

# MONEY MANAGEMENT

**Cashing in on  
financial success**





# MODULE 3: MONEY MANAGEMENT

## Cashing in on financial success

*Keys to Your Financial Future* is designed to help you plan how to get, manage, and use money now and in the future so you can have the life you see for yourself. The third module of *Keys to Your Financial Future* focuses on managing your money.

People often think managing your money is about discipline—following a set of rules. Discipline can help, but there is more to managing your money. This module will provide you with tools to help you set up systems to manage your money.

The goal of having a money management system is to put you in control of your money—now and in the future. This can be a difficult concept, especially if you have never had your own money to control. As a young person who has been in foster care, you may not have had experience of managing an allowance, opportunities to earn money through babysitting or delivering papers, or even the chance to work part-time because you don't have reliable transportation to and from a job. So, if you have not had income and do not have an income or any bills to pay now, these tools will become useful as you get older.

You will also learn about products and services available at banks, credit unions as well as other businesses, too. This module will also cover budgeting and keeping your personal documents safe and secure.

When you finish this module of *Financing Your Future*, you will be able to do the following:

- Explain the benefits of having a money management system and the risks of not having one.
- Describe ways to earn and manage income.
- Read and interpret the information on a paycheck stub.
- Explain how taxes are deducted from pay and the reason for taxes.
- Explain both paper-based and electronic systems for keeping track of bills to ensure on time and consistent bill paying.
- Explain similarities and differences between banks and credit unions.
- List and explain some key services at banks and credit unions and how they can help effectively and efficiently manage your money.
- Develop and use a budget or budgeting system.
- List critical documents and explain how to keep them safe and secure.

## Managing Your Money

*What does it mean to manage your money?*

---



---



---



---

Managing your money is about more than having a budget. Managing your money means having a system that helps you:

- ➔ Keep track of your income.
- ➔ Pay all of your bills on time.
- ➔ Avoid late fees and other penalties.
- ➔ Save money and reach your goals.
- ➔ Live within your means.

In this module, you will learn about developing a money management system. There are different tools you can choose to help you. Some tools are simple—a notebook or calendar. Some may feel new or complicated—a budget or cash flow. Some may be fun to use—online calculators and budgeting systems or smart phone apps.

“If money management isn’t something you enjoy, consider my perspective. I look at managing my money as if it were a part-time job. The time you spend monitoring your finances will pay off. You can make real money by cutting expenses and earning more interest on savings and investments. I’d challenge you to find a part-time job where you could potentially earn as much money for just an hour or two of your time.”

— HENRY FORD

## Money Management When You Have No Income



Money management systems can be a difficult concept if you have never had your own money to control. As a young person who has been in foster care, you may not have had experience of managing allowances, opportunities to earn money through babysitting or delivering papers, or even the chance to work part-time because you don’t have reliable transportation to and from a job.

If you have not earned income and do not have an income or any bills to pay now, it may be hard to think about how to use some of these tools. But you can use this information once you start earning income.

Having systems to manage your money is one of the primary keys to your financial future!

If you have not had income and do not have an income or any bills to pay now, these tools will become useful as you get older.

If you have a job or have bills to pay, the information in this module will be useful to you right away.

## The Basic Tools of Money Management

There are many basic tools to help you manage your money. In this module, you will learn about tools, products, and services to help you do the following:

- ➔ Get and manage your income.
- ➔ Save money.
- ➔ Pay your bills.
- ➔ Get key documents in order.
- ➔ Protect your identity.
- ➔ Stay organized.

## Tools to Help You: Get and Manage Your Income

### What is Income

Income is any money you earn. Have you earned income before? Are you earning income now?

*Where do you earn income? Or where did you earn it?*

---



---



---



---

Income can come from many different places:

- ➔ **Odd jobs**—Watching a neighbor’s pet while they are on vacation or babysitting.
- ➔ **Part-time employment**—Working at a restaurant, retail store or some other place for less than 35 hours per week.
- ➔ **Full-time employment**—Working at any number of places for 35 hours or more per week.
- ➔ **Self-employment**—Starting your own business and operating it either part-time or full-time.
- ➔ **Public benefits**—Receiving food stamps, housing subsidies, Social Security, Supplemental Income (SSI) and other public assistance. (You have to apply to get these.)
- ➔ **Child support**—Receiving income from the other parent of your child to support your child.
- ➔ **Gifts**—Receiving cash or gift cards from family or friends for your birthday, a holiday, or other occasions.

### Why Have a Money Management System?



The goal of having a money management system is putting you in control of your money—now and in the future. You will be able to:

- ➔ Keep track of your income and expenses.
- ➔ Pay your bills on time.
- ➔ Avoid late fees and other penalties.
- ➔ Save money and reach your goals.

## The Ways You Can Get Income

The way you get your income can affect how you manage it.

When you work odd jobs, you will often be paid with **cash** or a **personal check** from the person who hired you. When you have a job, you may get your pay in cash, in a **paycheck**, through **direct deposit** or on a **payroll card**. When you run your own business, you may receive cash, checks, or even **credit card payments** from customers. And public benefits vary depending on what public benefit you are using. Food stamps, for example, have an **electronic benefits transfer card** (EBT card) that works like a debit card.

For each way you receive your income, there are advantages (benefits) and disadvantages (costs). Some ways will help you manage your income, but may cost a lot. Some ways may not cost anything, but are risky meaning there is a stronger chance the income could be lost or stolen.

*What are the different ways you can get income?*

---



---



---



---



---



---



---



---



---



---

### KEY ACTIVITY

## Ways to Get Your Income: Benefits and Risks

With a partner or the group, answer the following questions and complete the chart.

*What are the benefits and risks or costs to different ways to receive your income?*

	Benefits	Risks
Cash		
Personal check		
Paycheck		
Direct deposit		
Payroll card		
EBT (Electronic Benefits Transfer)		

Sometimes, you do not have a choice regarding how you will get your pay, and sometimes, you do. Understanding the benefits and risks or costs of the way you get your income can help you make good choices. When it comes to receiving a paycheck, you might have three options:

### **Option 1: Paper Paycheck**

When you work for someone, you will get a paycheck. There are three basic ways to cash a paycheck:

1. If you have an account at a bank or credit union, you can deposit your paycheck. Then you can make a withdrawal from the account for cash. If your employer's bank is different from your bank, you may have to wait one or two days to access the funds.
2. You can take the check to your employer's bank. The bank's name will be printed on your paycheck. Because the check was written on funds in that bank, you will be able to get the money right away. You may have to pay a fee for this, and you will have to show identification.
3. You can go to a check-cashing business, a supermarket, or other retail business that cashes checks. You will pay fee for this service (\$3 to \$6 per check). There is a limit to the amount you can cash on a per-check basis.

Your paycheck will be attached to a paycheck stub. This has the information about your paycheck. You should keep paycheck stubs for your records. These will be useful when: managing your money, developing a budget, showing proof of income, and preparing taxes.

### **Option 2: Direct Deposit**

Many employers will let you receive your paycheck through direct deposit. You must have a bank account to have direct deposit. On each payday, the amount of your paycheck—your net pay—is electronically transferred into your account. You can use these funds immediately.

Using direct deposit can help you save, too. You can have your entire paycheck directly deposited into your checking account. You can then have a fixed amount automatically transferred to a savings account, for example. This can help you save every time you are paid.

With direct deposit you have to make sure you understand the rules of your account such as any fees, minimum balance requirements, and regulations for using a debit card or ATM card attached to the account.

You will still receive a paycheck stub with direct deposit. You will also have a bank statement that records all of your pay that has been deposited. Your paycheck stubs and bank statements can help you keep track of your income.

“Never turn down a job because you think it's too small. You don't know where it can lead.”

— JULIA MORGAN

### Using Direct Deposit



If you get a regular paycheck, consider direct deposit. Direct deposit will save you time and money. When you use direct deposit, you will also have access to your money right away. Direct deposit can also help you save money for your goals.

There may be times when direct deposit may not make sense:

- ➔ If you cannot get a bank account due to a negative ChexSystems rating.
- ➔ If you risk money deposited into an account being confiscated for back child support or other obligations you have not paid.

### Option 3: Payroll Card

Payroll cards are sometimes called **payroll debit cards** or **paycards**. Some employers will put your net pay on a reloadable debit card. You do not need a bank account to get your pay this way. You can use this card to make purchases and make withdrawals from ATMs until the balance on the card reaches zero.

Most payroll debit cards are branded with a VISA, MasterCard, Discover, or AMEX logo. They are not credit cards, though.

Like direct deposit, you with a payroll card you will have access to your pay right away, you will save time (you won't have to cash a check), and you won't have to pay to cash your check. You will get a paycheck stub or payroll card statement for your records. Payroll cards, however, may have other fees. Before you opt for a payroll card, understand the fees you may be charged. Also be sure you understand the protections the card may provide.

### Using a Payroll Card



While direct deposit is often the best option for getting and managing your paycheck, a payroll card may be a good option if you do not have or cannot have an account at a bank or credit union.

If using a payroll card is an option with your employer, be sure to ask the following questions:

- Are the funds fully protected by FDIC insurance? You want to make sure they are!
- Does the card have credit features attached to it like overdraft options? In most cases, you want to stay away from cards with these features. They often trap people in a cycle of debt.
- Can funds from a second job be loaded onto the payroll card?
- How will paycheck stubs or statements be provided?
- What are the provisions for a lost or stolen payroll card?
- Can an ex-employee still use the payroll card?

Often there are fees when using payroll cards. Fees reduce the amount of money on your payroll card. Be sure you know about fees and account for them when keeping track of your payroll card balance. Here are some fees to ask about:

- **Employer's fees**—Does the employer charge a fee for providing your pay on a payroll card?
- **ATM fees**—Do you have to use an ATM machine that is in the payroll card's network to avoid fees?
- **Point-of-sale fees**—Are you charged a fee when you swipe your card to make a purchase?
- **Declined transaction fees**—Are you charged a fee if a transaction is declined? This generally happens when you have reached a zero balance.
- **Balance inquiry fees**—Are you charged for inquiring about the balance on your card at an ATM?
- **Inactivity fees**—Are you charged for not using your card within a specific time period?
- **Online bill pay fees**—Are you charged for using online bill pay features associated with your paycard?
- **Other fees**—are there any other fees that you may be charged when using your card?

**KEY ACTIVITY****Getting and Managing Income**

Use the information from the discussion to help Suzannah and Kobe figure out a better way to get and manage their incomes.

**Suzannah and Her Babysitting Cash**

*Suzannah is 15 and living with a foster mother. For the past year, she has wanted figure out some way to earn income so she can start saving to go to the community college. She does not have a car, but has been babysitting for families in her neighborhood earning \$9 per hour.*

*She has the opportunity to work nearly full-time for a neighbor this summer providing care for two children ages 8 and 10. Her foster mom is very supportive and has helped Suzannah attend the Red Cross Babysitter's Training Program. Suzannah earned a certificate from this program and first aid and CPR certification, too.*

*Suzannah will be earning \$280/week (\$56 per day for 5 days) for nine weeks.*

*She keeps all of income from babysitting in a small box in her dresser. This system as worked well because she has cash when she needs it. However, because of the amount of income she will be earning, she thinks there may be a better way to manage her income.*

**Help Suzannah Get and Manage Her Income Better**

1. What are the benefits to the way Suzannah is getting and managing her income now?
2. What are the risks and potential costs?
3. What does she want to do differently?
4. What would you recommend?

