

Credit & Budgeting



Financial Aid
Nevada State College

Topics for Today

Understanding Credit

Credit Reports

Why is budgeting important?

Where does my money come from?

Where does my money go?

Budgeting process

Tips for success

Q&A

Is this stuff really important?

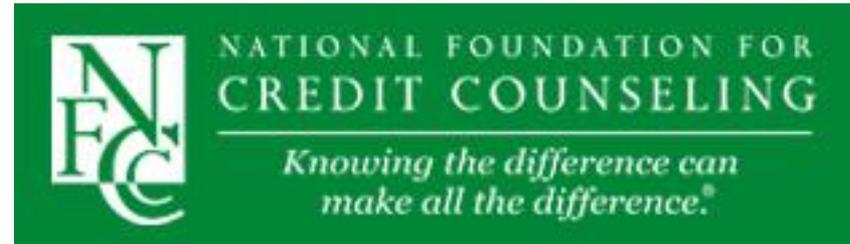
- Understanding your own finances is one of the most important skills required in today's economy.

- Learning and implementing today's key strategies will help you avoid catastrophic personal finance problems that can take years to correct.

- A little time and effort, and some delayed gratification, can lead to big financial payoffs.

Understanding Credit

- Credit rating affects many areas of life
 - Ability to purchase goods and services
 - Employment
 - Housing
- Use credit responsibly
 - Credit rating is affected by
 - Percent of total credit used
 - Opening and closing accounts
 - “Hard” inquiries on your credit report
 - Timing of payments



Do credit checks hurt my credit?

HARD - hurts

- Applying for an auto loan, private student loan, business loan, or personal loan
- Applying for a credit card
- Applying for a mortgage

SOFT - painless

- Checking your own credit score
- Pre-approved credit card and loan offers
- Background check, such as those done by employers

Find out if actions you are considering will result in a credit inquiry and ask whether it will be a hard or soft inquiry. The following can be either hard or soft.

- Getting a cell phone contract
- Applying to rent an apartment
- Renting a car
- Getting a TV/high-speed internet account
- Opening a checking, savings, or money market account
- Requesting a credit limit increase
- Verification of identity by a financial institution, such as a credit union or stock brokerage

Credit Reports

- Information on your credit report may include:
 - A list of companies that have given you credit or loans
 - The total amount for each loan or credit limit for each credit card
 - How often you paid your credit or loans on time, and the amount you paid
 - Companies that have asked to see your credit report within a certain time period
 - Your address(es) and/or employers
 - Other details of public record



Review Your Report

- **Your rights to your credit reports**
 - Federal law requires each of the three nationwide consumer credit reporting companies to give you a free credit report every 12 months if you ask for it
 - Order 1 credit report every 4 months to monitor your report over the entire year
 - Report any discrepancies immediately

AnnualCreditReport.com

The only source for your free credit reports. Authorized by Federal law.

Understand and Know Your Score

- Each of your credit scores will vary depending on the criteria used by the credit agency
- Monitoring your credit score is a good way to track if there is any suspicious activity
 - Check for drops in score because of:
 - Unauthorized credit checks
 - Account usage
 - New lines of credit opened

Protect Your Credit Score

- Don't access secure websites (such as online banking) from shared computers or in public.
- Use the privacy settings on social networking sites to ensure you're only sharing information with those you trust.
- Only provide your Social Security number when necessary, such as for employment, tax forms or bank records.
- Be careful opening files, links, emails, etc. from unknown sources or from a friend's account that may have been hacked.
- Check the security of online stores before you purchase.
- Shred all sensitive information before throwing in the trash.
- When sharing personal information with certain professionals, such as tax preparers or mortgage lenders, be sure to choose companies you trust.

Monitor your Information

- Check your accounts at least weekly for suspicious activity
 - Immediately report small unauthorized charges
- Keep your receipts and compare against monthly statements or online accounts
- Secure wireless devices and connections
- Keep PINs and passwords safe
 - Not written on or kept with cards
 - Not under keyboard or in notebook
 - Don't use "password" or "123456"



Debt Management

- Borrow only what you need according to your budget
- Be aware of the debt you're accumulating
 - NSLDS www.nslds.ed.gov
 - \$ALT www.saltmoney.org
- Explore your repayment options and estimate your monthly payment
 - www.studentloans.gov



Why Budget?

