fund.
- **Potential risks:** With mutual funds, you're still investing in securities in the stock market, but it's a one-stop investment in many companies, which is less risky than owning shares in just a few.

#### FINAL WORD:

Investing in the stock market can be tricky. When you want help making investment decisions, seek help from an investment advisor.

# CashCourse

**CASHCOURSE**  
[info.cashcourse.org](http://info.cashcourse.org)

CashCourse helps college students build money management skills, survive a tough economy and prepare for success. The online program offers resources for all students, regardless of college affiliation.



**HSFPP**  
[www.hsfpp.org](http://www.hsfpp.org)

For more than 30 years, teachers have used this turnkey financial literacy program to equip students grades 8-12 with basic personal finance skills that prepare them for financial independence.



**ON YOUR OWN**  
[www.onyourown.org](http://www.onyourown.org)

The On Your Own blog features practical information for young adults just starting out in the real world. Along with informational articles and tools, OYO offers profiles of real people across the country detailing their financial experiences as they enter adulthood.



**SMART ABOUT MONEY**  
[www.smartaboutmoney.org](http://www.smartaboutmoney.org)

Read practical articles and use financial calculators, worksheets, money-saving tips, and other valuable resources to help you make smart decisions with your money. SAM offers materials for people at various stages in life and financial situations.



**NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION**

**THE NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION**

The National Endowment for Financial Education® (NEFE®) is an independent, nonprofit foundation committed to educating Americans on a broad range of financial topics and inspiring empowered financial decision making for individuals and families through every stage of life. For more than 30 years, NEFE has been providing funding, logistical support and personal finance expertise to develop a variety of materials and programs. Additionally NEFE funds research and awards research-based development grants that advance innovative thinking and contribute to our understanding of financial behavior. Learn more at [www.nefe.org](http://www.nefe.org).

©2015 National Endowment for Financial Education®. All rights reserved.

# Understanding Credit

Learning how to use credit wisely is a major step towards becoming a responsible adult. By making wise decisions now, you'll avoid a lot of financial stress in the future.

**Credit:** money loaned, usually for a fee, that must be repaid.

Credit lets you buy now and pay later. Sounds good doesn't it? However, many young adults find themselves in financial trouble before finishing college or soon after due to "living beyond their means." You'll be given credit card offers from a variety of sources that often include a free gift just for applying. You intend for the card to be used for emergencies only, however, "emergencies" become pizza, new clothes and concert tickets. A good rule you can follow to keep your spending under control is to pay the entire balance on your card every month. Carrying a balance forward requires you to pay interest on the amount of the credit line currently owed.

**Credit Report:** a document that contains a factual record of an individual's credit payment history.

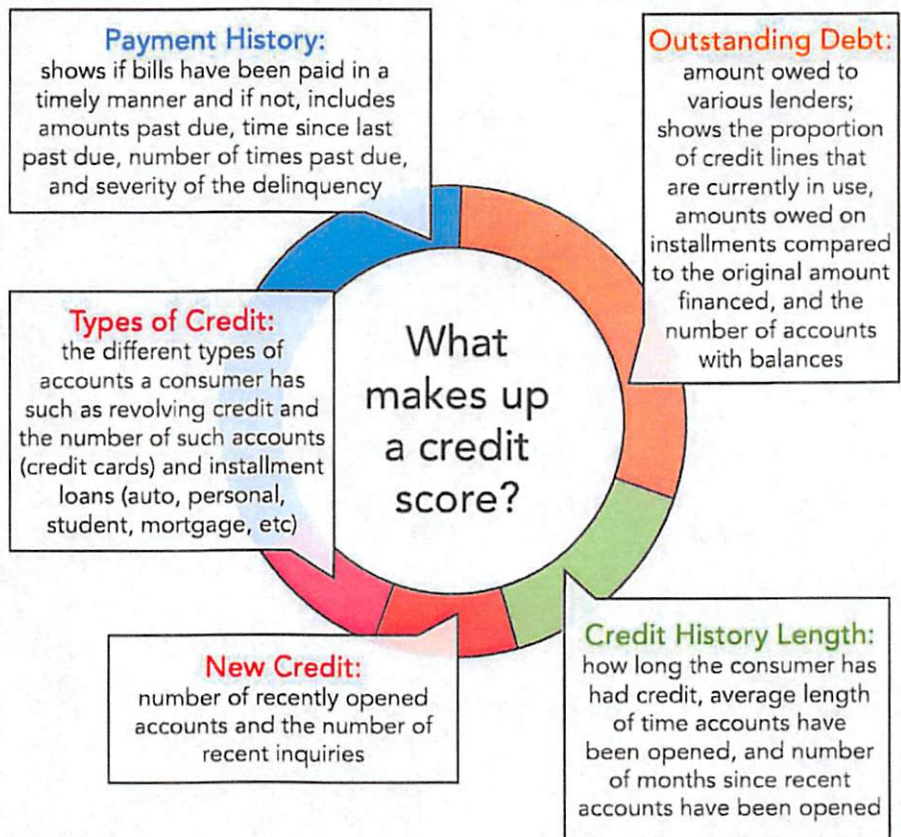
Credit grantors review your credit report to determine whether to grant you credit. In addition to credit payment history, your credit report contains your personal identifying information such as your name, current and previous addresses, employers and your date of birth.

**Credit Score:** a credit score is a number attached to a consumer's credit report that summarizes their credit risk and is used in part when borrowing money, applying for a job, applying for insurance, etc.

Credit Scores used for lending typically range from 150 to 950 (depending on the scoring model used). The higher your score, the less risk you represent to lenders and the more favorably they'll view your application.

**Good Debt vs. Bad Debt:**

Some debt can be good. For instance, going in debt to purchase a place to live or provide an education could be considered good debt. Bad debt examples include: Credit card balances that can't be paid off once the bill is due, a loan on an automobile that is more than you have budgeted, or a house payment that nearly "drains" your account. Spending more money than you bring in is not a good thing! Budget accordingly to cover your living expenses and put money in savings whenever you can.



## NEGOTIATING WITH CREDITORS

Most people encounter financial difficulties at some point in their lives. The loss of a job, a serious medical condition, and divorce are a few examples of unforeseen life events that can wreak havoc on a person's finances. Listed below are some basic steps to help you develop a plan of recovery and negotiate effectively with creditors.

### Preparing to Negotiate

Before contacting creditors, you must have a firm grasp of your current financial standing.

- **Establish a budget** – Include all sources of income and expenses. A written budget will enable you to calculate what you can afford, allow you to track your progress, and keep your payments organized. The Credit Union can help you in this process with a free Spending Plan Review offered at your local branch.
- **Prioritize which creditors should be paid first** – The most important financial obligations should be paid first, usually housing and transportation.
- **Set goals** – Develop a strategy to settle each debt. If you need help, the Credit Union offers free Debt Elimination Counseling at your local branch to assist you in establishing a payment plan to pay off each of your creditors.

### Communicating with Creditors

Be proactive in reaching out to creditors once you have established a plan of action. Creditors may approve payment plans, loan extensions, reduced interest rates, and refunds of late payment fees. Creditors will often make special arrangements if you demonstrate your willingness and ability to pay.

- Explain the circumstances that led to your inability to pay, and offer your plan.
- Commit to only what you can afford, and be firm in your position.
- Keep the lines of communication open. Do not ignore a creditor's attempt to contact you.

### Helpful Tips for Successful Negotiations

Focus on a solution-oriented process in your negotiations with creditors.