**Kobe and his Paycheck**

*Kobe is 19 and working full-time at an electronics store. He is paid \$10.25 per hour. He really likes his job.*

*He is planning to work toward his GED soon so he can go to school to become a network technician or specialize in cyber/computer security.*

*Right now, Kobe gets his paycheck every two weeks. Because he does not have an account at a financial institution, he goes to a local store to cash his check.*

*He knows he is paying more to have his check cashed this way, but he likes the convenience of cash. However, he has not been able to save. He knows that once he goes to school, he will not be able to work as many hours at the electronics store. He wants to start saving some money now to cover his living expenses when he goes to school.*

*He thinks there is probably a better way to manage his income.*

**Help Kobe Get and Manage His Income Better**

1. What are the benefits to the way Kobe is getting and managing his income now?
2. What are the risks and potential costs?
3. What does he want to do differently?
4. What would you recommend?

## Your Paycheck Stub

### KEY CONCEPT

There is a lot of information that comes with your paycheck. This is called the paycheck stub or statement. By understanding what is on it, you will know:

- The difference between your gross pay and net pay.
- How much money is being withheld for taxes.
- How much money you have earned to date.
- The benefits you may be receiving and how much they may be costing you.

You will also use your paycheck stub to show proof of income and check your wage earning statements (W-2) at the end of the year. *Understanding your paycheck is a key to managing your income.*



“Never confuse the size of your paycheck with the size of your talent.”

— MARLON BRANDO

## Understanding the Paycheck and Paycheck Stub

When you get a paycheck, it will be attached to a paycheck stub. There is more recorded on a paycheck stub than the amount of money you make. In fact, there is a lot of information on it. Understanding your paycheck is a key to managing your income.

Your paycheck stub includes your **gross pay**—your total earnings. It also includes your **net pay**—the amount you actually take home.

What is the difference between your gross pay and net pay? Deductions. Deductions are items your employer takes out of your paycheck. Some are deductions for taxes—federal, state, and city. Some deductions are for Medicare and Social Security called FICA (Federal Insurance Contributions Act). Some deductions are for benefits like health insurance. Paycheck stubs include information about deductions and benefits.

## Net Pay versus Gross Pay

### KEY CONCEPT

What is the difference between net pay and gross pay? Gross pay is what you earn; net pay is what you take home.

Your **gross pay** is the amount you earn before deductions. Money is deducted from your paycheck to pay for federal, state, and local taxes as well as other benefits.

Your **net pay** is what is left after all of the deductions have been taken out.

## KEY ACTIVITY

## Reading a Paycheck and Paycheck Stub

Answer the following questions using the paycheck and stub.

<b>Earnings</b>						<b>Deductions:</b>		
	Current			Year-to-Date			Current	Year-to-Date
	Rate	Hours	Earnings	Hours	Earnings			
Regular Earnings	\$ 10.25	73	\$ 748.25	151	\$ 1,547.75	Federal Withholding	\$ 144.41	\$ 298.72
Overtime Earnings	\$ 0	0	\$ -	0	\$ -	FICA	\$ 57.24	\$ 118.40
Sick Leave Balance		0	\$ -	0	\$ -	City Withholding	\$	\$
Annual Leave		0	\$ -	0	\$ -	State Withholding	\$	\$
						Insurance	\$ 46.40	\$ 95.96

Current Net Earnings	Pay Rate	Current Hours	Current Gross Earnings	YTD Hours	YTD Gross Earnings	YTD Net Earnings	Current Deductions	YTD Deductions
\$ 500.20	\$ 10.25	73	\$ 748.25	151	\$ 1,547.75	\$ 1,034.67	\$ 248.05	\$ 513.08

<b>Excellent Electronics</b>		<b>546106</b>
1357 Sunny Lane		
Downtown, USA 98751		
	<b>Date:</b>	<b>2/4/2013</b>
<b>Pay:</b>	Five hundred and 20/100	<b>Amount:</b> \$ 500.20
<b>To the Order of:</b>	Kobe Johnson	
Downtown Credit Union		<i>Maria Estez</i>
56799 948 978462		Maria Estez, President

1. What is the gross pay?  
\_\_\_\_\_
2. What is the net pay?  
\_\_\_\_\_
3. Which amount should Kobe use in creating a budget? Why?  
\_\_\_\_\_
4. How much does he make per hour? For overtime?  
\_\_\_\_\_
5. How many hours did he work this pay period?  
\_\_\_\_\_
6. How much has he earned this year?  
\_\_\_\_\_
7. How much does he have taken out of his paycheck for withholding for taxes for this period?  
\_\_\_\_\_
8. How much does he have taken out of his paycheck for FICA for this period?  
\_\_\_\_\_
9. What is FICA?  
\_\_\_\_\_
10. What benefits are deducted from his paycheck?  
\_\_\_\_\_

If you have a job, review your pay stub when you get home. See if you can identify all of your deductions including your benefits.

### Income and Taxes

Income that you earn is taxed. Tax is how governments make revenue. **Revenue** is another word for income. If you work for an employer, then you probably have part of your income withheld for federal taxes, state taxes, and city taxes. This is a benefit.

*How is an employer taking money out of your paycheck a benefit to you?*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

If you earn income, you must pay taxes. If you don't pay your taxes gradually from each paycheck, you may owe a lot of money on April 15th—taxes and penalties for not paying taxes when you earned in the income. So, your employer is providing a benefit to you by taking care of this. People who work for themselves must make sure they are withholding part of their earnings and sending them to the federal government throughout the year.

### Getting Help to Understand Your Paycheck



If you are unsure about the information in your paycheck or paycheck stub, meet with your employer.

Your employer can also make sure you are getting all of the benefits your workplace has to offer.

## Taxes if You Are Self-Employed



Do you have your own small business? Do you dream of owning a small business? If you do, you will need to learn about taxes. They are different if you are self-employed. Why? Because you do not have an employer:

- ➔ Calculating the taxes you owe.
- ➔ Withholding taxes for you.
- ➔ Paying for part of your FICA (Federal Insurance Contributions Act or Social Security and Medicare) tax.

You will only have to pay taxes if your self-employment net earnings are more than \$400 in a year. To figure out your net earnings use the following:

**Money you earned (revenue or gross sales) – business expenses = net earnings**

You can use the IRS Schedule C or Schedule C-EZ to figure out your net earnings. Your income tax AND your self-employment tax will be based on your net earnings.

Self-employment tax is what you pay for Social Security and Medicare (FICA). Since you do not have an employer that pays half, you will be responsible for all of it. Self-employment tax is 15.3% of your net earnings. (12.4% for Social Security and 2.9% for Medicare in 2013 unless tax cuts are extended.)

Self-employment tax is not income tax. You will have to pay income tax, too.

For more information on paying taxes if you are self-employed, visit [www.irs.gov](http://www.irs.gov).

You pay a percentage of your income for taxes. ***If you are single in 2012, you will pay the following:***

If taxable income is over—	But not over—	The tax is:
\$0	\$8,700	10% of the amount over \$0
\$8,700	\$35,350	\$870 plus 15% of the amount over \$8,700
\$35,350	\$85,650	\$4,867.50 plus 25% of the amount over \$35,350
\$85,650	\$178,650	\$17,422.50 plus 28% of the amount over \$85,650
\$178,650	\$388,350	\$43,482.50 plus 33% of the amount over \$178,650
Over \$388,350	no limit	\$112,683.50 plus 35% of the amount over \$388,350

(To find current tax brackets, visit [www.irs.gov](http://www.irs.gov).)

If you have children or are married, the tax brackets are different.

Each year, you will get a statement of the amount you earned. If you are working for an employer, you will receive a W-2 form. If you are employed as a contractor, you will get a 1099 form. If you do odd jobs or receive cash for your work, your earnings are probably not being reported.

22222		Employee's social security number <b>555-12-3456</b>		OMB No. 1545-0008	
Employer identification number (EIN) <b>55-9876543</b>			1 Wages, tips, other compensation <b>9,672.00</b>	2 Federal income tax withheld <b>745.00</b>	
Employer's name, address, and ZIP code <b>ABC COMPANY 1234 MAIN STREET ANYTOWN, UT 84555</b>			3 Social security wages <b>9,672.00</b>	4 Social security tax withheld <b>599.66</b>	
			5 Medicare wages and tips <b>9,672.00</b>	6 Medicare tax withheld <b>140.24</b>	
			7 Social security tips	8 Allocated tips	
			10 Dependent care benefits		
Control number			12a		
Employee's first name and initial <b>JOHN J.</b>		Last name <b>TAXP</b>	12b		
900 N 500 W		MY TOWN, UT 84555	12c		
15 State <b>UT</b>		Employer's state ID number <b>12345678-001-WTH</b>	16 State wages, tips, etc. <b>9,672.00</b>	17 State income tax <b>336.20</b>	18 Local wages, tips, etc.
			19 Local income tax		20 Locality name

**Employer Identification Number (EIN)**

**State ID (must be 14 characters, ending in "WTH")**

**Utah Taxes Withheld**

**State ID Number 14 characters, ending in "WTH"**

Form **W-2** Wage and Tax Statement  
Copy 1—For State, City, or Local Tax Department

Department of the Treasury—Internal Revenue Service

Source: Utah State Tax Commission

You will use the W-2 or 1099 to fill out your income tax return and figure out how much tax you owe.<sup>1</sup> All of the money the employer withheld for you counts toward the amount you owe for the year. Often, when working for an employer, enough will have been withheld throughout the year to cover all of the taxes you owe. If not, you will have to write a check to make sure you have paid enough income tax.

Sometimes too much is withheld for taxes. In this case, you may get a tax refund. A **tax refund** is a payment to you—either a check or direct deposit into a bank account— of funds you have overpaid for taxes.

“Intoxication: Euphoria at getting a refund from the IRS, which lasts until you realize it was your money to start with.”

— FROM A WASHINGTON POST WORD CONTEST

<sup>1</sup>The new standard deduction is \$5,950 for singles individuals up \$150.

**KEY ACTIVITY****Estimating Taxes Owed**

Individually or with a partner, use the **table above** to figure out how much federal income tax Sofia will owe.

Sofia anticipates that she will earn \$17,500 during the year. She is single and has no dependents. She will qualify for the standard deduction of \$5,950. Her taxable income is what she anticipates earning minus her standard deduction. Estimate how much income tax will she owe?

---



---



---



---

**Why Do You Pay Taxes?**

You may have heard people complain about paying for taxes. You may wonder why money you earn or will earn one day is taxed.

Taxes is one of the primary ways government—federal government, state government, and local government—raises revenue.

Why do they need this revenue? The government uses it to provide essential services to you and everyone else in your community, state, and the entire country. The services provided by government support the community you live in and are services that would be too costly for anyone to do on their own. Taxes also contribute to individual opportunities to earn money and build assets and wealth.

**KEY ACTIVITY****What Do Taxes Pay For?**

Individually or with a group, brainstorm the services you think each level of government provides with revenue from taxes.

Local Government	State Government	Federal Government

*How do government services contribute to an individual's opportunities to earn income and create wealth?*

---



---



---



---

## Tools to Help You: Save

You may have heard someone say, "Pay yourself first."