- Ensures you don't spend money you don't have.
- Sheds light on bad spending habits.
- Helps prepare for emergencies.
- Gives you peace of mind.
- Leads to a happy retirement.



Have you ever asked yourself...

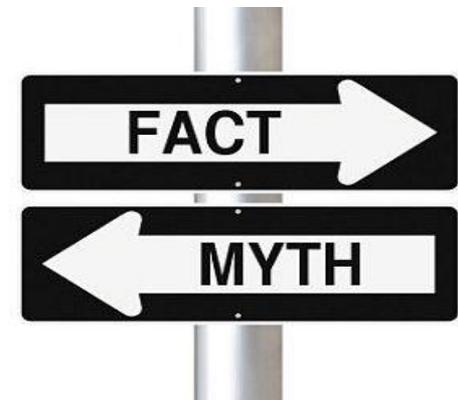


**Where
has all my
money
gone?!**



Budget Myth or Fact?

- I'm doing fine with my money. I don't need to budget.
 - Budgeting benefits EVERYONE.
- I'm not good at math, so I can't manage my money.
 - Thanks to budget apps, math is no longer an excuse not to budget.
- My job is secure.
 - No job is 100% secure. You should have at least 3 months salary saved to prepare for unexpected job loss.
- It won't happen to me.
 - It's best to prepare for the worst and hope for the best.



Budget Myth or Fact?

- I don't want to deprive myself.
 - Budgeting doesn't necessarily mean spending as little money as possible or feeling guilty about every purchase. It's about knowing your limits and making sure you save. Be in control.
- I don't want anything big, so I don't need to save.
 - We can't predict the future. It is always important to save, even without a specific goal in mind. As your life changes, so may your goals.
- I don't need to budget because I'm debt free.
 - Being debt free is great, but it won't pay your bills in an emergency.

What are your Financial goals?