- Know how much you have to offer and attempt to identify what the creditor may accept. If a creditor believes you can afford to pay a specific amount, they may be unwilling to accept a smaller payment.
- Offer a lump sum as part of a settlement arrangement. Creditors may accept considerably less than what is owed to them if they doubt the prospects of collecting future payments. **Note:** Cancellation of debt may trigger a 1099-C Cancellation of Debt notice which could result in additional tax liability.
- If the creditor refuses a lump sum settlement, offer a monthly payment arrangement you can afford.
- Put your agreement in writing, and keep documentation of your negotiations. Draft a letter summarizing the agreement and keep evidence of delivery to the creditor.

---

Did you know that your Credit Union offers Financial Counseling Services? For more information about negotiating with creditors, debt elimination, credit report review, and spending plan review, please contact your local branch. We are here to help!

The Credit Union does not negotiate with creditors on behalf of its members nor do we negotiate amounts owed or interest rates charged on Credit Union loans. If you are having difficulty re-paying your Credit Union loans, please speak with your Credit Union lending officer who may be able to restructure your debts or offer other alternatives.

# FOCUS ON **FINANCES:**



Preparing  
For Your  
Future

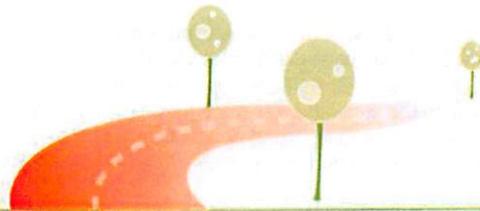
Whether you're planning to continue your formal education after you graduate from high school or enter the workforce full-time, you're ready to take your place among the ranks of American consumers. Learning about consumer issues like credit, identity theft, and buying a car – and how they can affect you – are important lessons for life. It's a great time to start!

Federal Trade Commission

1-877-FTC-HELP | [ftc.gov](http://ftc.gov)

## Setting Out on Your Own!

Preparing to be out on your own can be fun and exciting, but it also means taking on new financial responsibilities. The decisions you make now about how you manage your money can affect your ability to get credit, insurance, a place to live, and even a job.



### First Things First: Developing a Budget

The first step toward taking control of your financial situation is to do a realistic evaluation of how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses – those that are the same each month – like rent, car payments, and insurance premiums. Next, list the expenses that vary – like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary

expenses, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, and insurance.

Your public library and bookstores have information about budgeting and money management techniques. In addition, computer software programs can be useful tools for developing and maintaining a budget, balancing your checkbook, and creating plans to save money.

### To Do:

Choose five "Help Wanted" listings from five different categories of the classified ads. These should be jobs for which you are qualified. Read each job description carefully, noting the skills required for each position. Then make a list of your knowledge and skills to determine if the job might be right for you.

Using the hourly wage or yearly salary in one of the ads, determine how much you will earn each month. First, subtract 30 percent for taxes to determine your net monthly income. Then, create a budget of how much you might spend on the following, and subtract these costs from your income.



#### A place to live.

Find the apartment listings. Choose a place to live and record the monthly rent on your budget sheet.



#### Groceries.

Find the food ads. Estimate the amount of food you will need each week and then multiply the cost by four to estimate your monthly expense. Remember to add in costs for non-food items, too, like shampoo, soap, toothpaste, and laundry detergent.



#### Eating Out.

Find a restaurant ad and deduct the cost of dinner for two plus a 20 percent tip.



#### Transportation.

Find the automotive section and find a new or used car you'd like to buy. Once you've chosen a car, add 6 percent for interest cost and divide it by 48 to estimate the monthly payment for a four year loan.



#### Other Expenses

Consider auto insurance, gasoline, utilities (for example, gas and electric, telephone, cable), cell phone, renter's insurance, college tuition, clothes, haircuts, charity, a vacation, your daily cup of coffee, and maybe longer term savings to buy a home. Add a reasonable amount to your expenses for these items.

What's your bottom line? Do you have any money left at the end of the month? If not, what expenses can you reduce or eliminate? Is there a way to make more money?



## Lifeskills 101: Credit

When you apply for a credit card, a personal loan, or insurance, a file about you is created. This file, known as your "credit report," is maintained by credit reporting companies. Your report will grow to include information on where you live, how you pay your bills, and whether you've ever been sued, arrested, or filed for bankruptcy. Credit reporting companies sell the information in your report to creditors, insurers, employers, and other businesses with a legitimate need for it. They use the information to evaluate your applications for credit, insurance, employment, or renting a place to live.

Credit reporting companies collect four basic types of information and sell it to people who have a lawful reason to collect it.

### Identification and Employment Information

Your name, birth date, Social Security number, employer, and spouse's name are noted routinely. The credit reporting company also may provide information about your employment history, income, and previous address, if a creditor asks.

### Payment History

Your accounts with different creditors are listed, showing how much credit has been extended and whether you've paid in a timely way. Related events, like the referral of an overdue account to a collection agency, also may be noted.

### Inquiries

Credit reporting companies must maintain a record of all the creditors who have asked for your credit history within the past year, and a record of individuals or businesses that have asked for your credit history for employment purposes for the past two years.

### Public Record Information

Events that are a matter of public record, like bankruptcies, foreclosures, and tax liens, may appear in your report. Having a good credit history means it will be easier for you to get loans and lower interest rates. Lower interest rates usually translate into smaller monthly payments. Conversely, having a bad credit history can haunt you for seven

years or more. It can affect your ability to get additional credit. And if you can get credit, it may be at higher rates with less than favorable terms. Negative credit also can affect your ability to get or keep a job. Employers often use a credit report when they hire and evaluate employees for promotion, reassignment, or retention. These are just a few reasons why it's best to learn how to maintain good credit before a problem starts.

### Building a Credit Report

Establishing a good credit history is easier than it may seem. You might apply for a credit card issued by a local store, because local businesses may be more willing to extend credit to someone with no credit history. Once you establish a pattern of making your payments

on time, major credit card issuers might be more willing to extend credit to you. You might apply for a secured credit card. Basically, this card requires you to put up the money first and then lets you borrow 50 to 100 percent of your account balance. You also might ask other people who have an established credit history to co-sign on an account. By co-signing, the person is agreeing to pay back the loan if you don't.

### Keeping Your Credit Record Clean

Good credit is important, now and in the future. In most cases, it takes seven years for accurate, negative information to be deleted from a credit report. It takes even longer for bankruptcy information to be deleted – 10 years.

## Getting Your Credit Report

The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies – Equifax, Experian, and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's credit reporting companies. The FTC enforces the FCRA with respect to credit reporting companies.

Equifax, Experian, and TransUnion use one website, one toll-free telephone number, and one mailing address for consumers to order their free annual credit report. Do not contact the three nationwide credit reporting companies individually.

To order your free annual credit report:

- **visit:** [annualcreditreport.com](http://annualcreditreport.com);
- **call toll-free:** 1-877-322-8228; or
- **mail** your completed Annual Credit Report Request Form (available at [ftc.gov/freereports](http://ftc.gov/freereports)) to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

You may order your free annual reports from each of the credit reporting companies at the same time, or you may want to stagger your order throughout the year, providing you with a periodic look at your credit status.

To order your report, you'll need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your credit file, each nationwide credit reporting company may ask you for some information that only you would know, like the amount of your car payment. Each company may ask you for different information because the information each one has in your file may come from different sources.