*What does "pay yourself first" mean?*

---



---



---

Save before you pay anyone else. ***Saving is the key to asset building.*** Saving is the key for financial independence. Saving is a financial safety net, which is extremely important if you are in foster care or have transitioned from foster care. ***Saving money means setting aside income today for use at some time in the future.*** It means not spending a portion of the money you have now.

In the first module, you explored how to find money to save and where to put your savings. This module will cover tools to help you save.

### Saving if You Don't Have Paycheck

People who save the most generally save through their paychecks. ***This is because they set up a system to save.*** Often, they make a decision, fill out paperwork, and then the savings happens every paycheck without them really even thinking about it.

If you do not have a paycheck yet, you can't do this.

“Taxes are what we pay for a civilized society.”

— JUSTICE OLIVER WENDELL HOLMES

## Automating Saving



Saving is the key to asset building and financial independence. You can't build assets without saving first.

Those who save, figure out ways to automate their savings. This means, they make a one-time decision about how much they are going to save and how they are going to save.

When you get a regular paycheck, automating your savings is easier with direct deposit AND automatic transfers to a savings account.

If you don't get a paycheck or even a regular income, you have to set up rules for yourself and systems to support those rules.

If you receive cash for odd jobs, you can set up rules for your cash income. The reason it's a good idea to set up rules for yourself is because when you set up rules, you make a decision once. Making a decision once is easier than having to make a decision each time you get cash. Here are some example rules:

- “Half of what I get I will save. The other half will be for spending.”
- “25% of what I get I will save. Another 25% will be for charitable contributions. The other 50% is for me to use with friends or on other things I want or need.”

“The art is not in making money, but in keeping it.”

— UNKNOWN

*If you get most of your income from odd jobs or in cash, make up your own savings rule.*

Once you set up this rule, you must set up a place to put your savings. Here are some options:

- **Envelopes:** Label them with your rules. Put the amount you are supposed to be saving into the savings envelope every time you get cash. You should remember that money saved where you live is at risk for being lost or stolen.
- **Savings account:** You can set up a savings account at bank or credit union. If you are over 18, you can set up your own account without a custodian or joint owner. If you are under 18, you may need to get a custodian or adult to co-sign with you.
- **Online savings accounts:** In addition to banks or credit unions you can visit in your community, you can open a savings account at an online bank. As with a bank or credit union in town, you may need an adult to act as a custodian if you are under 18.
- **Reloadable prepaid debit card:** Some prepaid debit cards offer a savings account feature.

## Savings with a Paycheck

If you have a regular paycheck, there are many options for you to save:

1. **Using direct deposit:** You can have your paycheck directly deposited into your checking account. You can then have a fixed amount automatically transferred to a savings account or some other kind of account. This can help you save money so you can reach your goals. You don't miss the money you save this way. It is easier than having cash and then depositing it into an account. Once you have the cash, the temptation to spend it often overtakes good intentions to save.
2. **Enrolling in workplace-based savings opportunities:** You may be lucky enough to work at a place that offers workplace-based savings opportunities. For example, some employers will help you save for your retirement. The employer may match your contributions. It's another example of matched savings. If you don't take advantage of these savings opportunities, you are leaving free money on the table.

Also money saved through workplace-based retirement programs is not subject to income tax. So you also save on the amount of taxes you pay. Again, this may not be applicable to you now, but one day it will be!

## KEY ACTIVITY

**Better Ways to Save**

Use the information from the discussion to help Arameka and Javier figure out better ways to save some of their income.

**Arameka and Her Youth Board Stipend**

*Arameka is 16 years old. She really wants to find ways to earn more money. Until that time, she wants to do a better job of saving the money she has. She wants to save for her prom and for college.*

*Last summer she worked through Youth Employment. She made about \$400. Today, she has nothing to show for it.*

*She also gets a monthly stipend for participating on the Youth Board. She gets about \$30 per month from this.*

*She generally takes cash or converts any check she receives to cash at Wal-Mart.*

*She knows there has to be a better way to save even though she does not have a savings account.*

**Help Arameka Save Better**

1. What are the benefits Arameka gets now from not saving?
2. What are the risks and potential costs of not saving?
3. What does she want to do differently?
4. What would you recommend?

**Javier and his Paycheck**

*Javier is 18 and working part-time in the financial aid office at the community college as an office assistant. He is paid \$9.25 per hour. He is working on associate's degree in accounting on a part-time basis.*

*He really wants to save to buy a car. He is using part of his Opportunity Passport™ matched savings to get this car.*

*But, Javier hasn't been able to save. He has his check direct deposited, but he generally pulls most of it out using his ATM card.*

*He knows there must be a better way to save more of his income.*

**Help Javier Save Better**

1. What are the benefits Javier gets from not saving?
2. What are the risks and potential costs of not saving?
3. What does he want to do differently?
4. What would you recommend?



## KEY ACTIVITY

## Benefits and Risks of Different Ways to Pay

With other members of your group, list the benefits and risks/potential costs of different ways of paying your bills.

Benefits to Using Cash	Risks/Potential Costs to Using Cash
Benefits to Money Orders	Risks/Potential Costs to Money Orders
Benefits to Checks	Risks/Potential Costs to Checks
Benefits to Online Bill Paying	Risks/Potential Costs to Online Bill Paying

No matter which system you use, consider the following:

1. **Have a file folder for all bills you must pay;** have a computer file folder on your computer for any bills you receive electronically.
2. **Open your bills as soon as they arrive** in the mail and put them in the folder; save electronic bills to your computer file folder as soon as they arrive.
3. **Set up reminders in your calendar for when bills are due.** You can even set up automatic emails or texts to remind you when bills are due.
4. **Pick 30 minutes each week to pay your bills** and review banking or credit card statements.

The key to managing your money is finding a system that works for you.

## Basic Tool: Bill Payment Calendar

One simple tool to help you make all of your payments on time is a bill calendar. A **bill payment calendar** is basically a calendar onto which you write when payments are due. If you get a regular income, you can also write the days you expect to be paid on the calendar, too.

Do you use the actual due date on the bill-paying calendar? This depends on how you pay your bills.

- ➔ If you are using the mail to send in your payment, you write the “due date” 5 to 7 days before the actual due date to ensure the payment arrives on time.
- ➔ If you are paying in person, you may want to write the due date a few days before the actual due date (just in case you are too busy on the actual due date; it’s better to be early with a bill than late).
- ➔ If you pay bills online, you may want to put the due date a few days before the actual due date in case you are too busy to make payment on the date the bill is due.
- ➔ If you use automatic bill payment, then you write the actual due date onto the calendar.

Here is an example of a bill calendar:

## Bill Payment Calendar for J

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2 Rent due \$500 (in person payment)	3	4	5	6 Pay day \$550 (approximately)	7
8	9 Car insurance payment due \$120 (in person payment)	10 Credit card payment due \$140 (actually due on 17th, but mail this payment)	11	12	13	14
15	16 Cell phone payment \$49.99 (actually due on 23rd, but mail this payment)	17	18	19	20 Pay day \$550 (approximately)	21
22	23 Student loan payment due \$207 (actually due on 30th, but mail this payment)	24	25	26	27	28
29	30	31	Rent for February due \$500			

If you use an online calendar or one on your phone, you can still use a bill-paying calendar. Just enter the same kind of information. You can even add reminders to some of the online, phone, or smart device-based calendars so you get an email or text.

## KEY ACTIVITY

## Bill Payment Calendar

Using the information below, complete a bill calendar for one month for Theo individually or with a partner.

*Theo has a problem keeping track of his bills. He has just transitioned out of care and is living in an apartment with a friend he met on the Youth Board. He is working full time at a locally-owned restaurant as a server. He is working to earn his GED.*

*In the Opportunity Passport™ financial education training, he learned about using a bill calendar to stay on track. Using the information below, help Theo prepare a bill payment calendar for the month of August.*

Biller	Amount	Due Date and Payment Method
Platinum Properties	<b>\$425</b> (this is his half of the rent and includes electricity; he pays the landlord directly)	On or before the 1 <sup>st</sup> of the month <i>In person</i>
National Credit Card Company	<b>\$50</b> (owes \$920 at 23%; is a making fixed monthly payments so he can pay it off in 23 months)	The 15 <sup>th</sup> or near the 15 <sup>th</sup> of the month <i>Mail payment</i>
Department Store Charge Card	<b>\$25</b> (owes \$540 at 18%; is a making fixed monthly payments so he can pay it off in 27 months)	The 15 <sup>th</sup> or near the 15 <sup>th</sup> of the month <i>Mail payment</i>
Southbell Cell	<b>\$59.99</b> (for cell phone, messaging and data plan)	The 6 <sup>th</sup> or near the 6 <sup>th</sup> of the month <i>Mail payment</i>
Community Hospital	<b>\$37.86</b> (on payment plan for expenses incurred beyond Medicaid coverage)	On or before the last day of the month <i>Mail payment</i>
Super Satellite Television Service	<b>\$22.50</b> (this is his half of the satellite television service, which includes 250 channels; he sends the bill so must collect roommates portion of the payment in advance)	The last day of the month for the following month's service <i>Mail payment</i>
Community Credit Union	<b>\$130.95</b> (for automobile loan; borrowed \$4,000 at 11% for 3 years)	The 15 <sup>th</sup> or near the 15 <sup>th</sup> of the month <i>In person</i>
State USA Auto Insure	<b>\$102</b> (for automobile insurance with a \$250 deductible for state required minimum coverage)	The 21 <sup>st</sup> or near the 21 <sup>st</sup> of the month for coverage for the following month <i>Mail payment</i>

## Bill Calendar for August

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
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				

## Keys to Your Financial Future Step 3.1: Create Your Bill Payment Calendar

If you are paying bills, make a bill payment calendar for yourself. If you are not yet paying bills, you can skip this step for now.

Use the chart to make a list of your bills. Then use the calendar form to make your bill payment calendar. If you use an online calendar, you can put your bills on your online calendar. Check to see whether the online calendar includes an application to send you email reminders or texts when bills are coming due.

Biller	Account Information (account number) and Amount	Due Date and Payment Method

### More Advanced Tool: Checking Account

A **checking account** is an account at a bank or credit union. When you open a checking account, you deposit money into it. What is in your account is called your balance.

You can write checks against your balance. You can also use a debit card when you purchase things. You can also make withdrawals at ATMs (automatic teller machines). You can pay bills online or through automatic bill payment using your checking account.

Each time you write a check, use your debit card, make a withdrawal at an ATM, or pay a bill electronically, your balance goes down.

Checking accounts can provide a safe and convenient way to pay bills. But, sometimes people get into trouble with checking accounts. They sometimes write checks when they don't have enough money in their checking accounts. This results in **NSF (Nonsufficient funds) charges** from the bank or credit union. The business the check was written to will also likely charge a fee for the bounced or returned check (draft).

And this will likely cause a negative report to ChexSystems. When you have a negative report in ChexSystems or another similar database, you may not be able to open any kind of account at a bank.

## Understanding ChexSystems



ChexSystems, Inc. is a consumer reporting agency. It collects information about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network.

Not all financial institutions (banks or credit unions) are members of the ChexSystems Network. To be a member, financial institutions must pay a fee.