Short Term

- Pay tuition
- Buy books
- Buy a computer
- Buy a new cell phone



Long Term

- Buy a car
- Take a vacation
- Own a house
- Retire



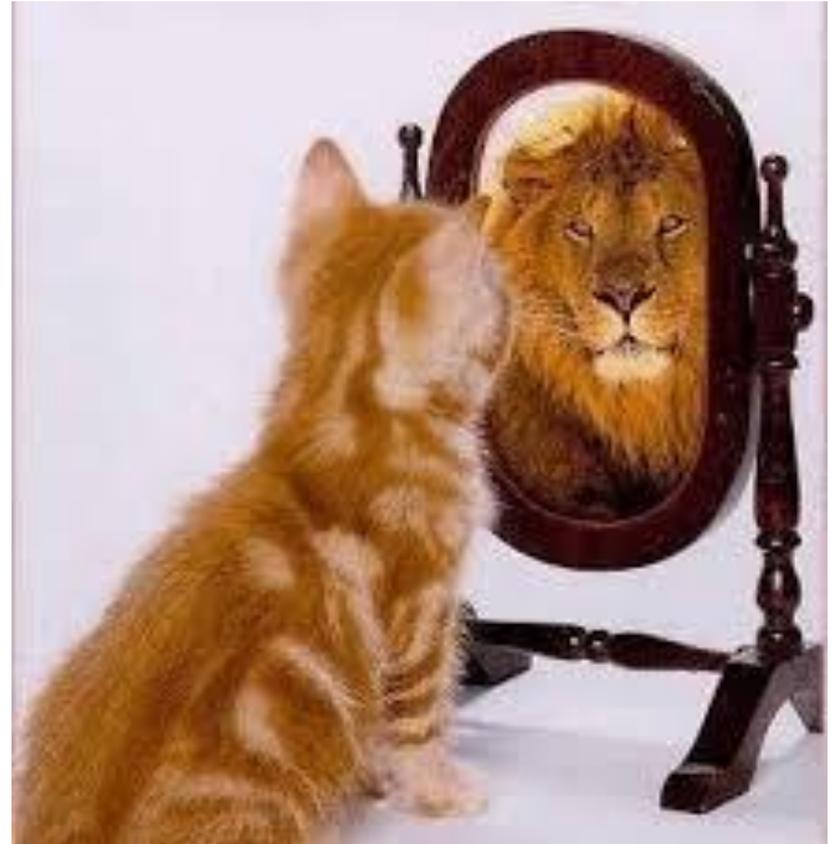
Perception vs. Reality

- **Perception**

- High starting income
- New expensive car
- Large home

- **Reality**

- Taxes
- Student loans and other bills
- Lower than expected disposable income



What is a Budget?



Where does my money come from?

- **Job**
- **Financial Aid**
- **Savings**
- **Parents**
- **Other**



Where does my money go?



Average Monthly Expenses

Housing/Utilities	33.2%
Transportation	20.1%
Food	13.9%
Insurance/Pension	8.1%

Clothing	5.2%
Entertainment	4.8%
Education	4.5%
Healthcare	2.5%

Charity	2.5%
Miscellaneous	5.5%

Consequences of Spending Beyond Your Limit

- Late fees
- Bankruptcy
- Foreclosure
- Negative credit score
- High interest rates
- Unpaid bills
- Lost job opportunities



Get Organized

Start by collecting your financial paperwork

- ✓ Pay stubs
- ✓ Bank records
- ✓ Financial aid award
- ✓ Utility bills
- ✓ Cell phone bill
- ✓ Internet bill
- ✓ Cable bill

- ✓ Credit card bills
- ✓ Tuition and fee bills
- ✓ Book receipts
- ✓ Grocery receipts
- ✓ Gas receipts
- ✓ Restaurant receipts
- ✓ Anything you can find that you spend money on

Stay Organized

- Keep a daily spending diary
- Enter payment due dates on your calendar (including tuition due dates)
- Define your goals
- Distinguish wants from needs
- Stick with your spending plan and resist the temptation to make unnecessary purchases
- Use an online app to track spending, such as Level Money (free), Mint.com (free), Budget Ease (free), HomeBudget (\$4.99), Dollarbird (\$1.99) or Moneywiz (\$4.99).



Need or Want?

Need

- Nutritious food
- Housing
- Utilities
- Tuition
- Books
- Clothes
- Child care
- Transportation



Want

- Eating out
- Cable TV
- Vacation
- Movies/music
- Computer games
- Jewelry
- Junk food
- Newest technology
- Latest fashions

How to Get Started

Creating a budget requires 4 basic things:

- Understand where your money goes
- Evaluate your current spending
- Set goals that take into account your short-term and long-term financial objectives
- Track your spending to make sure it stays within the guidelines you set



Budget Worksheet

			Totals
Income			Income
	Salary: _____	Spouse's Salary: _____	\$ _____
	Part-time income: _____	Rental income: _____	
	Business/farm: _____	Investment income: _____	
	Alimony: _____	Other: _____	
Fixed Expenses			Fixed Expenses
	Mortgage/rent: _____	Homeowner's insurance: _____	\$ _____
	Electric/gas: _____	Taxes (FICA, federal, state): _____	
	Water: _____	Sanitation: _____	
	Phone: _____	Home maintenance: _____	
	Automobile payments: _____	Gas/oil: _____	
	Car maintenance: _____	Car license/registration: _____	
	Auto insurance: _____	Credit card payments: _____	
	Loan payments: _____	Life insurance: _____	
	Liability insurance: _____	Disability insurance: _____	
	Medical insurance: _____	Prescription drugs: _____	
Other: _____			
Variable Expenses			Variable Expenses
	Food: _____	Clothing: _____	\$ _____
	Dry cleaners: _____	Eating out: _____	
	Child care: _____	Vacation: _____	
	Lessons: _____	Clubs: _____	
	Education: _____	Cosmetics: _____	
	Haircuts: _____	Entertainment: _____	
	Allowances: _____	Doctors: _____	
	Dentists: _____	Medical: _____	
	Gifts: _____	Pets: _____	
	Other: _____		