For more information, see "Your Access to Free Credit Reports" at [ftc.gov/credit](http://ftc.gov/credit).

The image shows a sample of the Annual Credit Report Request Form. At the top, it features the logos for Equifax, Experian, and TransUnion. Below the logos, there is a title 'Annual Credit Report Request Form' and a brief introduction. The form contains several sections with input fields: 'Social Security Number' (with a grid for digits), 'Date of Birth' (with fields for month, day, and year), 'Current Mailing Address' (with fields for street, city, state, and zip), and 'Previous Mailing Address' (with a note that it is only for use if you have moved in the last two years). At the bottom, there are checkboxes for 'Send me a credit report' and 'Send me a credit report and a copy of my credit score'. The form is designed to be filled out and mailed to the Annual Credit Report Request Service.

Sample Form. Download actual form at: [ftc.gov/freereports](http://ftc.gov/freereports)

## Credit Scoring

Businesses often use more than the information in your credit report when they decide whether to grant you credit. They also consider your credit score. Here's how credit scoring works in helping decide who gets credit – and why. Information about you and your credit experiences, such as



your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and how long you've had your accounts, is collected from your credit

application and your credit report. Using a statistical program, creditors compare this information to the credit performance of consumers with similar profiles. A credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points – a credit score – helps predict how creditworthy you are – that is, how likely you are to repay a loan and make the payments when they are due. The higher the points on your credit score, the better it is. A low score may mean you will be turned down for credit, or have to pay more for credit in the form of higher interest rates.

For more information, see "Need Credit or Insurance? Your Credit Score Helps Determine What You'll Pay" at [ftc.gov/credit](http://ftc.gov/credit).



## Paying with Plastic: What a Difference a Word Makes



**Credit card** – You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan – you have to pay the money back. And some issuers charge an annual fee for their cards. Some credit card issuers also provide “courtesy” checks to their customers. You can use these checks in place of your card, but they’re not a gift – they’re also a loan that you must pay back. And if you don’t pay your bill on time or in full when it’s due, you will owe a finance charge – the dollar amount you pay to use credit. The finance charge depends in part on your outstanding balance and the annual percentage rate (APR).

**Charge card** – If you use a charge card, you must pay the balance in full each time you get your statement.

**Debit card** – This card allows you to make purchases by accessing the money in your checking or savings account electronically.



### The Fine Print

When applying for credit cards, it’s important to shop around. Fees, interest rates, finance charges, and benefits can vary greatly among card issuers. And, in some cases, credit cards might seem like great deals until you read the fine print and disclosures. When you’re trying to find the credit card that’s right for you, look at the:

**Annual percentage rate (APR)** – The APR is a measure of the cost of credit, expressed as a yearly interest rate. It must be disclosed before your account can be activated, and it must appear on your account statements. The card issuer also must disclose the “periodic rate” – the rate applied to your outstanding balance to figure the finance charge for each billing period.

Some credit card plans allow the issuer to change your APR when interest rates or other economic indicators – called indexes – change. Because the rate change is linked to the index’s performance, these plans are called “variable rate” programs. Rate changes raise or lower the finance charge on your account. If you’re considering a variable rate card, the issuer also must tell you that the rate may change and how the rate is determined.

Before you become obligated on the account, you also must receive information about any limits on how much and how often your rate may change.



**Grace period** – The grace period is the number of days you have to pay your bill in full without triggering a finance charge. For example, the credit card company may say that you have 25 days from the statement date, provided you paid your previous balance in full by the due date. The statement date is on the bill.

The grace period usually applies only to new purchases. Most credit cards do not give a grace period for cash advances and balance transfers. Instead, interest charges start right away.

If your card includes a grace period, the issuer must mail your bill at least 14 days before the due date so you’ll have enough time to pay.

**Annual fees** – Many issuers charge annual membership or participation fees that often range from \$20 to \$75.

**Transaction fees and other charges** – Some issuers charge a fee if you use the card to get a cash advance, make a late payment, or exceed your credit limit. Some charge a monthly fee whether or not you use the card.

**Customer service** – Customer service is something most people don’t consider, or appreciate, until there’s a problem. Look for a 24-hour toll-free telephone number.

**Unauthorized charges** – If your card is used without your permission, you can be held responsible for up to \$50 per card. If you report the loss before the card is used, you can’t be held responsible for any unauthorized charges. If a thief uses your card before you report it missing, the most you’ll owe for unauthorized charges is \$50.

To minimize your liability, report the loss as soon as possible. Some issuers have 24-hour toll-free telephone numbers to accept emergency information. It’s a good idea to follow-up with a letter to the issuer – include your account number, the date you noticed your card missing, and the date you reported the loss.

### To Do:

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50.

Look for credit card offers. Make a chart with a column for each offer, and note the following under each:

- What is the annual percentage rate (APR)?
- Is there an introductory rate? If so, how long does it last? What will the APR be after that period?
- Is the APR for cash advances different than the APR for purchases? If so, what is the APR for cash advances?
- Does the card have a cash back feature? If so, how does it work?
- Is there an annual fee? If so, how much is it?
- What is the late payment fee?
- What happens if you default? Will your interest rate increase? If so, what will the new rate be?
- What other important information is provided?

For more information, see “Choosing a Credit Card: The Deal is in the Details” at [ftc.gov/credit](http://ftc.gov/credit).



## It's Going To Take How Long to Pay Off That Debt?



Keep in mind that credit card interest rates and minimum monthly payments affect how long it will take to pay off your debt and how much your purchase will cost you over time. Here are two examples:

Suppose when you're 18, you charge \$1,500 worth of clothes and DVDs on a credit card with a 19 percent interest rate.

If you repay only the minimum amount each month, and your minimum is 4 percent of the outstanding balance (the lowest amount permitted by some issuers), you'll start with a \$60 payment. You'll be more than 26 years old by the time you pay off the debt. That's 106 payments, and you will have paid more than \$889 extra in interest. And that's if you charge nothing else on the card, and no other fees are imposed (for example, late charges).

If your minimum payment is based on 2.5 percent of the outstanding balance, you'll start with a \$37.50 payment. You'll be over 35 years old when you pay off the debt. That's 208 payments, and you will have paid more than \$2,138 in interest, even if you charge nothing else on the account and have no other fees.



### Keep Credit Card Use Under Control

Whether you shop online, by telephone, or by mail, a credit card can make buying many things much easier. But when you use a credit card, it's important to keep track of your spending. Incidental and impulse purchases add up. When the bill comes, you have to pay what you owe. Owing more than you can afford to repay can damage your credit rating. Keeping good records can prevent a lot of headaches, especially if there are inaccuracies on your monthly statement. If you notice a problem, report it promptly to the company that issued

the card. Usually the instructions for disputing a charge are on your monthly statement. If you use your credit card to order by mail, by telephone, or online, keep copies and printouts with details about the transaction.

These details should include the company's name, address, and telephone number; the date of your order; a copy of the order form you sent to the company or a list of the stock codes of the items you ordered; the order confirmation code; the ad or catalog from which you ordered (if applicable); any applicable warranties; and the return and refund policies.

Finally, if you have a credit card, take the following precautions:

- Never lend it to anyone.
- Never sign a blank charge slip. Draw lines through blank spaces on charge slips above the total so the amount can't be changed.
- Never put your account number on the outside of an envelope or on a postcard.
- Always be cautious about disclosing your account number on the telephone unless you know the person you're dealing with represents a reputable company.
- Carry only the cards you expect to use to minimize the damage of a potential loss or theft.
- Always report lost or stolen ATM and credit cards to the card issuers as soon as possible. Follow up with a letter that includes your account number, when you noticed the card was missing, and when you first reported the loss.