Financial institutions use the information provided by ChexSystems to assess the risk of opening an account for a specific person. ChexSystems provides information about a person's past history of managing similar accounts. Financial institutions believe that past performance is the best prediction of future behavior.

To find out if you have a ChexSystems Report, you can order it online from ChexSystems at [www.consumerdebit.com](http://www.consumerdebit.com), call for more information at 800-428-9623, or send a written request to:

**ChexSystems, Inc.**  
7805 Hudson Road, Suite 100  
Woodbury, MN 55125

You will find the following information on the report: source of information on the report; the consumer's information (name, address, social security numbers, and driver's license number); information about the account that has been reported (routing transit number and/or account number); date information was reported about an account; and the reason for the report. There are entries for every account that has been reported as "mishandled."

Inquiries are also included—those initiated by the consumer as a result of applying for credit or completing an application with a financial institution and those initiated by financial institutions.

Also included on a report is retail information, which refers to returned checks. Retailers and other businesses report this type of information to SCAN (Shared Check Authorization Network).

Finally, there is a record of all checks ordered in the last three years.

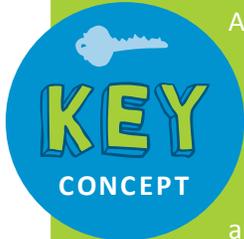
The best way to make sure you don't run into trouble with a checking account is to keep track of each:

1. Check you write.
2. Deposit or withdrawal you make at the ATM.
3. Bill you pay electronically out of your checking account.
4. Purchase you make with a debit card.

When you open a checking account, the bank or credit union will give you a **check register**. This is where you can keep track of every check you write, every purchase you make with a debit card, and every withdrawal you make at an ATM. You will also record deposits. When you deposit money, your balance goes up and you have more money to work with.

Sometimes your balance in your check register will not match the balance at the bank or credit union.

## Getting a Checking Account



A checking account is the most common tool people use to pay bills.

You can open a checking account at a bank or credit union.

It pays to comparison shop when picking a checking account.

In general, you will want to find out:

- Are there minimum balance requirements? If yes, what are they?
- Are there limits to the number of checks you can write for free?
- Will the account earn interest? What is it?
- Will you be charged an account maintenance fee?
- Will you get a debit card with the account? ATM card? When will you pay fees for using your debit card or ATM?
- What are your options for overdraft protection?
- How can you get help with managing this account?

This is because it can take time for checks to clear. For this reason, you cannot assume the balance the bank has is the amount you have to work with. You may have written a check that has not been taken out of the account at the bank yet. This is another reason your check register is so important.

### Online Tools

If you have regular access to a personal computer, you may look into online tools to help you pay your bills. There are three basic ways to pay your bills online:

#### Option 1: Online Banking

To use online banking, you must have an account at a bank or credit union. For most financial institutions, if you have a checking account, online banking will be free.

When using online banking, you access your account information through a secured website using your username and a password. Then you direct payments from your account to pay bills you have received in the mail or electronically.

When you use online banking, you can make sure you have money in your account before a bill is paid.

#### Option 2: Automate Payment through a Service Provider

Another way to pay bills online is through a service provider or biller's website. Generally, you can use a credit card to set up a regular payment. Or you can use your checking account. You may be able to use a payroll debit card, too.

Automating payment can ensure you don't miss a payment if you pay the same amount every month. It is very convenient and hands-off once the system is set up. **However, you need to make sure you have enough money in your account from which the funds will be drawn.** If you do not, you will get overdraft charges from the bank and returned check charges from the service provider.

If the payment is made through a credit card, you need to make sure you update the information if your card expires or any information changes because of a security issue.

#### Option 3: Third-Party Bill Paying Service

There are online services that will collect all of your bills electronically. They either send you an email or text a few days before a bill is due. Then you pay the bill through the website.

Using one of these sites may be free or there may be a monthly charge. These services claim that they simplify bill paying by getting all of your bills in one place electronically. The most common third-party bill paying services are PayTrust, MyCheckFree, and Quicken BillPay.

## Overdraft Protection<sup>2</sup>



Overdraft protection is often sold as “courtesy overdraft protection” or “bounce coverage.” This product covers checks you write even if you don’t have the money in your checking account. This avoids the bounced check fee from the merchant. But the financial institution will charge you an overdraft fee and a bounce-coverage fee.

Financial institutions generally charge a fee for each item covered by the overdraft protection. This can be \$20 or \$30 per check written. Some also charge a daily fee for each day the account is overdrawn. These fees can add up quickly and cause big problems for people.

Your financial institution does not provide you with notice if they are using “courtesy overdraft protection.” You are expected to keep track of what is happening in your account. Often people don’t find out they are overdrawn and have piled up fees until they get their statements.

There are alternatives to “*courtesy overdraft protection*” or “*bounce coverage*.”

1. **Keep track of your checks, debit card transactions, electronic payments, and ATM withdrawals so you don’t overdraw your account.**
2. **Link your checking account to your savings account.** The bank will transfer funds from your savings account to cover shortfalls in your checking.
3. **Link your checking account to credit card** so if you run out of money in your checking, the bank will charge your credit card.
4. **Set up an overdraft line of credit.** You will need to apply for this as you would a loan. You will have to pay interest on the money you borrow and there will likely be an annual fee. But this is much less costly than the per-item charges and daily fees common with “courtesy overdraft protection” or “bounce coverage.”

There have been some changes to the law for “courtesy overdraft protection” or “bounce coverage” with debit cards and ATM cards. Banks or credit unions must ask you to sign up for this protection for debit cards or ATM cards. This is called “opting in” for the service.

Before using a third-party bill paying service or any online bill-paying system, make sure the site you are using is secure.

## Financial Institutions and Money Management

**Name the kinds of businesses that offer financial services.**

---



---

<sup>2</sup>Federal Reserve Board of Governors;

There are many businesses that provide financial services. All companies that provide financial services make money from the financial services they provide.

Some financial service providers that are special because they accept deposits from customers or members. Institutions that can accept deposits include banks, credit unions and thrifts.

The government watches these institutions to make sure they are careful with your money. The government also insures the money you put in the bank—up to \$250,000 per account.<sup>3</sup> This insurance protects your money in case the institution has problems. This insurance makes these institutions a safer place to put your money.

### Other Financial Service Providers

Other businesses that provide financial services, but they do not take deposits. The government watches these institutions, too. But, they work differently than banks and credit unions.

These institutions include check-cashing outlets, payday lenders, car title lenders, and pawnshops. These institutions do not take deposits. They often offer services that get you access to credit. Usually they don't ask for much information from you. So you can get a loan very quickly.

Some do not clearly explain how much their services cost. They often charge very high prices for their services.

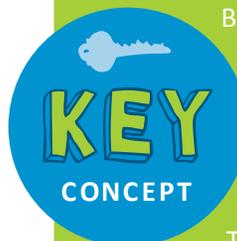
Here is an example:<sup>4</sup>

Personal Loan \$500 for 12 Months	Pawnshop	Credit Union or Bank
<b>Interest rate</b>	9% per month + fees 108% per year + \$20 origination fee	1% per month 12% per year + \$20 origination fee
<b>Cost of credit</b>	\$45/month x 12 months = \$540 + \$20 origination fee = \$580/year	\$5 month x 12 months = \$60/year + \$20 origination fee = \$80/year
<b>Collateral</b>	Pawned item. The item in this case would have to be worth <i>more than</i> \$500 to get a \$500 loan.	Depends on individual's credit. If no credit or poor credit, would likely have to secure with an equal deposit.
<b>Total amount repaid</b>	\$500 (borrowed) + \$580 (interest and fees) = \$1080	\$500 (borrowed) + \$80 (interest and fees) = \$580

<sup>3</sup>This is another example of a service the government provides with tax revenue

<sup>4</sup>The rates and terms are examples.

### Website Security



Before using any online site to manage your money, make sure it is secure. First, check to see if there is an “s” after the “http” in the URL.

This means the site uses encryption technology—it scrambles data so it can't be easily read. There should also be a little picture of a lock.

Second, look for “seals of approval” from the Better Business Bureau Online (BBBOnline), VeriSign and TRUSTe.

Finally check to see that the site has a privacy and security policy.

People often think they will be able to handle the terms of:

**Payday loans:** A short-term (2-week) loan secured with a post-dated check. The businesses make money because the customers renew these loans over and over again each time paying an origination or some other fee.

**Pawnshop loans:** A short-term loan secured with a valuable item. The loan you get will be worth far less than the value of the item. If you do not pay or renew as spelled out in the agreement, you will lose the asset.

**Car title loans:** A short-term loan secured with your car. The loan you get will be worth far less than the value of the car. If you do not pay or renew as spelled out in the agreement, you will lose the car.

But they often end up paying a lot of money or losing other assets.

In general, it is best to stay clear of these financial service providers. If you find you cannot pay your bills, work with staff at your Opportunity Passport™ site to identify ways to cover your expenses.

## How Banks and Credit Unions Work

Banks and credit unions are generally a good place to start when thinking about financial services. If you are under 18, you will likely need an adult to act as a custodian for any account you open at a bank or with credit union.

You are probably more familiar with banks since there tend to be more of them, but banks and credit unions offer similar financial services. There are also many differences. Here are some of the differences between banks and credit unions.

Banks	Credit Unions
<ul style="list-style-type: none"> <li>➔ For profit.</li> <li>➔ You are a customer and anyone can be a customer.<sup>5</sup></li> <li>➔ Profits go to owners and shareholders.</li> <li>➔ Generally a wide range of products and services.</li> <li>➔ Often many locations and online banking access.</li> </ul>	<ul style="list-style-type: none"> <li>➔ Non profit.</li> <li>➔ You are a member owner—to join a credit union you have to meet member criteria. This is generally based on your job or where you live.</li> <li>➔ Profits are returned to the members through lower fees on products and services.</li> <li>➔ Often fewer services than banks.</li> <li>➔ Often fewer locations than banks; online access to accounts depends on the credit union.</li> </ul>

<sup>5</sup> There are some things that can limit an individual from becoming a bank customer. See the section on ChexSystems.

## Who Insures Your Deposits?

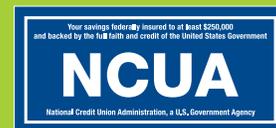


How do you know if a financial institution insures your deposits? In a bank, look for a sign that reads—“FDIC Insured.”

This means that the Federal Deposit Insurance Corporation insures it. The FDIC logo will be on the door or window of the bank, on brochures, and even on your bank statements.



In a credit union, look for the NCUA insurance logo. This means the credit union is covered by the National Credit Union Share Insurance Fund. The National Credit Union Administration (NCUA) runs it.



Even though there are many differences, the way they work is basically the same. Banks and credit unions take in money and loan out money. They take money in through **deposits**. Savings accounts and checking accounts are examples of deposits. They pay interest to people who deposit money.

They loan out money through loans—loans for cars, businesses, homes, and more. They charge interest to the borrower.

The rate of interest a financial institution pays to savers is **less than** they charge to borrowers. This is one of the ways they make money.

### KEY ACTIVITY

## How Banks and Credit Unions Make Money

Individually or with a partner, complete the following simple example of one way banks and credit unions make money.

