



# Financial Literacy

Contributor: Kim

Presenters: Anne, Ale

---

# Today's topics

---

- Financial aid & budgeting/planning in college
  - Work Study & Other Forms of Financial Aid
  - Internships
- How to Deal with Money
  - Checking account, credit cards, credit score, checks
  - Savings, retirement, planning
    - Medical insurance terms
    - Retirement terms
  - Budgeting & managing money
    - Template with formulas to count expenses, income, etc.

# Financial Literacy

## *Definitions from Google*

- having the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources
- ability to understand and effectively apply various financial skills, including personal financial management, budgeting, and investing
- helps individuals become self-sufficient so that they can achieve financial stability

## Definition from Kim:

- possession of skills that allows people to make smart decisions with their money
  - stems from what we learned from our parents or what we have experienced for ourselves.
    - if one's parents saved money, chances are their children will grow up saving money.
-

# Continued...

## **Try not to be misled by the word literacy**

- although understanding stats and facts about money is great, no one has truly grasped financial literacy until they can regularly do the right things with money that lead to the right financial outcomes

## **When you acquire this skill set, you are:**

- able to understand the major financial issues most people face, i.e. emergencies, debts, investments and beyond

We will be discussing key concepts and terms imperative for you to learn as you grow older and become young professionals

---

# Planning Planning Planning in College

## 1 | Financial Aid by Term

- How much does FAFSA, Cal-Grant, etc. (literally any financial aid) give you every term?
- Do you have enough or will you have to take a loan? Can you pay that debt back responsibly in a relatively normal amount of time?
- Financial Aid reimbursement

## 2 | Work Study?

- Study Abroad Office
- APPLY for SCHOLARSHIPS
- Compare prices \*May be cheaper than tuition
- COMPARE different program prices
- [Example: UCI Study Abroad Center](#)

## 3 | Possible Yearly, Monthly, and Weekly Costs

- FAFSA every year
  - Verification
- UC SHIP (Medical Insurance) Waiver every year
- Parking Permit every term
- Educational Technology Fee every term
- Tuition fees every term

# Why is it important to budget???



It's one thing to learn how to add and subtract in elementary school, but it's something else entirely to actually apply those principles to your own finances.

Most Americans live paycheck to paycheck, and it's largely because of a gap between what the math says they can afford and what they actually spend.

Financial literacy can make people habitual budgeters who are willing to save for their goals and delay gratification in order to have peace of mind, both today and in the future.

# EXPENSE TRACKER

# Sample Budgeting Template

INCOME			EXPENSES		
Salary/Wages	\$3,500.00		Description	Cost	Category
Spousal Income/Support	\$0.00		Food for fido	\$29.99	Pet care
Pension	\$0.00		Cellphone service	\$50.00	Utilities
Social Security	\$0.00		Albertson's trip	\$57.18	Groceries
Dividends/Interest/Royalties	\$0.00		Starbucks coffee run	\$4.95	Restaurants
Rental Income	\$0.00		Grubhub delivery	\$16.50	Restaurants
Income from Trusts	\$0.00		This month's rent	\$1,500.00	Rent / mortgage
Other	\$0.00		Chipotle for lunch	\$9.76	Restaurants
<b>Total</b>	<b>\$3,500.00</b>		Movies	\$16.00	Entertainment
			Internet bill	\$70.00	Utilities
EXPENSE CATEGORIES			Home decor from TJ Maxx	\$44.59	Things I wanted
Category	\$ Spent	% Spent	Trader Joe's groceries	\$68.44	Groceries
Charitable donation	\$50.00	1%	Donation to The Equal Justice Initiative	\$50.00	Charitable donation
Clothing	\$0.00	0%	Gas	\$32.00	Transportation
Debt	\$0.00	0%	Netflix	\$12.99	Entertainment
Entertainment	\$28.99	1%	Gym membership	\$26.99	Health and fitness
Groceries	\$125.62	4%			
Health and fitness	\$26.99	1%			
Insurance	\$0.00	0%			
Investing	\$0.00	0%			
Other	\$0.00	0%			
Pet care	\$29.99	1%			
Rent / mortgage	\$1,500.00	43%			
Restaurants	\$31.21	1%			
Saving	\$0.00	0%			
Self-care	\$0.00	0%			
Things I wanted	\$44.59	1%			
Transportation	\$32.00	1%			
Utilities	\$120.00	3%			
(Add your own 1)	\$0.00	0%			
(Add your own 2)	\$0.00	0%			
<b>Total</b>	<b>\$1,989.39</b>	<b>57%</b>			

37					
38	<b>THE GAP</b>				
39	Total Income (Minus) Total Expenses			\$1,510.61	
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					
51	Total \$ Spent / % of Income Spent		\$1,989.39		57%
52					