For more information, see "Getting Credit: What You Need to Know About Your Credit" at [ftc.gov/credit](http://ftc.gov/credit).

## A Different Kind of Plastic: Gift Cards



Shopping for gifts can be a real dilemma. Just what do you get the person who has everything, your hip best friend, your cool brother, or your finicky aunt? Gift cards may be the answer: one size fits all, and the recipients can get exactly what they want. But before you buy a wallet full of gift cards from your favorite retailer or your local financial institution, know that some strings may be attached. For example, some cards can be used only at the retailer's store locations; others can be used at any retailer and online. Some have expiration dates. Some let the user "reload" or add money to the balance on the card. And some have fees, like activation fees, transaction fees, monthly maintenance fees, inactivity or non-use fees, replacement fees for lost or stolen cards, or balance inquiry fees.

### Tips for buying gift cards

Store cards sold by retailers usually are issued free of charge. But banks often charge a fee to buy

cards. Some bank gift cards come with a Personal Identification Number (PIN) that lets the user withdraw cash from an ATM. Other things you should know before you buy a gift card:

- Read the fine print before you buy. If you don't like the terms and conditions, buy elsewhere.
- When you're buying a card, ask about expiration dates and fees. This information may appear on the card itself, on the accompanying sleeve or envelope, or on the issuer's website. If you don't see it, ask. Make sure that whatever the salesperson tells you also is in writing. If the seller is reluctant to put the terms or conditions in writing – or says it isn't necessary – shop elsewhere. If the information is separate from the gift card, give it to the recipient to help protect the value of the card. It's also a good idea to give the recipient the original receipt to verify the

card's purchase in case it is lost or stolen.

- Consider purchase fees: Is there a fee to buy the card or activate it? If you buy the card online or on the phone, is there a fee for shipping and handling? Does expedited delivery cost more?
- Consider fees for the recipient. It might be embarrassing to give a \$50 gift card to someone if much of the amount gets gobbled up in fees.
- Check on purchase exceptions. For example, can the recipient use a store-specific gift card at either the physical store or at the store's website? Can an "all purpose" card really be used to buy groceries or gasoline?

### Tips for using gift cards

If you've received a gift card, it pays to be a smart and savvy consumer.

- Read the terms and conditions as soon as you get the card, and check for an expiration date.
- If you didn't get the card's terms and conditions, the original

purchase receipt, or the card's ID number, ask for them from the person who gave you the card, and then keep them in a safe place.

- Treat your card like cash. If your card is lost or stolen, report it to the issuer immediately. You may be out the entire amount on the card. Some issuers won't replace the cards, but others will if you pay a fee. And if they do charge for replacement cards, you'll most likely need to document the purchase and provide the ID number. Most issuers have toll-free numbers so consumers can report lost or stolen cards.
- If your card expires before you've had a chance to use it or exhaust its value, contact the issuer. They may extend the date, although they may charge a fee.

For more information, see "Buying, Giving, and Using Gift Cards" at [ftc.gov/credit](http://ftc.gov/credit).



## Identity Theft: Deter, Detect, Defend

Identity theft occurs when someone uses your personal information to commit fraud. When an imposter co-opts your name, your Social Security number, your credit card number, or some other piece of your personal information for their use – in short, when someone appropriates your personal information without your knowledge – it's a crime.

The biggest problem? You may not know your identity's been stolen until you notice that something's amiss: you may get bills for a credit card account you never opened; your credit report may include debts you never knew you had; a billing cycle may pass without your receiving a statement; or you may see charges on your bills that you didn't sign for, didn't authorize, and don't know anything about.

### How Identity Thieves Get Your Information

Skilled identity thieves use a variety of methods to gain access to your personal information. For example, they may get information from businesses or other institutions by:

- stealing records or information while they're on the job, or bribing an employee who has access to these records.
- hacking these records.
- conning information out of an employee.
- rummaging through your trash, the trash of businesses, or public trash dumps in a practice known as "dumpster diving."
- getting your credit reports by abusing their employer's authorized access to them, or by posing as a landlord, employer, or someone else who may have a legal right to access your report.

### Identity thieves also may get your information by:

- stealing your credit or debit card numbers by capturing the information in a data storage device in a practice known as "skimming." They may swipe your card for an actual purchase, or attach the device to an ATM machine where you may enter or swipe your card.
- stealing wallets and purses containing identification and credit and bankcards.
- stealing mail, including bank and credit card statements, new checks, or tax information.
- completing a "change of address form" to divert your mail to another location.
- stealing personal information from your home.
- scamming information from you by posing as a legitimate business or government official.

### How Identity Thieves Use Your Information:

Once identity thieves have your personal information, they may:

- go on spending sprees using your credit and debit card account numbers to buy "big-ticket" items like computers that they can easily sell.
- open a new credit card account, using your name, date of birth, and Social Security number. When they don't pay the bills, the delinquent account is reported on your credit report.
- change the mailing address on your credit card account. The imposter then runs up charges on the account. Because the bills are being sent to the new address, it may take some time before you realize there's a problem.
- take out auto loans in your name.
- establish phone or wireless service in your name.
- counterfeit checks or debit cards, and drain your bank account.
- open a bank account in your name and write bad checks on that account.
- file for bankruptcy under your name to avoid paying debts they've incurred, or to avoid eviction.
- give your name to the police during an arrest. If they are released and don't show up for their court date, an arrest warrant could be issued in your name.

For more information, see "*Deter, Detect, Defend: Avoid IDTheft*" at [ftc.gov/idtheft](http://ftc.gov/idtheft).

## DETER: How to Minimize Your Risk of Identity Theft

You can minimize the risks of identity theft by managing your personal information wisely and cautiously. Here are some ways to protect yourself:

- Before you reveal any personally identifying information, find out how it will be used, whether it will be shared, and with whom.
- Pay attention to your billing cycles. Follow up with creditors if your bills don't arrive on time.
- Guard your mail from theft. Deposit outgoing mail in post office collection boxes or at your local post office. Remove mail from your mailbox as soon after it has been delivered as you can. If you're planning to be away from home and can't pick up your mail, call the U.S. Postal Service toll-free at 1-800-275-8777, or visit [www.usps.gov](http://www.usps.gov) to ask for a vacation hold.
- When possible, put passwords on your credit card, bank, and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or telephone number, or a series of consecutive numbers. It's a good idea to keep a list of your credit card issuers and their telephone numbers in a safe place.
- Don't give out personal information on the telephone, through the mail, or over the Internet unless you've initiated the contact or know whom you're dealing with.
- Protect any personal information in your home. For example, tear or shred documents like charge receipts, copies of credit offers and applications, insurance forms, doctor's statements, discarded bank checks and statements, and expired credit cards before you throw them away. Be cautious about leaving personal information in plain view, especially if you have roommates, hire outside help, or are having service work done. Find out who has access to your personal information at work or at school, and verify that the records are kept in a secure location.
- Never carry your Social Security card; leave it in a secure place at home. Give out your Social Security number only when you are convinced it is absolutely necessary.
- Order your credit report from each of the three nationwide credit reporting companies every year to make sure it is accurate and includes only those activities you've authorized.
- Carry only the identification that you actually need.