*You deposit \$500 into a savings. The interest rate is 1%. The credit union will pay you \$5 for your savings.<sup>6</sup>*

*You have a friend that borrows \$500 on the same day. The interest rate on a loan is 10%. Your friend will owe the credit union an additional \$50.*

**How much did the credit union make?**

---

Financial institutions also make a lot of money by charging fees. Different products or services have different fees. They may charge fees for:

- ➔ Submitting a loan application.
- ➔ Going below the minimum balance required.
- ➔ Making too many withdrawals in a month.
- ➔ Using a checking account—monthly fee.
- ➔ Writing checks that go over your available balance—Nonsufficient Funds Fees.
- ➔ Using overdraft protection.
- ➔ Using online bill payment.
- ➔ Using an ATM outside of the not owned by the bank or outside the bank's network.
- ➔ Renting a safe deposit box.
- ➔ Other services.

<sup>6</sup>The example uses simple interest not compound interest.

## Introduction to ATMs



If you have never had a bank account, ATMs may be new to you.

ATM stands for automatic teller machine.

To access money from an ATM, you need an ATM card or debit card linked to your bank (or credit union) account.

Each bank and most credit unions have their own ATMs. As a customer or member, you can usually deposit or withdraw money from these ATMs for free. Some banks or credit unions belong to ATM networks. Examples are AllPoint and Star. If your bank or credit union belongs to one of these networks, you can use their ATMs for free.

Sometimes, people use other ATMs usually because they are not near an ATM owned by their bank or credit union. You will generally have to pay a fee for withdrawing money at these ATMs. Fees range from \$.50 to \$3.50 per transaction.

So if you are withdrawing \$30 and the fee is \$3, you are paying 10% to get your money. These fees can add up, so it's best to use your bank's ATMs or use an ATM within your bank's network.

Banks or credit unions are a place to put your money and help manage your money. There are both benefits and costs to using these products and services.

## Products and Services Available at Banks and Credit Unions

There are three general categories of products or services this section will cover:

- ➔ **Depository accounts:** Accounts you put money into (your deposits) for safekeeping, bill paying, and general money management.
- ➔ **Loans:** Money you borrow.
- ➔ **Other services:** Services to help you manage your money or keep your money safe.

## Depository Accounts

### Savings Accounts

Opening a savings account will help you get into the habit of saving. It is easy to put money away when you have a safe place to put it.

You can also keep an eye on where your money goes. The bank will send you a statement in the mail every month or every few months. Your statement will tell you how much money you put in the bank and how much you took out.

You may want a savings account if:

- ➔ You only plan to make a few deposits a month.
- ➔ You want a safe place to save money.
- ➔ You want to build an emergency savings fund.
- ➔ You are saving for asset building or the Opportunity Passport™ Matched Savings.

### Checking Accounts

A checking account is an account specifically designed to help you pay your bills securely. With a checking account, you can pay for things without cash. Writing a check also allows you to send payment through the mail. Finally, when you write a check for something, there is a record. This is not the case with cash unless you are good about holding onto receipts.

To pay for things, you write a check (share draft in a credit union). The check includes information on:

- ➔ Who the money will go to.
- ➔ How much money should go to them.
- ➔ Who the money is from.

““ A bank is a place where they lend you an umbrella in fair weather and ask for it back when it begins to rain. ””

— ROBERT FROST

## Depository Accounts and Asset Building



Are savings accounts assets? Are checking accounts assets? What about CDs?

Depository accounts are financial assets. They also contribute to your overall net worth because they generally do not have a corresponding liability.

These accounts are a key to asset building and financial independence. They are also an important part of your overall plan for money management.

When the person (or business) cashes the check you gave them, your bank will send money from your account to cover the check. Checking accounts can be hard to manage because you have to make sure you have money in your account to cover each check that you write.

Because checking accounts may be linked to a debit card or an ATM, you have to keep track of all debit card purchases or ATM withdrawals, too.

If you write a check and there is no money in your account, you could bounce the check. This is very costly. You may have to pay a fee to the person you wrote the check to. This can be \$25, \$30, or even more. Your financial institution will also charge you for bouncing a check, too. This is called a ***Nonsufficient Funds Fee*** or ***NSF Fee***.

You may want a checking account if one or more of the following are true:

- ➔ You make more than a few deposits a month.
- ➔ You have to pay a number of bills.
- ➔ You want the convenience of a debit card.

### **Certificates of Deposit**

A certificate of deposit (CD) is a fixed amount of money deposited with a bank for a fixed amount of time. Usually, the interest rate is fixed. The interest rate is usually higher than that of a savings account.

For example, after one year, a \$1,000 CD invested for one year at 2.7% would be worth \$1,027. You can use your Opportunity Passport™ matched savings to open one a CD.

### ***How to Open an Account<sup>7</sup>***

Opening an account at a bank or credit union is really quite simple.

First, you may want to get a recommendation from a trusted friend, adult or family member for a bank or credit union. Check with staff at your Opportunity Passport™ site. You may want to get information about these banks to see:

- ➔ The services they offer.
- ➔ The interest they pay for savings or checking.
- ➔ The fees they charge.

You usually need between \$25 and \$100 to open a savings or checking account. Be sure to find out how much you must keep in the account at all times to avoid fees. This is called the “minimum balance requirement.”

“Money, like emotions, is something you must control to keep your life on the right track.”

— NATASHA MUNSON

### Forms of ID



This is the list of forms of identification banks and credit unions usually accept. You will need two forms from this list. If you do not have two, see the end of this chapter on critical documents.

- ➔ Driver's license
- ➔ Passport
- ➔ Birth certificate
- ➔ Consular IDs such as the matricular consular can be used to open accounts. Consulates in the United States offer them. Visit your country's consulate for more information.
- ➔ A bill with name and address on it

<sup>7</sup> From *Take it to the Bank: Your Guide to opening a Bank Account* produced by the Community Affairs Office of the Federal Reserve Bank of Dallas and Texas Appleseed.

You will also need two forms of identification to open an account. Some banks or credit unions will take one form of identification and a bill with your name and address on it. This is often enough to open an account.

### Interest-Bearing Accounts

Interest is considered earned income. If you earn interest, you must pay taxes on it. In order to open an interest-bearing account, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN). Or you must be able to show evidence that you have applied for an ITIN.

***If you do not have a Social Security number, ITIN, or have not applied for an ITIN, you can open a non-interest bearing account.*** This still provides you with the safety and security of an account at a bank or credit union.

## Loans

You can borrow money from credit unions and banks, too. There are four ways you can borrow money:

### Credit Cards

Banks and credit unions have a number of different credit card programs available for their customers. Credit cards are considered revolving credit. You can borrow over and over again up to credit limit as long as you pay the minimum balance when it's due monthly.

Once you are 18, you can apply for a credit card if you have a regular source of income or a co-signor. Otherwise, you will have to wait until you are 21 years old.

### Lines of Credit

Similar to a revolving credit card, lines of credit allow you to borrow up to a certain amount. Usually, this must be completely paid off once per year. Businesses often apply for lines of credit for purchasing inventory. Getting a line of credit is harder than getting a credit card.

### Installment Loans

These are loans that are paid back in even payments over a certain period of time. These loans are amortized. Installment loans can be used to:

- ➔ Purchase consumer items such as refrigerators and vacations.
- ➔ Purchase automobiles.
- ➔ Finance education.
- ➔ Finance a business.

### Mortgages

These are installment loans used to purchase a home.

## Loans and Asset Building



Are loans assets? The answer is no. In fact, loans are liabilities, which you learned about in module 1.

A liability is something you owe. Often liabilities are taken on to afford assets—a loan for a refrigerator, a car, a home, a business, or an education.

While they may help you get assets, loans also decrease your net worth.

Finally, a liability creates a financial obligation until the debt is paid in full. A loan gives you the ability to get an asset today, but you are obligating your future income until the debt is paid off.

## Other Services

Credit unions and banks offer other services to make it easier for you to manage your money. While many of these services may be offered at pawn shops or check-cashing outlets, banks and credit unions generally cost less.

- ➔ **Direct Deposit**—You must have a regular paycheck to use direct deposit. You will need to give your employer your bank account information, including the routing and transit number for the bank.
- ➔ **Check cashing**—Once you are a member of a credit union or the customer of a bank, you will generally not have to pay a fee to cash a check.
- ➔ **Money orders**—Money orders can be used to pay for bills through the mail without sending cash. Money orders at banks and credit unions are usually less expensive than money orders sold in other businesses such as convenience or grocery stores.
- ➔ **Wire Transfers**—Wire transfers allow you to send money to or receive money from a distant location.
- ➔ **Automated Teller Machines (ATMs)**—ATMs allow you to get cash or deposit cash from many different locations. Using an ATM that does not belong to your bank or credit union can be expensive.
- ➔ **Electronic Benefits Transfer**—If you receive any kind of cash public assistance, it can be electronically deposited into your bank or credit union account. This includes cash assistance, disability payments, and Social Security payments. The money is immediately available and you do not have to worry about the check getting lost or stolen.
- ➔ **Online Banking**—Online Banking means managing your accounts using the Internet. This is a great way to get daily information on your account balance. You can use this to help reconcile your check register on a more frequent basis. You should note this won't account for deposits or checks that haven't cleared, so you should still refer to your check register for account balance information.

If you use Online Banking, make sure you are taking steps to keep your information safe:

- ✓ Never store your password on your computer.
  - ✓ Change your password often.
  - ✓ Make sure the online banking website starts with "https." This means it is secured.
  - ✓ Never use a public WIFI when using online banking.
  - ✓ Never provide information about your accounts—account numbers, owner names, passwords—in response to an email request for this information. **This is most likely a scam.** Banks and credit unions would never ask you to update information in this way. It is not secure.
- ➔ **Personal Service**—Employees at banks and credit unions are there to serve you. You can ask questions about your bank statements, credit options, savings options, and other financial issues.

## ATM Cards, Debit Cards and Credit Cards

There can be a lot of confusion about ATM cards, debit cards, and credit cards. When you do get an account, you may be offered an ATM card or a debit card depending on the type of account. Understanding what you have can keep you from making costly mistakes.

**KEY ACTIVITY****ATM Cards vs. Debit Cards vs. Credit Cards**

Complete the following chart based on the activity you do in the training.

ATM Card	Debit Cards	Credit Cards

ATM cards, debit cards and credit cards all look alike. What they can do, however, is different.

You can generally only use ATM cards at ATM machines to deposit money, check account balances and withdraw money. The ATM card can be linked to a savings account or checking account. An ATM card does not have a credit card company logo on it (VISA or MasterCard are examples of credit card companies).

A debit card can be used at an ATM to withdraw money, but it can also be used nearly everywhere a credit card is accepted. This includes restaurants, grocery stores, department stores, gas stations, to buy plane tickets, and more. A debit card will have a credit card company logo on it.

There are two ways to use a debit card. One way is to enter your personal identification number (PIN). The money comes out of your account immediately when you use this method. You can also process your debit card like a credit card and provide a signature instead of a PIN. The money still comes out of your account, but it may take a day or two.

With both ATM and debit card transactions, you need to keep track of what you are using including fees.

Credit cards are not connected to a bank account. You borrow money when you use a credit card. Then you pay off the money you borrowed—in full or partial payment—when the bill is due.

### Personal Identification Numbers (PIN)



A personal identification number (PIN) is a password made up of numbers. PINs provide access to accounts and information. When you use an ATM or debit card,

you have to enter your PIN. Most often, PINs are 4 numbers long.