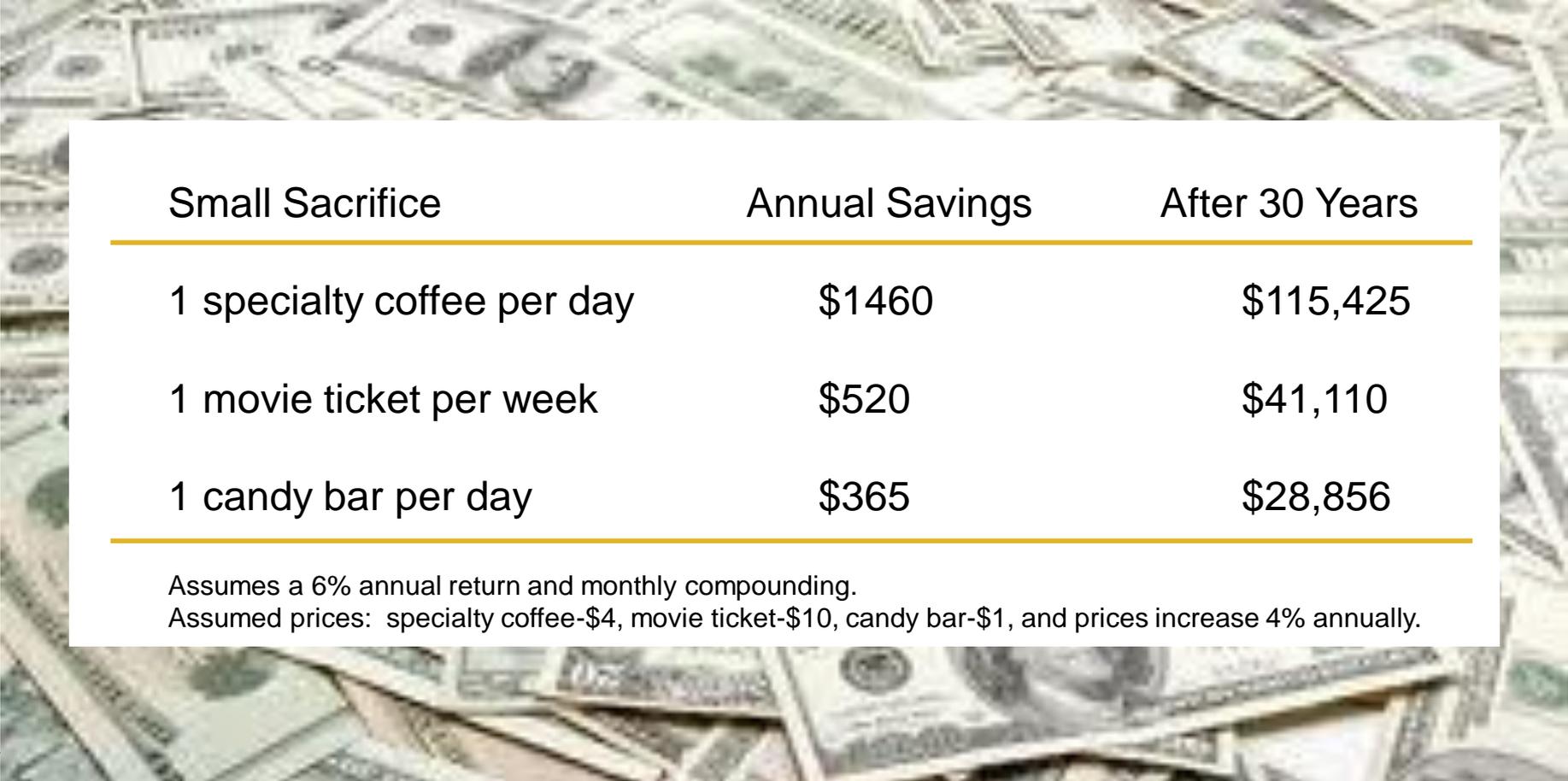
Total Spendable Income		Total Fixed & Variable Expenses		Surplus/Deficit
	(MINUS)		(EQUALS)	
	-		=	

Healthy Financial Habits

- Eat at home or pack a lunch instead of eating out.
- Drive a vehicle that is reasonably priced and gets good fuel economy.
- Minimize trips to the store, keep a list and shop only once a week. Saves time, gas & money spent on impulse buys.
- Research before you buy. Get the best quality for the amount of money you have budgeted for the purchase.
- Spend only 90% of your income and put the other 10% into savings.
- Keep track of your spending to make sure it stays within the guidelines you've established.