## DETECT: How to Tell If You're a Victim of Identity Theft

Monitor the balances of your financial accounts. Look for unexplained charges or withdrawals. Other indications of identity theft can be:

- failing to receive bills or other mail, or getting bills for products or services you haven't bought.
- receiving credit cards for which you did not apply.
- denial of credit for no apparent reason.
- receiving calls from debt collectors or companies about merchandise or services you didn't buy.



## DEFEND: What to Do If You're a Victim of Identity Theft

If you suspect that your personal information has been used to commit fraud or theft, take the following four steps right away.

### 1. Place a fraud alert on your credit reports and read them when you get them.

Contact any one of the nationwide credit reporting companies to place a fraud alert on your credit report. Fraud alerts can help prevent an identity thief from opening any more accounts in your name. The company you call is required to contact the other two, which will place an alert on their versions of your report, too.

- **Experian:** 1-888-397-3742; [www.experian.com](http://www.experian.com)
- **TransUnion:** 1-800-680-7289; [www.transunion.com](http://www.transunion.com)
- **Equifax:** 1-800-525-6285; [www.equifax.com](http://www.equifax.com)



In addition to placing the fraud alert on your file, the three credit reporting companies will send you free copies of your credit reports, and, if you ask, they will display only the last four digits of your Social Security number on your credit reports.

### 2. Close the accounts that you know, or believe, have been tampered with or opened fraudulently.

Contact the security or fraud department of each company where you know, or believe,

accounts have been tampered with or opened fraudulently. Follow up in writing, and include copies (NOT originals) of supporting documents. It's important to notify credit card companies and banks in writing. Send your letters by certified mail, and request a return receipt so you can document what the company received and when. Keep a file of your correspondence and enclosures.

When you open new accounts, use new Personal Identification Numbers (PINs) and passwords. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers.

### 3. File a report with your local police or the police in the community where the identity theft took place.

Get a copy of the police report or, at the very least, the number of the report. It can help you deal with creditors who need proof of the crime. If the local police are reluctant to take your report, ask to file a "Miscellaneous Incidents" report, or try another jurisdiction, like your state police. You also can check with your state Attorney General's office to find out if state law requires the police to take reports for identity theft. Check the Blue Pages of your telephone directory for the phone number or check [www.naag.org](http://www.naag.org) for a list of state Attorneys General.

### 4. File a complaint with the Federal Trade Commission.

By sharing your identity theft complaint with the FTC, you will provide important information that can help law enforcement officials across the nation track down identity thieves and stop them. The FTC also can refer your complaint to other government agencies and companies for further action, as well as investigate companies for violations of laws that the FTC enforces.

You can file a complaint at [ftc.gov/idtheft](http://ftc.gov/idtheft). If you don't have Internet access, call the FTC's Identity Theft Hotline, toll-free:

- 1-877-IDTHEFT (438-4338);
- TTY: 1-866-653-4261;
- or write:  
Identity Theft Clearinghouse  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington, DC 20580

For more information, see "Take Charge: Fighting Back Against Identity Theft" at [ftc.gov/idtheft](http://ftc.gov/idtheft).



### To Do:

1. 800.368.5888 2. 800.368.5888 3. 800.368.5888 4. 800.368.5888 5. 800.368.5888 6. 800.368.5888 7. 800.368.5888 8. 800.368.5888 9. 800.368.5888 10. 800.368.5888

Find articles about identity theft and other consumer frauds. Summarize the story by identifying the 5W's and the H (who, what, when, where, why & how) of the story. Then read a few commentaries. Using them as examples, write a brief commentary suggesting ways to stop this type of crime and how perpetrators should be punished.



# Buying a Car: Steering Your Way to a Good Deal

A car may be one of the more expensive purchases you make. Your first decision may be whether to buy new or used. Either way, it's important to know how to drive a smart deal.

## BUYING A NEW CAR

Think about what car model and options you want and how much you're willing to spend. Be realistic and do some research. You'll be less likely to feel pressured into making a hasty or expensive decision at the showroom and more likely to get a better deal.



### Consider these suggestions:

- Check publications at a library or bookstore, or on the Internet, that discuss new car features and prices. These may provide information on the dealer's costs for specific models and options.
- Shop around to get the best possible price by comparing models and prices in ads, at dealer showrooms, and online. You also may want to contact car-buying services and broker-buying services to make comparisons.
- Plan to negotiate on price. Dealers may be willing to bargain on their profit margin, often between 10 and 20 percent. Usually, this is the difference between the manufacturer's suggested retail price (MSRP) and the invoice price. Because the price is a factor in the dealer's calculations regardless of whether you pay cash or finance your car – and also affects your monthly payments – negotiating the price can save you money.
- Consider ordering your new car if you don't see what you want on the dealer's lot. This may involve a delay, but cars on the lot may have options you don't want – and that can raise the price. However, dealers often want to sell their current inventory quickly, so you may be able to negotiate a good deal if an in-stock car meets your needs.



### Learn the Terms

Negotiations often have a vocabulary of their own. Here are some terms you may hear when you're talking price.

**Invoice Price** is the manufacturer's initial charge to the dealer. This usually is higher than the dealer's final cost because dealers receive rebates, allowances, discounts, and incentive awards. Generally, the invoice price should include freight (also known as

destination and delivery). If you're buying a car based on the invoice price (for example, "at invoice," "\$100 below invoice," "two percent above invoice"), and if freight is already included, make sure freight isn't added again to the sales contract.

**Base Price** is the cost of the car without options, but includes standard equipment and factory warranty. This price is printed on the Monroney sticker.

**Monroney Sticker Price (MSRP)** shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the manufacturer's transportation charge, and the fuel economy (mileage). Affixed to the car window, this label is required by federal law, and may be removed only by the purchaser.

**Dealer Sticker Price**, usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), dealer preparation, and undercoating.



### Car Ads: Read Between the Lines

Many new car dealers advertise unusually low interest rates and other special promotions. Ads promising high trade-in allowances and free or low-cost options may help you shop, but finding the best deal requires careful comparisons. Many factors determine whether a special offer provides genuine savings. The interest rate, for example, is only part of the car dealer's financing package. Terms like the size of the down payment also affect the total financing cost.



### Question Promotions

Special promotions include high trade-in allowances and free or low-cost options. Some dealers promise to sell the car for a stated amount over the dealer's invoice. Asking questions like these can help you determine whether special promotions offer genuine value.

- Does the advertised trade-in allowance apply to all cars, regardless of their condition? Are there deductions for high mileage, dents, or rust?
- Does the larger trade-in allowance make the cost of the new car higher than it would be without the trade-in? You might be giving back the big trade-in allowance by paying more for the new car.

- Is the dealer who offers a high trade-in allowance and free or low-cost options giving you a better price on the car than another dealer who doesn't offer promotions?
- Does the "dealer's invoice" reflect the actual amount that the dealer pays the manufacturer? You can consult consumer or automotive publications and websites for information about what the dealer pays.
- Does the "dealer's invoice" include the cost of options, like rustproofing or water-proofing, that already have been added to the car? Is one dealer charging more for these options than others?
- Does the dealer have cars in stock that don't have expensive options? If not, will the dealer order one for you?
- Are the special offers available if you order a car instead of buying one off the lot?
- Can you take advantage of all special offers simultaneously?