To keep your PINs safe, follow these guidelines:

- ➔ Never store you PIN with your ATM or debit cards.
- ➔ Do not use something that is easily guessed like your birthdate.
- ➔ Do not tell anyone else your PIN.

Ideally, you should have different PINs for different cards and accounts. But if remembering them is too hard, use a few. Just change them from time to time.

## Protections

Debit cards offer less protection if your card is used fraudulently.

- If you report a debit card missing before it is used, you are not responsible for any unauthorized withdrawals.
- Your liability is limited to \$50 if you report the loss within two business days. This means that even if \$700 is taken out of your account, you only have to pay \$50 of it.
- Your liability limit goes up to \$500 if you report the loss after two days but before 60 days.

If you have not reported an unauthorized use of a debit or ATM card 60 days after your bank mails the statement documenting the unauthorized use, you could lose all the money in your bank account as well as the unused portion of your line of credit established for overdrafts.

If your credit card is stolen, your liability is limited to \$50 as long as you report it stolen. Credit cards also provide additional protection if you are unhappy with a product or service. They will dispute payment with the service or product provider on your behalf.

Finally, when you use your debit card to make reservations for hotels or rental cars, a hold is placed on your debit card. This means that the designated amount of money on your checking account cannot be accessed. A hold is like a security deposit—you get it back if you pay in full and there is no damage to the room or car. Even if the hold is removed, it may take as long as a week to make the funds available to you again.

## The Benefits and Costs of Using Banks or Credit Unions

*What are the benefits of using banks or credit unions?*

---

---

---

*What are some of the risks or potential costs of using banks or credit unions?*

---

---

---

Here are some reasons a bank or credit union may be a better place for your money than your sock drawer or a safe place in your room:

- **Safety**—Your money is safe from theft, loss, and fires. FDIC or NCUA insures your deposits. This means that if the bank or credit union gets robbed, is managed poorly or catches on fire, your money will be replaced up to \$250,000 per account—**as long as the institution is insured**.

- ➔ **Convenience**—You can get money quickly and easily. You may be able to use an ATM, debit card, electronic payment, or visit the bank or credit union in person.
- ➔ **Cost**—Using a credit union or a bank is often less expensive than using other businesses to cash your checks, pay bills, and get loans. Also, cash checking businesses and payday lenders don't offer savings accounts. So you cannot build up savings if you use these businesses.
- ➔ **Financial Future**—Building a relationship with a credit union or a bank will establish a record. It can also help you build savings. It may help you get a loan from a bank or credit union in the future.

Here are some costs or disadvantages of using banks or credit unions:

- ➔ **Fees**—Banks and credit unions also make money by charging their customers or members fees for some services. Often the fees increase when customers cannot keep the required minimum balances in their accounts. Ask bank or credit union staff about fees for each kind of account you have with them.
- ➔ **Nonsufficient Funds**—If you have a checking account and you write checks for more money than you have, it can end up costing you a lot of money. Nonsufficient funds (NSF) charges can make a checking account very costly. Learning how to handle a checking account can help prevent these fees.
- ➔ **Information**—Banks and credit unions may ask *you* for a lot of personal information to use some of their products or services. Some people use payday lenders or check-cashing businesses because they ask for very little information to use their services or products.
- ➔ **Confusion**—There are many choices for accounts. Each account has different rules. This can be confusing and lead to people to misusing accounts.
- ➔ **ChexSystems Rating**—If you mishandle an account at a bank, you may have a negative ChexSystems rating. Most people don't even know this system exists. A negative ChexSystems rating can prevent you from opening a savings or checking account.

## Stored Value Cards



Stored value cards are also called prepaid debit cards. They are often branded by Visa or MasterCard.

They can be purchased at grocery stores, convenience stores, and other locations. You load a stored value card with money you have saved. This could be safer than cash because the funds can only be accessed by using a PIN.

You can use the prepaid debit card like a debit card. Just like a debit card, you have to be sure you keep track of your spending with the card.

There can be fees associated with using stored value cards: activation fees, monthly fees, ATM fees, point-of-sale fees (fees when you use the card like a debit card at a store), and more.

Some cards are FDIC insured. If you are using a stored value card for saving, make sure it is FDIC insured.

Consider using a card rating site to help pick the best card for you: [www.creditcardguide.com](http://www.creditcardguide.com)

[prepaid-debit-cards-review  
toptenreviews.com](http://prepaid-debit-cards-review.toptenreviews.com)

## Bank or Credit Union Accounts and the Opportunity Passport™

As a young person enrolled in the Opportunity Passport™ you can earn matches for money you save for your asset goal. You have a choice about where you save your money.

- ➔ You can save it in a jar in your room.
- ➔ You can save it on a stored value card.
- ➔ You can save it in a savings account.
- ➔ You can save it in a checking account.

There are benefits and risks with each option.

### KEY ACTIVITY

## Saving for the Opportunity Passport™ Matched Savings

With a partner or your small group, identify the benefits and risks of keeping your savings in each of the following places.

### Save Money Where Your Live (Jar, under your mattress, etc.)

Benefits

Risks

### Stored Value Card

Benefits

Risks

### Savings Account at a Bank or Credit Union

Benefits

### Checking Account at a Bank or Credit Union

Benefits

Risks

## Keys to Your Financial Future Step 3.2: Saving for the Opportunity Passport™ Matched Savings

After completing this exercise, where do you think you will keep the money you save for the Opportunity Passport™ matched savings (check one)?

- Jar, under the mattress or somewhere at home
- Stored value card
- Savings account
- Checking account

*What are the reasons for your choice?*

---

---

---

*What additional information do you need to finalize your choice?*

---

---

---

### Choosing a Bank or Credit Union

If you have decided to use a bank or credit union account for savings, you need to pick a bank or credit union. You have many choices.

- ➔ You may want to start by asking your Opportunity Passport™ site staff about a bank or credit union they recommend. The site may already have a relationship with a financial institution in your community. They may be committed to working with young people in or transitioning from foster care.
- ➔ You may want to look around where you live, work, or go to school for a bank or credit union. This will make it convenient for you.
- ➔ Finally, you may want to look online for a bank. Be sure it is federally insured by the FDIC.

If there is more than one choice to consider, use the following worksheets to help you decide which bank or credit union to give your business to. Even if you have already decided which bank or credit union to use, you may want to make sure you know the answers to the questions in this worksheet.

## Keys to Your Financial Future Step 3.3: Plan for Using a Bank or Credit Union

If you are thinking about opening an account at a credit union or bank, use the following checklist to help you make your choice. There is space at the end of the worksheet to add your own questions.

Name of Bank or Credit Union:	Name 1:	Name 2:	Name 3:
<b>Safety</b>			
Is it FDIC or NCUA insured?			
<b>Requirements for Opening an Account</b>			
Do you need a custodian if you are under 18 years of age?			
What identification documents do you need to open an account?			
Does the bank check ChexSystems or credit reports before allowing a savings or checking account?			
Is there a minimum balance requirement for opening checking or savings accounts?			
<b>Access and Convenience</b>			
Is the bank or credit union close to where you live, go to school or work?			
Is it open during hours you can visit?			
Will you have ATM access? Are there many bank/credit union-owned ATMs accessible to you?			
Does it provide online banking?			
<b>Fees</b>			
Is there a fee for going below minimum balance?			
Are there a monthly account maintenance fees?			

Are there fees for using debit cards to make retail purchases?			
Are there fees for using online banking services			
What other fees are possible with a savings account?			
What other fees are possible with a checking account?			
<b>Interest and Statements</b>			
Will you earn interest?			
What is the rate of interest you will earn (APY)?			
How often will you receive bank statements?			
<b>Other Services</b>			
What additional services will you be able to access?			
Do they offer secured credit cards?			
Do they offer credit building loans?			
Other question:			

### Interest and Statements

### Other Services

*What bank or credit union did you choose?*

---

---

---

*What were your reasons for this choice?*

---

---

---

## Making a Plan to Reach Your Goals: Budgeting

You have probably heard the term budget before. Most people don't like to think about budgeting. They think budgeting means sacrifice, or doing without the things they want.

*What does budgeting mean for you?*

---

---

---

***A budget is just actually a plan for how you are going to use your money so you can reach your goals.*** In fact, a budget is about using your money so you can get what you want. Because your money is not unlimited, a budget just helps you focus on what is most important.

There are many approaches to budgeting. In this section, you will learn about four:

1. The envelope system.
2. Monthly budget.
3. Cash flow budget.
4. Online budgeting systems.

Even though there are many approaches, they are all designed to put you in control of your money so you can reach your goals.

“Before you can really start setting financial goals, you need to determine where you stand financially.”

— DAVID BACH

To make a budget, you will need to know your **sources of income**:

- ➔ Wages from a job.
- ➔ Earnings from self-employment.
- ➔ Stipends from participation on the youth board or summer program.
- ➔ Gifts from family members or friends.
- ➔ Public benefits.

You will also need to know your uses of income:

- ➔ **Savings**.
- ➔ **Sharing**—charitable contributions to other organizations.
- ➔ **Debt repayment**—credit card, student debt, pay day loan, and car payments for example.
- ➔ **Expenses**—all other expenses like rent and utilities, bus passes, gasoline, clothing, and entertainment.

## The Envelope Budget System

In the envelope budget system, you put the amount of cash for each category into an envelope. When you have used up all of the money in that envelope, you cannot spend anymore.

There are five steps in using the envelope system:

- Step 1:** **Set (or revisit) your goals.** This is the purpose of your budget. It will give you a savings target for each month.
- Step 2:** **Figure out how much income you can expect every month.**
- Step 3:** **Write down your current expenses, monthly debt repayment, and how much you want to save for your goals.**
- Step 4:** **Decide what categories make sense for your budget. Then set up an envelope for each budget category.** Write the budget category and the monthly budget amount on each envelope. Here is an example:  
  
Estimated Total Income for one month: \$111
  - ➔ Opportunity Passport™ Matched Savings: \$20
  - ➔ Savings for Prom: \$10
  - ➔ Personal Expenses: \$25
  - ➔ Cell Phone (unlimited messaging and web connectivity only): \$35 + \$1 for money order
  - ➔ Going Out with Friends Money: \$20
- Step 5:** **Pay for everything out of your envelopes.** When going out with friends, only take the “Going Out with Friends” envelope. When the envelope is empty, you are done spending in that category for the month.

“It’s not your salary that makes you rich, it’s your spending habits.”

— CHARLES A. JAFFE

For the envelope system to work, you need to make sure you don’t take from one envelope to cover expenses that should have come out of another.

The envelope budget system may work for you if one or more of the following are true:

- ➔ You don't have or want an account at a bank or credit union.
- ➔ You don't have regular access to a secure personal computer.
- ➔ You get your income in cash or can easily turn it into cash.
- ➔ You want a simple system.
- ➔ You have tried other approaches to budgeting and they have not worked.
- ➔ You have never budgeted before.
- ➔ You want to try to save some of your income.

## The Monthly Budget

If you have seen a budget before, you have likely seen the monthly budget approach. A monthly budget is about making commitments to spending only a certain amount in each category before the month occurs.