Small Sacrifices...

...make a big difference.



Small Sacrifice	Annual Savings	After 30 Years
1 specialty coffee per day	\$1460	\$115,425
1 movie ticket per week	\$520	\$41,110
1 candy bar per day	\$365	\$28,856

Assumes a 6% annual return and monthly compounding.

Assumed prices: specialty coffee-\$4, movie ticket-\$10, candy bar-\$1, and prices increase 4% annually.

Tips to Ensure Success

- **Don't drive yourself crazy**
 - Online monitoring of your budgets can make you crazy. Once you see which areas of your budget require attention, focus on those areas.
- **Watch out for cash leaks**
 - If using the ATM machine results in no knowledge of where the cash went, it's time to keep better records.
 - Typically, one trip to the ATM per week should be the rule of thumb.



Tips to Ensure Success

- **Don't spend beyond your limit**
 - And definitely not more than you earn
- **Beware of wants disguised as needs**
 - You may still choose to buy items you don't need, but be honest with yourself about whether it's a need or a want
- **Pay yourself first**
 - Put 10% in savings, use the other 90% for expenses
- **Don't count on windfalls such as tax refunds, bonuses or investment gains**
 - These aren't guaranteed income sources
- **Beware of spending creep**
 - As your income grows from promotions, bonuses, and smart investments, don't spend it all on more "wants"
 - Use income increases as an excuse to save more



Test your Knowledge

True or False?

If you were going to attempt to determine if there is a pattern to your spending habits, a good way to begin is to carry a small notepad and track your expenses.



True

A great way to examine your spending habits is to actually carry a small notepad to track your expenses.

Test your Knowledge

The first step in getting your spending under control is what?

- A. Consult a credit counseling service on how to get out of debt.
- B. Develop a budget of your current income and expenses.
- C. Subscribe to financial newsletters, magazines or websites.
- D. Seek help from a financial planner.

B. Develop a budget.

Test your Knowledge

An important step in creating a realistic budget is:

- A. Spending beyond your means.
- B. Using credit cards for a cushion.
- C. Establishing your financial goals.
- D. Applying for credit more than twice each year.

C. Establishing your personal financial goals will assist you in the next step of actually developing a budget.

Tools & Resources

- Federal Student Aid budget calculator - www2.ed.gov/offices/OSFAP/DirectLoan/BudgetCalc/budget.html
- \$alt - www.saltmoney.org
- Some other sites that offer free tools for planning and managing your budget
 - Mint.com
 - FeedThePig.com
 - BudgetSimple.com



\$ALT

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budget, careers, loans...



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MY MONEY 101 GOALS LOAN HELP RESOURCES CONNECT

Got Debt? Get SALT.

SALT™ makes it simple to take control of your finances, helping college students and alums live well today while planning for tomorrow. (And it's FREE!)

See how by answering either question below:

What Type Of Program Are You In?

- Associate's Degree >
- Bachelor's Degree >
- Graduate School >
- Alumni/Post-School >

What Can We Help You Achieve?

- Master Money >
- Repay Student Debt >
- Pay For School >
- Find A Job >



Featured

article

60 WAYS TO GET RID OF YOUR STUDENT LOANS

cancellations , loan discharge , loan forgiveness

★★★★☆

tool

payment plans , federal student aid

★★★★☆

ebook

★★★★☆

Questions & Discussion



- What have you learned today that you'll use in your daily life as a financially savvy student?
- What would you like to learn more about in upcoming seminars?
- What would you tell your fellow classmates about the seminar?
- How can we make the seminar series more valuable to you?

Would You Like More Information?



Contact us @
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