### Financing Your New Car: Payment Options

You have two choices: pay in full or finance over time. If you finance, the total cost of the car increases. That's because you're also paying for the cost of credit, which includes interest and other loan costs. You'll also have to consider how much you can put down, your monthly payment, the length of the loan, and the APR. Keep in mind that APRs usually are higher and loan periods generally are shorter on used cars than on new ones.

If you decide to finance your car, be aware that the financing obtained by the dealer, even if the dealer contacts lenders on your behalf, may not be the best deal you can get. You're not limited to the financing options offered by a particular dealer. Before you commit to a deal, check to see what type of loan you can arrange with other lenders or your bank or credit union. Contact the lenders directly. Compare the financing they offer you with the financing the dealer offers you. Because offers vary, shop around for the best deal, comparing the APR and the length of the loan. When negotiating to finance a car, be wary of focusing only on the monthly payment. The total amount you will pay depends on the price of the car you negotiate, the APR, and the length of the loan.

Sometimes, dealers offer very low financing rates for specific cars or models, but may not be willing to negotiate on the price

of these cars. To qualify for the special rates, you may be required to make a large down payment. With these conditions, you may find that sometimes it's more affordable to pay higher financing charges on a car that is lower in price or to buy a car that requires a smaller down payment.

Dealers and lenders offer a variety of loan terms and payment schedules. Shop around, compare offers, and negotiate the best deal you can. Be cautious about advertisements offering financing to first-time buyers or people with bad credit. These offers often require a big down payment and carry a high APR. If you agree to financing that carries a high APR, you may be taking a big risk. If you decide to sell the car before the loan expires, the amount you receive from the sale may be far less than the amount you need to pay off the loan. If the car is repossessed or declared a total loss because of an accident, you may be obligated to pay a considerable amount to repay the loan even after the proceeds from the sale of the car or the insurance payment have been deducted. If your budget is tight, you may want to consider paying cash for a less expensive used car.

If you decide to finance, make sure you understand the following aspects of the loan agreement before you sign any documents:

- the exact price you're paying for the vehicle;
- the amount you're financing;
- the APR (a measure of the cost of credit, expressed as a yearly rate);
- the finance charge (the dollar amount the credit will cost you);
- the number and amount of payments;
- the total sales price (the sum of the monthly payments plus the down payment).

Once you decide which dealer offers the car and financing you want, read the invoice and the installment contract carefully. Before you sign a contract to purchase or finance the car, consider the terms of the financing and evaluate whether it is affordable. Check to see that all the terms of the contract reflect the agreement you made with the dealer. If they don't, get a written explanation before you sign. Before you drive off the lot, be sure to have a copy of the contract that both you and the dealer have signed and be sure that all blanks are filled in. Careful shopping will help you decide what car, options, and financing are best for you.

For more information, see "Buying a New Car" at [ftc.gov/bcp/menus/consumer/autos/buy.shtm](http://ftc.gov/bcp/menus/consumer/autos/buy.shtm).

## BUYING A USED CAR

Before you start shopping for a used car, you'll need to do some homework. Spending time now may save you serious money later. Think about your driving habits, your needs, and your budget. As with new cars, you have two payment options: paying in full or financing over time.

You can learn about car models, options, and prices by reading ads. There is a wealth of information about used cars on the Internet:

enter "used car" as the key words and you'll find additional information on how to buy a used car, detailed instructions for conducting a pre-purchase inspection, and ads for cars available for sale, among other information. Libraries and bookstores also have publications that compare car models, options, and costs, and offer information about frequency-of-repair records, safety tests, and mileage.

## Worksheet for Buying a New Car

Before you negotiate the price of your next new car, use this worksheet to establish the bargaining room.

MODEL: \_\_\_\_\_ BASE PRICE: \$ \_\_\_\_\_

| Options   | Invoice Price* | Sticker Price |
|---|----------------|---------------|
| Transmission: Automatic _____ Manual _____          |                |               |
| Air Conditioning _____                              |                |               |
| Engine Size _____                                   |                |               |
| <b>Audio System</b>                                 |                |               |
| AM/FM _____ w/CD _____ w/AM _____                   |                |               |
| Speaker System _____                                |                |               |
| <b>Brakes</b> Anti-lock _____ Power-assisted _____  |                |               |
| <b>Power Locks</b> _____                            |                |               |
| <b>Seats</b> Power _____ Heater _____ Leather _____ |                |               |
| <b>Rear Window</b> Wiper _____ Defogger _____       |                |               |
| <b>Wheels &amp; Tires</b>                           |                |               |
| Alloy Wheels _____                                  |                |               |
| All-Season Tires _____                              |                |               |
| <b>Mirrors &amp; Lights</b>                         |                |               |
| Illuminated Dual Vanity Mirrors _____               |                |               |
| Map Lights _____                                    |                |               |
| Exterior Power Mirrors _____                        |                |               |
| <b>Alarm/Security System</b>                        |                |               |
| Remote Keyless Entry _____                          |                |               |
| Sunroof _____                                       |                |               |
| Other: _____  |                |               |
| Other: _____  |                |               |
| Other: _____  |                |               |
| Other: _____  |                |               |
| <b>Total:</b>                                       |                |               |

Full size worksheet on page 15.

## To Do:

Find ads for new cars. Find the average cost of gasoline in your area. Choose a new car that you would like to buy from the ads. Let's say you want to put down 10 percent, and finance the balance at 7 percent. Calculate your monthly payments for a five-year (60 months) and six-year (72 months) loan. How much more will you be paying for the car if you opt for the six year loan?

Now, calculate the cost of gasoline per month, based on 800 miles and 25 miles per gallon, and multiply by the average cost per gallon in your area. Factor in \$150 per month for auto insurance. What is your monthly cost for driving your new car? That is, what is the combined cost of gas and insurance?

Many of these publications have details on the do's and don'ts of buying a used car.

Once you've narrowed your car choices, research the frequency of repair and maintenance costs on the models in auto-related consumer magazines. Contact the U.S. Department of Transportation at 1-888-327-4236 or [www.odi.nhtsa.dot.gov](http://www.odi.nhtsa.dot.gov) for information on defects and recalls.

## ✓ Dealer Sales

Used cars are sold through a variety of outlets: franchise and independent dealers, rental car companies, leasing companies, used car superstores, and online. Ask friends, relatives, and co-workers for recommendations. You may want to call your local consumer protection agency, state Attorney General (AG), and the Better Business Bureau (BBB) to find out if any unresolved complaints are on file about a particular dealer. Some dealers are attracting customers with "no-haggle prices," "factory certified" used cars, and better warranties. Consider the dealer's reputation in your decision. Dealers are not required by law to give used car buyers a three-day right to cancel. The right to return the car in a few days for a refund exists only if the dealer grants this privilege to buyers. Dealers may describe the right to cancel as a "cooling-off" period, a money-back guarantee, or a "no questions asked" return policy. Before you purchase from a dealer, ask about the return policy, get it in writing, and read it carefully.

The FTC enforces the Used Car Rule, which requires dealers to post a Buyers Guide in every used car they offer for sale. The Buyers Guide must tell you:

- whether the vehicle is being sold "as is" or with a warranty;
- what percentage of the repair costs a dealer will pay under the warranty;
- that spoken promises are difficult to enforce;
- to get all promises in writing;
- to keep the Buyers Guide for reference after the sale;
- the major mechanical and electrical systems on the car, including some of the major problems you should look out for; and
- to ask to have the car inspected by an independent mechanic before you buy.