- Step 1:** **Set (or revisit) your goals.** This is the purpose of your budget. It will give you your savings target for each month.
- Step 2:** **Figure out how much income you can expect every month.** If you already have a paycheck, use your paycheck stub to get the amount.
- Step 3:** **Write down your current expenses, monthly debt repayment and how much you want to save for your goals.** Get copies of bills, statements (credit card statements, for example) and receipts so you can see how much you actually spend.

This process will help you identify the budget categories you need. If you are under 18, still in foster care and living with a relative, a foster family, or in congregate care, you may only have a few categories in your budget.

If you have transitioned from foster care and are on your own, you might have many categories.

- Step 4:** **Identify obligations.** This is a really important step. Obligations are what you have to pay. These are sometimes called **non-discretionary expenses**. Other expenses are discretionary—these are the ones you may be able to cut back.

## Budgeting with Gross or Net Income



Should you budget using gross income or net income? The answer—you can use either.

If you use your gross income, be sure to include taxes (federal, state, local, and FICA) on your budget form as a “use of income.”

If you use net income, you don't have to include the taxes.

It really comes down to personal preference.

As you get older, you may want to use gross income so you can keep track of taxes as well as other benefits or deductions that may come out of your paycheck.

“Don't tell me what you value; show me your budget, and I'll tell you what you value.”

— JOE BIDEN

**Step 5: Make the budget.** This is done by setting targets—for savings (this was done when you wrote your goals), spending, and debt payments. This is often done so you can save more for your goals. Setting targets is making a commitment to saving and spending.

**Step 6: Track your actual spending and compare it to your budget.** Sometimes people make a budget, but they don't use it. Tracking your actual spending and comparing it to your budget helps keep you accountable to the decisions you made.

The monthly budget system may work for you if one or more of the following are true:

- ➔ You have or want an account at a bank or credit union.
- ➔ You want to try to save some of your income.
- ➔ You want a simple system.
- ➔ You are willing to track your receipts and other bills paid.

“A person who aims at nothing is sure to hit it.”

— ANONYMOUS

## KEY ACTIVITY

### Complete Nayeli's Budget

With a partner, go through each the steps to create a budget for Nayeli.

*Nayeli is 17 years old and has been in care since she was eight years old. She is finishing her junior year of high school. She plans to go to college to study social work. She is a lifeguard at the YMCA throughout the year and works exactly 12 hours per week. She is also on the youth board and received a stipend of about \$30 per month from her participation. She wants to create a budget to help her achieve her goals.*

#### Step 1: Goals

Goals	Total Needed	Months to Save	Monthly Savings Target
Buy a reliable, used car within 12 months.	\$3,000 (Need to save half because she is saving for the Opportunity Passport™ Matched Savings)	12	
Develop an emergency fund with \$1000 within 24 months.	\$1000	24	
Buy a new dress and shoes for the prom in three months.	\$150	3	
<b>Monthly Savings Target</b>			

## Step 2: Source of Income

**YMCA**

Check No. 000789

Employee Name: Nayeli Martinez

Employee #: 582-03

Period Beg: 2/1/2013

Social Security #: 453-80-0092

Period End: 2/15/2013

**Earnings****Deductions:**

	Current			Year-to-Date		Federal Withholding	Current	Year-to-Date
	Rate	Hours	Earnings	Hours	Earnings		\$	\$
Regular Earnings	\$ 8.75	24	\$ 210.00	72	\$ 630.00	FICA	\$ 39.90	\$ 119.70
Overtime Earnings	\$ 0	0	\$ -	0	\$ -	City Withholding	\$ 16.07	\$ 48.20
Sick Leave Balance		0	\$ -	0	\$ -	State Withholding	\$	\$
Annual Leave		0	\$ -	0	\$ -	Insurance	\$	\$

Current Net Earnings	Pay Rate	Current Hours	Current Gross Earnings	YTD Hours	YTD Gross Earnings	YTD Net Earnings	Current Deductions	YTD Deductions
\$ 154.03	\$ 8.75	24	\$ 210.00	72	\$ 630.00	\$ 462.09	\$ 55.97	\$ 167.90

**YMCA****000789**1234 8th Avenue  
City Central, USA 12345**Date: 2/16/2013****Pay:** One hundred and fifty four dollars & 03/100**Amount:** \$ 154.03**To the  
Order of:** Nayeli Martinez

Community Bank

56799 948 978462

**Jorge Smith**

Jorge Smith, President &amp; CEO

**What are Nayeli's sources of income? How much does she make per month from each?  
How much does she make in total?**

Source of Income	Monthly Amount
<b>Total Monthly Income</b>	

### Step 3: Uses of Income

Here is how Nayeli spends her money now:

- ➔ Cell phone and data plan = \$35.65
- ➔ Clothing = \$75
- ➔ Groceries and snacks = \$40
- ➔ Entertainment = \$80
- ➔ Charitable contributions = \$20

### Step 4: Identify the Obligations

Circle the obligations. These are the items that she cannot cut.

### Step 5: Make Nayeli's Budget

Determine if she can save for her goals and continue her current level of spending.  
If not, cut spending or change savings goal. Make her budget balance.

### Monthly Budget Form

	Budget	Actual	Difference
<b>SOURCES of INCOME</b>			
Wages or Salary			
Gifts			
Public Benefits			
Other:			
<b>TOTAL USES of INCOME</b>			

	Budget	Actual	Difference
<b>USES of INCOME</b>			
<b>SAVING</b>			
Emergency Funds			
Opportunity Passport™ Matched Savings			
Other:			
<b>SUBTOTAL SAVING</b>			
<b>SHARING</b>			
Charitable giving			
Other:			
<b>SUBTOTAL SHARING</b>			
<b>DEBT REPAYMENT</b>			
Credit card payment			
Car payment			
Other:			
<b>SUBTOTAL DEBT REPAYMENT</b>			
<b>EXPENSES</b>			
<b>Housing</b>			
Rent			
Renter's Insurance			
Other:			
<b>Utilities</b>			
Electricity			
Water			
Telephone			
Cell phone and data plan			
Internet connection (ISP)			
Other:			
<b>Food and Household Supplies</b>			
Groceries			
Personal care items			

	Budget	Actual	Difference
Haircuts, etc.			
Other:			
<b>Clothing</b>			
Clothing			
Other:			
<b>Transportation</b>			
Car insurance			
Fuel			
Car maintenance			
Other:			
<b>Medical</b>			
Health insurance premium			
Co pay			
Prescription			
Other:			
<b>Entertainment</b>			
Dining out			
Video/DVD Rental			
Other:			
<b>Miscellaneous</b>			
Holiday and birthday gifts			
Vacation			
Other:			
Other:			
<b>SUBTOTAL EXPENSES</b>			
<b>TOTAL USES of INCOME</b>			
<b>TOTAL SOURCES OF INCOME – TOTAL USES OF INCOME</b> <i>(If this is a positive number, Nayeli has a surplus. If this is a negative number, Nayeli does not have enough income.)</i>			

*What was the difference between her sources of income and her uses of income?*

---



---



---

*What did you do to make her budget balance?*

---



---



---

To use this budget, Nayeli would need to keep track of her deposit records (for savings), receipts, and paid bills. Every month she would total her spending in each category and enter this into the actual column. This will help her see from month to month whether she is doing these things:

- ➔ Saving enough for her goals.
- ➔ Keeping her obligations paid.
- ➔ Covering all of her other expenses.

### The Cash Flow Budget

One challenge with the monthly budget is it does not take into account timing of income and uses of income (saving, spending, sharing, and debt repayment).

Cash pays the bills. A cash flow budget is about projecting from week to week whether you will have the cash on hand to cover your obligations as well as your other expenses.

The bill payment calendar you completed earlier in this module is one example of a cash flow. Here is another example using Nayeli's information.



## KEY ACTIVITY

## Read Nayeli's Cash Flow Budget

With a partner or your group, read Nayeli's cash flow. Answer the questions that follow.

	4-Feb	11-Feb	18-Feb	25-Feb
<b>Cash Balance from Previous Week</b>	<b>\$105.00</b>	<b>\$34.35</b>	<b>\$78.38</b>	<b>\$43.38</b>
Wages or Salary		\$154.03		\$154.03
Youth Board Participation				\$30.00
Gifts				
Self Employment				
Public Benefits				
<b>Total Cash Available</b>	<b>\$105.00</b>	<b>\$188.38</b>	<b>\$78.38</b>	<b>\$227.41</b>
<b>Savings</b>				
Emergency Fund Deposit				\$42.00
Opportunity Passport™ Matched Savings				\$125.00
Other: Prom Dress				\$50.00
<b>Sharing</b>				
Charitable Giving	\$5.00	\$5.00	\$5.00	\$5.00
Other:				
Other:				
<b>Debt Repayment</b>				
Credit card payment				
Student loan payment				
Car payment				
Other:				
<b>Expenses</b>				
Housing (rent)				
Renter's Insurance				

Amount of cash left from previous week.

Amount of cash from previous week + income from current week.  
This is what she has to work with for the week.

	4-Feb	11-Feb	18-Feb	25-Feb
Utilities				
Cell phone plan/data plan	\$35.65			
Internet connections				
Groceries	\$10.00	\$10.00	\$10.00	\$10.00
Household supplies				
Personal care				
Clothing		\$75.00		
Car insurance				
Fuel				
Maintenance				
Registration				
Health care				
Entertainment	\$20.00	\$20.00	\$20.00	\$20.00
Other:				
Other:				
Other:				
<b>Total Uses of Cash</b>	<b>\$70.65</b>	<b>\$110.00</b>	<b>\$35.00</b>	<b>\$252.00</b>
<b>Cash Balance</b>	<b>\$34.35</b>	<b>\$78.38</b>	<b>\$43.38</b>	<b>-\$24.59</b>

Total of all uses of cash for the week.

Total cash available minus total uses of cash.

*Can Nayeli make ends meet each week?*

---

*If not, what would you recommend to her to bring her cash flow budget into balance?*

---



---



---



---

*With the ending cash balance she has for the week of February 25th, how much cash will she have to work with the following week?*

---

*Which approach to budgeting do you like the best (check one)?*

- Envelope System
- Monthly Budget
- Cash Flow Budget

*What are the reasons for your choice?*

---



---



---

## Online Budgeting

The three budgeting approaches you just covered are paper-based. You can also use computers or technology for budgeting.

Here is a list of some technology-based alternatives:

### Spreadsheet on Your Computer

The forms you completed by hand can be done electronically on your computer. There are two advantages to using the electronic forms:

1. You don't have to keep track of the paper.
2. The math is calculated for you.

Excel also has a number of templates for financial forms that you can use.

### Budgeting Software

You can buy budgeting software for your computer. Some of these programs are very advanced. Quicken, Ace Money, and YNAB (You Need a Budget) are examples of software you can buy.

Most of these programs are linked to bank and investments accounts, allow you to pay bills through them, and can be used to complete your tax returns.

If you are still in foster care or have a simple budget, these programs are probably more than you need right now. However, you will have a more complicated budget one day. When you get to that point, you may want to research software options.

## Online Budgeting and Security



Never access budgeting sites at public computers—the public library, your school, or at an Internet Café.

The only safe place to do this is on your own computer through a secure Internet connection.

If you do not have regular access to an individual computer and a secure Internet connection, consider a different tool for budgeting.