## ✓ Warranties

When you buy a used car from a dealer, get the original Buyers Guide that was posted in the vehicle, or a copy. The Guide must reflect any negotiated changes in warranty coverage. It also becomes part of your sales contract and overrides any contrary provisions. For example, if the Buyers Guide says the car comes with a warranty and the contract says the car is sold "as is," the dealer must give you the warranty described in the Guide.

**As Is – No Warranty:** When the dealer offers a vehicle "as is," the box next to the "As Is – No Warranty" disclosure on the Buyers Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if you're not satisfied, make sure the promise is written on the Buyers Guide. Otherwise, you may have a hard time getting the dealer to make good on his word. Some states, including Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New York, Rhode Island, Vermont, West Virginia, and the District of Columbia, don't allow "as is" sales for many used vehicles.

**Implied Warranties:** State laws hold dealers responsible if cars they sell don't meet reasonable quality standards. These obligations are called implied warranties – unspoken, unwritten promises from the seller to the buyer. However, dealers in most states can use the words "as is" or "with all faults" in a written notice to buyers to eliminate implied warranties. There is no specified time period for implied warranties.

**Warranty of Merchantability:** The most common type of implied warranty is the warranty of merchantability: The seller promises that the product offered for sale will do what it's supposed to. That a car will run is an example of a warranty of merchantability. This promise

applies to the basic functions of a car. It does not cover everything that could go wrong.

Breakdowns and other problems after the sale don't prove the seller breached the warranty of merchantability. A breach occurs only if the buyer can prove that a defect existed at the time of sale. A problem that occurs after the sale may be the result of a defect that existed at the time of sale or not. As a result, a dealer's liability is judged case-by-case.

If you have a written warranty that doesn't cover your problems, you still may have coverage through implied warranties. That's because when a dealer sells a vehicle with a written warranty or service contract, implied warranties are included automatically. The dealer can't delete this protection. Any limit on an implied warranty's time must be included on the written warranty.

In states that don't allow "as is" sales, an "Implied Warranties Only" disclosure is printed on the Buyers Guide in place of the "As Is" disclosure. The box beside this disclosure will be checked if the dealer decides to sell the car with no written warranty.

In states that allow "as is" sales, the "Implied Warranties Only" disclosure should appear on the Buyers Guide if the dealer decides to sell a vehicle with implied warranties and no written warranty.

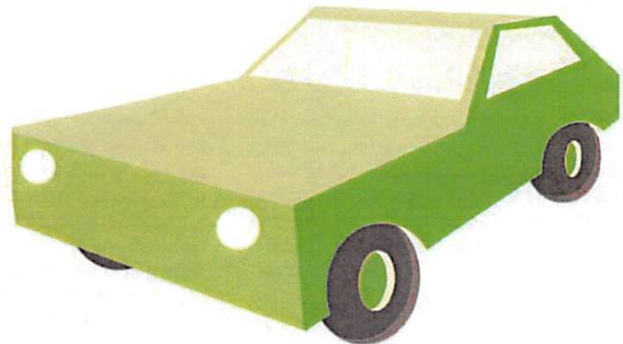
Dealers who offer a written warranty must complete the warranty section of the Buyers Guide. Because terms and conditions vary, it may be useful to compare and negotiate coverage.

Dealers may offer a full or limited warranty on all or some of a vehicle's systems or components. Most used car warranties are limited and their coverage varies. A full warranty includes the following terms and conditions:

- Anyone who owns the vehicle during the warranty period is entitled to warranty service.
- Warranty service will be provided free of charge, including such costs as removing and reinstalling a covered system.
- You have the choice of a replacement or a full refund if, after a reasonable number of tries, the dealer cannot repair the vehicle or a covered system.
- You only have to tell the dealer that warranty service is needed in order to get it, unless the dealer can prove that it is reasonable to require you to do more.
- Implied warranties have no time limits.

If any of these statements don't apply, the warranty is limited.

A full or limited warranty doesn't have to cover the entire vehicle. The dealer may specify that only certain systems are covered. Some parts or systems may be covered by a full warranty; others by a limited warranty.





The dealer must check the appropriate box on the Buyers Guide to indicate whether the warranty is full or limited and the dealer must include the following information in the "Warranty" section:

- the percentage of the repair cost that the dealer will pay. For example, "the dealer will pay 100 percent of the labor and 100 percent of the parts...";
- the specific parts and systems – such as the frame, body, or brake system – that are covered by the warranty. The back of the Buyers Guide lists the major systems where problems may occur;
- the warranty term for each covered system. For example, "30 days or 1,000 miles, whichever comes first"; and
- whether there's a deductible and, if so, how much.

You have the right to see a copy of the dealer's warranty before you buy. Review it carefully to determine what is covered. The warranty gives detailed information, such as how to get repairs for a covered system or part. It also tells who is legally responsible for fulfilling the terms of the warranty. If it's a third party, investigate their reputation and whether they're insured. Find out the name of the insurer, and call to verify the information. Then check out the third-party company with your local Better Business Bureau. That's not foolproof, but it is prudent. Make sure you receive a copy of the dealer's warranty document if you buy a car that is offered with a warranty.

**Unexpired Manufacturer's Warranties:** If the manufacturer's warranty still is in effect, the dealer may include it in the "systems covered/duration" section of the Buyers Guide. To make sure you can take advantage of the coverage, ask the dealer for the car's warranty documents. Verify the information (what's covered, expiration date/miles, necessary paperwork) by calling the manufacturer's zone office. Make sure you have the Vehicle Identification Number (VIN) when you call.

## To Do:

Look at the used car dealer ads in your newspaper. What credit terms do they offer? Are they higher than those offered for new cars?

What are the variables to consider in determining who offers the best value? Is the car a "certified used car"? Does the ad say what "certified" means? How do prices on the Internet compare with the prices advertised in the newspaper? What considerations should you make when deciding whether to pay cash or finance?

## ✓ Service Contracts

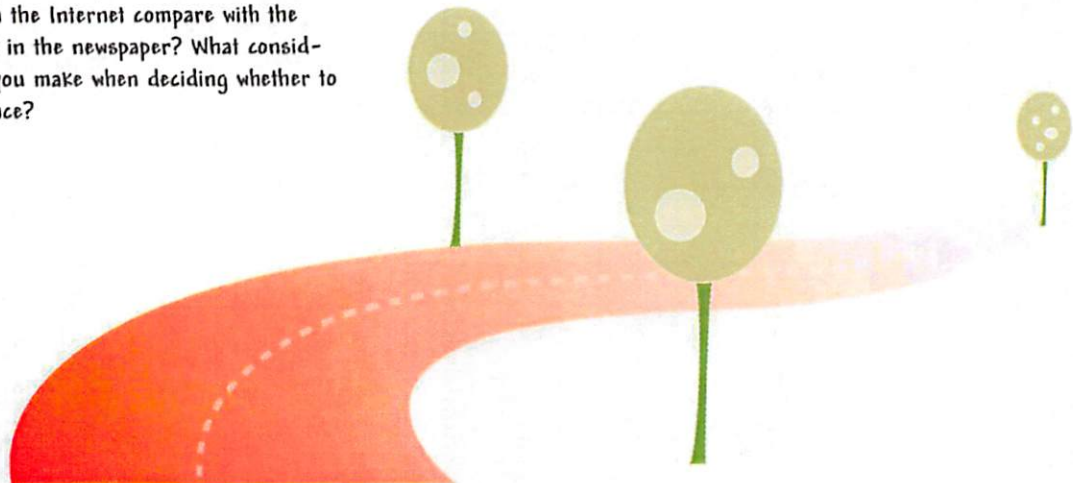
Like a warranty, a service contract provides repair and/or maintenance for a specific period. But warranties are included in the price of a product, while service contracts cost extra and are sold separately.