### Website-Based Budgeting

There are many online sites that allow you to make and track a budget, cash flow, and sometimes even pay bills. Some of these sites can link up with your electronic calendar and send you text message reminders. Some can link to your accounts and credit cards. These sites include the following:

- ➔ Mint.com
- ➔ Budgetpulse.com
- ➔ Yodlee.com
- ➔ Pearbudget.com
- ➔ Mvelopes.com (an online version of the envelope system)

“It takes as much energy to wish as it does to plan.”

— ELEANOR ROOSEVELT

### Apps for Smart Devices

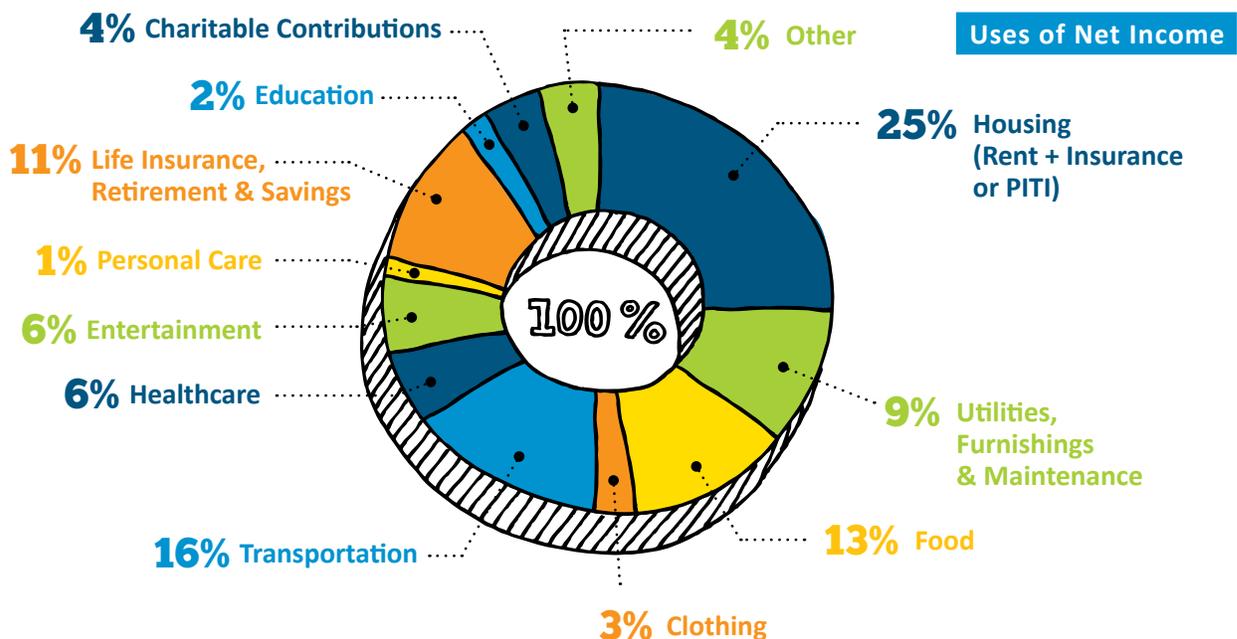
There are many applications or apps available for smart devices (iPhones and Android). Some apps are companions to online sites while others operate as independent budget tools. When selecting an app, you can read reviews before choosing one. Some budget apps are free, but others must be purchased. If the downloaded version is a free trial, you will have to pay for the app to continue using it.

“O money, money, money. I’m not necessarily one of those who think thee holy, but I often stop to wonder how thou canst go out so fast when thou comest in so slowly.”

— OGDEN NASH

### How Much Do People Spend

Sometimes it can be helpful to know what typical household spending looks like in the U.S. You can compare your spending patterns to what is typical in the U.S. Here is a breakdown of the percentage of net income household’s spend in different categories.<sup>8</sup>



<sup>8</sup> Bureau of Labor Statistics Consumer Expenditure Survey, 2009.

## Keys to Your Financial Future

### Step 3.4: Making Your Budget

To make your budget, choose the approach that is right for you (check one):

- **The envelope system**—work with your Opportunity Passport™ site staff to help you get this started
- **Monthly budget**—use the following form or one available at Opportunity Passport™ Online Financial Capability Toolkit
- **Cash flow budget**—use the following form or one available at Opportunity Passport™ Online Financial Capability Toolkit
- **Online budgeting systems**—work with your Opportunity Passport™ site staff to help you get this started

With any system, don't forget to start with these first three steps:

- Step 1:** **Set (or revisit) your goals.** This is the purpose of your budget. It will give you your savings target for each month.
- Step 2:** Figure out how much income you can expect every month.
- Step 3:** Write down your current expenses, monthly debt repayment and how much you want to save for your goals.

“ I have enough money to last me the rest of my life, unless I buy something. ”

— JACKIE MASON



#### Monthly Budget Form

	Budget	Actual	Difference
<b>SOURCES of INCOME</b>			
Wages or Salary			
Gifts			
Public Benefits			
Other:			
<b>TOTAL USES of INCOME</b>			
	Budget	Actual	Difference
<b>USES of INCOME</b>			
<b>SAVING</b>			
Emergency Funds			
Opportunity Passport™ Matched Savings			
Other:			
Other:			
<b>SUBTOTAL SAVING</b>			

	Budget	Actual	Difference
<b>SHARING</b>			
Charitable giving			
Other:			
Other:			
<b>SUBTOTAL SHARING</b>			
<b>DEBT REPAYMENT</b>			
Credit card payment			
Car payment			
Other:			
Other:			
<b>SUBTOTAL DEBT REPAYMENT</b>			
<b>EXPENSES</b>			
<b>Housing</b>			
Rent			
Renter's Insurance			
Other:			
<b>Utilities</b>			
Electricity			
Water			
Telephone			
Cell phone and data plan			
Internet connection (ISP)			
Other:			
<b>Food and Household Supplies</b>			
Groceries			
Personal care items			
Haircuts, etc.			
Other:			

	Budget	Actual	Difference
<b>Clothing</b>			
Clothing			
Other:			
<b>Transportation</b>			
Car insurance			
Fuel			
Car maintenance			
Other:			
<b>Medical</b>			
Health insurance premium			
Co pay			
Prescription			
Other:			
<b>Entertainment</b>			
Dining out			
Video/DVD Rental			
Other:			
<b>Miscellaneous</b>			
Holiday and birthday gifts			
Vacation			
Other:			
<b>SUBTOTAL EXPENSES</b>			
<b>TOTAL USES of INCOME</b>			
<b>TOTAL SOURCES OF INCOME – TOTAL USES OF INCOME</b> <i>(If this is a positive number, Nayeli has a surplus. If this is a negative number, Nayeli does not have enough income.)</i>			

## Cash Flow Budget Form

	Week of:	Week of:	Week of:	Week of:
<b>Cash Balance from Previous Week</b>				
Wages or Salary				
Youth Board Participation				
Gifts				
Self Employment				
Public Benefits				
<b>Total Cash Available</b>				
<b>Savings</b>				
Emergency Fund Deposit				
Opportunity Passport™ Matched Savings				
Other: Prom Dress				
<b>Sharing</b>				
Charitable Giving				
Other:				
Other:				
<b>Debt Repayment</b>				
Credit card payment				
Student loan payment				
Car payment				
Other:				
<b>Expenses</b>				
Housing (rent)				
Renter's Insurance				
Utilities				
Cell phone plan/data plan				

	Week of:	Week of:	Week of:	Week of:
Internet connections				
Groceries				
Household supplies				
Personal care				
Clothing				
Car insurance				
Fuel				
Maintenance				
Registration				
Health care				
Entertainment				
Other:				
Other:				
Other:				
<b>Total Uses of Cash</b>				
<b>Cash Balance</b>				

“Too many people spend money they haven’t earned, to buy things they don’t want, to impress people they don’t like.”

—WILL SMITH

## Critical Documents

As a young person who is or has been in foster care, you need to get your critical documents together.

### *What are critical documents?*

---



---

### *Why are these documents important?*

---



---

### *How is this related to financial education?*

---



---

Most of these documents are related to establishing your identity. They are proof to the government, a bank or credit union, a college, or a business that you are who you say you are. Everyone needs these documents! It's not something that is only for people in foster care. You may not have had access to or received your documents before. And this is the reason for addressing it in this module.

While some of these documents are about identity, some of these documents show you have the right to do certain things:

- ➔ A driver's license gives you the right to drive.
- ➔ A voter registration card gives you the right to vote.

Having your documents in order before you leave foster care will help you do these things:

- |  |  |
|--|--|
| ➔ Apply for financial aid for training or college after high school. | ➔ Write a check at a grocery store.          |
| ➔ Apply to a college or trade school.                                | ➔ Apply for public benefits.                 |
| ➔ Open an account at a bank or credit union.                         | ➔ Get a job.                                 |
| ➔ Use a credit card.   | ➔ Travel outside of the U.S.—get a passport. |
| ➔ Apply for a loan.  | ➔ Drive.                                     |
|  | ➔ Vote.                                      |

Finally, ***once you get these documents, you must have a safe place to put them.*** These documents could be used to steal your identity. Develop a plan with the staff at your Opportunity Passport™ site to keep these documents stored securely.

## Keys to Your Financial Future Step 3.5: Getting Your Critical Documents

Document	Status	Where to Get It (include contact info and notes)	Where to Keep It (safe and secure)
Certified copy of birth certificate	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
State picture identification card OR Driver's license	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Green card or immigration documents (if applicable)	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Social Security Card	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Medical records	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Immunization records	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
School transcripts	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Voter registration card	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Bank or credit union account information	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Credit reports: Experian, Equifax and Transunion	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Work permit if needed	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		
Other	<input type="radio"/> Have it <input type="radio"/> Ordered it <input type="radio"/> Don't know how to get it		

# MODULE 3:

## Wrap Up – Money Management: Cashing in on financial success

“If you fail to plan,  
you plan to fail.”

—ANONYMOUS

Congratulations on finishing the third module of *Keys to Your Financial Future*.

You have learned about tools, products, and services to help you manage your income, save, and pay your bills on time. You also know about how to set up a money management system—everything from a simple bill payment calendar from online tools to track and budget your resources. It’s up to you to pick the system that you think you can best maintain.

You also learned about banks and credit unions and the products and services they provide including the different kinds of “cards” you can end up with when you open an account.

Finally, you learned about budgeting, cash flow management and getting your critical documents. A lot to learn all in one chapter!

To continue the development of your financial plan, you completed the following *Keys to Your Financial Future Steps* in this section: While there were far fewer *Keys to Your Financial Future Steps* in this section, this information will serve as the foundation for the rest of your financial life.

Here is a list of all of the steps you have completed:

- Keys to Your Financial Future Step 3.1: Create Your Bill Payment Calendar
- Keys to Your Financial Future Step 3.2: Saving for the Opportunity Passport™ Matched Savings
- Keys to Your Financial Future Step 3.3: Plan for Using a Bank or Credit Union
- Keys to Your Financial Future Step 3.4: Making Your Budget
- Keys to Your Financial Future Step 3.5: Getting Your Critical Documents

Remember that managing your money is about more than having a budget.

Managing your money means having a system that helps do these things:

- Keep track of your income.
- Pay all of your bills on time.
- Avoid late fees and other penalties.
- Save money and reach your goals.
- Live within your means.

Use this time to go back and review the work you have done. Get inspired to use your money to make the life you want to build for yourself, for the people you love and for your community.