**To decide if you need a service contract, consider whether:**

- the service contract duplicates warranty coverage or offers protection that begins after the warranty runs out. Does the service contract extend beyond the time you expect to own the car? If so, is the service contract transferable or is a shorter contract available?
- the vehicle is likely to need repairs and their potential costs. You can determine the value of a service contract by figuring whether the cost of repairs is likely to exceed the price of the contract.
- the service contract covers all parts and systems. Check out all claims carefully. For example, "bumper to bumper" coverage may not mean what you think.
- a deductible is required and, if so, the amount and terms.
- the contract covers incidental expenses, such as towing and rental car charges while your car is being serviced.
- repairs and routine maintenance, such as oil changes, have to be done at the dealer.
- there's a cancellation and refund policy for the service contract and, whether there are cancellation fees.
- the dealer or company offering the service contract is reputable. Read the contract carefully to determine who is legally responsible for fulfilling the terms of the contract. Some dealers sell third-party service contracts.

The dealer must check the appropriate box on the Buyers Guide if a service contract is offered, except in states where service contracts are regulated by insurance laws. If the Guide doesn't include a reference to a service contract and you're interested in buying one, ask the salesperson for more information.

If you buy a service contract from the dealer within 90 days of buying a used vehicle, federal law prohibits the dealer from eliminating implied warranties on the systems covered in the contract. For example, if you buy a car "as is," the car normally is not covered by implied warranties. But if you buy a service contract covering the engine, you automatically get implied warranties on the engine. These may give you protection beyond the scope of the service contract. Make sure you get written confirmation that your service contract is in effect.



## Pre-Purchase Independent Inspection

It's best to have any used car inspected by an independent mechanic before you buy it. An inspection is a good idea even if the car has been "certified" and inspected by the dealer and is being sold with a warranty or service contract. A mechanical inspection is different from a safety inspection. Safety inspections usually focus on conditions that make a car unsafe to drive. They are not designed to determine the overall reliability or mechanical condition of a vehicle.

To find a pre-purchase inspection facility, check the Internet or your Yellow Pages under "Automotive Diagnostic Service," or ask friends, relatives, and co-workers for referrals. Look for facilities that display certifications like an Automotive Service Excellence (ASE) seal. Certification indicates that some or all of the technicians meet basic standards of knowledge and competence in specific technical areas. Make sure the certifications are current, but remember that certification alone is no guarantee of good or honest work. Also ask to see current licenses if state or local law requires such facilities to be licensed or registered. Check with your state Attorney General's office or local consumer protection agency to find out whether there's a record of complaints about particular facilities.

There are no standard operating procedures for pre-purchase inspections. Ask what the inspection includes, how long it takes, and how much it costs. Get this information in writing.

If the dealer won't let you take the car off the lot, perhaps because of insurance restrictions, you may be able to find a mobile inspection service that will go to the dealer. If that's not an option, ask the dealer to have the car inspected at a facility you designate. You will have to pay the inspection fee.

Once the vehicle has been inspected, ask the mechanic for a written report with a cost estimate for all necessary repairs. Be sure the report includes the vehicle's make, model, and VIN. Make sure you understand every item. If you decide to make a purchase offer to the dealer after considering the inspection's results, you can use the estimated repair costs to negotiate the price of the vehicle.



### Vehicle Systems

The Buyers Guide lists an auto's 14 major systems and some serious problems that may occur in each. This list may help you and your mechanic evaluate the mechanical condition of the vehicle. The list also may help you compare warranties offered on different cars or by different dealers.

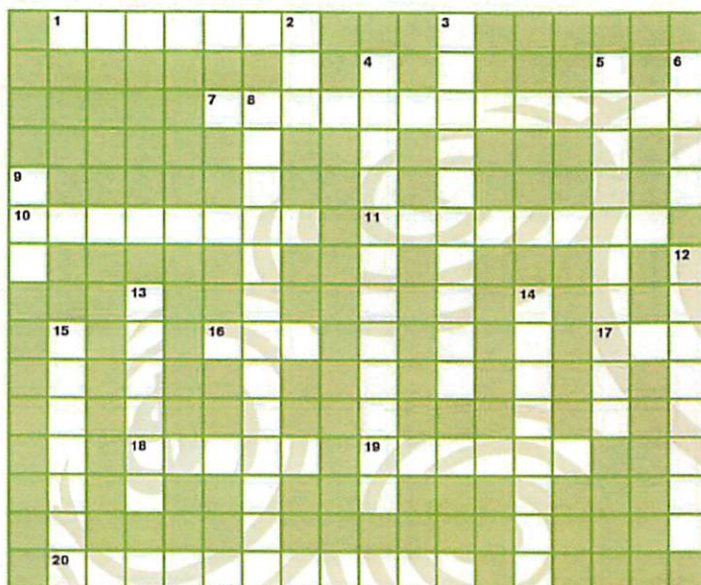


### Private Sales

An alternative to buying from a dealer is buying from an individual. You may see ads in newspapers, on bulletin boards, or on cars. Buying a car from a private party is very different from buying a car from a dealer.

- Private sellers generally are not covered by the Used Car Rule and don't have to use the Buyers Guide. However, you can use the Guide's list of an auto's major systems as a shopping tool. You also can ask the seller if you can have the vehicle inspected by your mechanic.
- Private sales usually are not covered by the "implied warranties" of state law. That means a private sale probably will be on an "as is" basis, unless your purchase agreement with the seller specifically states otherwise. If you have a written contract, the seller must live up to the promises stated in the contract. The car also may be covered by a manufacturer's warranty or a separately purchased service contract. However, warranties and service contracts may not be transferable, and other limits or costs may apply. Before you buy the car, ask to review its warranty or service contract.
- Many states do not require individuals to ensure that their vehicles will pass state inspection or carry a minimum warranty before they offer them for sale. Ask your state Attorney General's office or local consumer protection agency about the requirements in your state. For more information, see "*Buying a Used Car*" at [ftc.gov/bcp/menus/consumer/autos/buy.shtm](http://ftc.gov/bcp/menus/consumer/autos/buy.shtm).

## Know Your Stuff?



### Across

1. Fine print
7. Fee for not paying your bill in full
10. Online con used to get personal information
11. Fee you pay on money you borrow
16. Nation's consumer protection agency
17. Internet service provider
18. A debt collector may not call before \_\_\_ a.m.
19. Money loaned
20. Helps predict credit-worthiness

### Down

2. Identifier
3. An item you use to buy things now and pay for them later
4. Car maker's initial charge to the dealer
5. One of three national credit reporting companies
6. Money you owe
8. When your personal info is used to commit fraud
9. Measure of the cost of credit, expressed as yearly rate
12. Another national consumer reporting company
13. Income and expenses
14. Person who lends money
15. Credit card



Pamlico Community College does not discriminate in its educational programs, activities, or employment on the basis of sex, age, disability, race, color, national origin, sexual orientation or religion. For information about Title IX contact the Vice President of Administrative Services. For Section 504 Information, contact the Vice President of Student Services.

Pamlico Community College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award Associate Degrees, Diplomas, and Certificates. Contact the Southern Association of Colleges and Schools Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of Pamlico Community College.