(Add additional rows as needed)

# Money Money Money Money

## 1 | Checking Account

Depends on the Bank

- Debit Card
  - Gas Stations
- Direct Deposits & Withdrawals, Checks
  - Budgeting: deposit more than you withdraw
- DEFT
  - Disbursement
  - Financial Aid

## 2 | Savings Account

Depends on the Bank

- Interest Rate
- Putting money aside, that money should not be used
- Saving & Investing for many reasons (Retirement)

## 3 | Credit Card

Depends on the Bank

- Credit card for college students
- Affects Credit Score & Debt
  - Buying a house
- Monthly payments
  - Minimum Payment
  - Annual Fee
- Available Credit Limit

# Budgeting

When it comes to budgeting, you should know the fundamentals to assist you in budgeting (and prevent debt) as you continue into your young professions:

1. **Checking Account - for (daily/weekly/monthly/yearly) income/expenses;**
  - a. deposit account with a bank that allows withdrawals and deposits
  - b. very liquid and can be accessed using checks, automated teller machines, and electronic debits, among other methods.
  - c. differs from other bank accounts in that it often allows for numerous withdrawals and unlimited deposits. Remember, different banks may have differing rules regarding balances and fees.
  - d. Most of you probably primarily use Debit cards or Venmo, but it is still a good idea to know the basics of checks.

Do all of you know the parts of a check and why they are important?



# Budgeting

---

2. A Savings account – what you should have for those items you want or that come up unexpectedly; i.e. a vacation or unexpected medical bills;

- an interest-bearing deposit account held at a bank or other financial institution
- accounts typically pay a modest interest rate, and their safety and reliability make them a great option for parking cash you want available for short-term needs.
- an interest rate is paid to you and keep your funds easy to access.
- Remember, the interest you earn on a savings account is considered taxable income, meaning you could be taxed on it should it accumulate over a certain amount
- Don't worry – it won't happen to you any time soon. Savings accounts are a good option for parking cash you'll want in the short-term or to cover an emergency.

- **A Retirement plan (401K)** – what will you live off of when you stop working? The time to plan for retirement, begins now;

What is Retirement planning or a 401K? Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes ***identifying sources of income, estimating expenses, implementing a savings program, and managing assets and risk***. Future cash flows are estimated to determine if the retirement income goal will be achieved.

A **401(k) plan** is a ***tax-advantaged***, defined-contribution retirement account offered by many employers to their employees. It is named after a section of the U.S. Internal Revenue Code. Workers can make contributions to their 401(k) accounts through automatic payroll withholding, and their employers can match some or all of those contributions.

If you prefer to request a percentage of your annual income:

- \$40,000 annually
- 20% to retirement (\$8,000)
- If you are paid on a monthly basis, approx. \$666.67 will be deducted each month
- If you are paid on a bi-weekly basis, approx. \$333.34 will be deducted each pay period

If you prefer to request a dollar amount:

- \$40,000 annually
- \$50 to retirement each month
- \$600 will be deducted annually

Why should you do this? That's a lot of money, right? Remember you are not losing the money. It's still yours; but you are paying it to yourself for your future (and perhaps a future family). In addition, you will be "saving" on taxes because this money is taken out pre-tax. You will not be taxed on these earnings until you (the employee) withdraw that money, typically after retirement.

Retirement planning is ideally a life-long process. You can start at any time, but it works best if you factor it into your financial planning from the beginning. That's the best way to ensure a safe, secure—and fun—retirement. The fun part is why it makes sense to pay attention to the serious and perhaps boring part: planning how you'll get there.

Money Essentials

## Will you have enough to retire?

Recommend 12k



5K  
TOTAL SHARES



Sources: Social Security Administration; Federal Reserve of Philadelphia; Department of Labor.

### Methodology

This calculator estimates how much you'll need to save for retirement. To make sure you're thinking about the long haul, we assume you'll live to age 92. But you could live to be 100 or incur large medical bills early on in retirement that may raise your costs even further. Social Security is factored into these calculations, but other sources of income, such as pensions and annuities, are not. All calculations are pre-tax.

- **A Emergency Fund (or second savings account)** – although it can be part of a savings account, it should have its own place for you to plan because no one can estimate how big an emergency can be;

#### **Statistically-speaking:**

- Only 39% of Americans would be able to cover a \$1,000 emergency if one happened to them today (***this stat has probably dropped lower since COVID hit***);
- About 40% of Americans wouldn't even be able to cover a \$400 emergency;
- People tend to rely on their credit cards for emergency situations which gets them into further debt;
- People who become financially literate learn how to build a \$1,000 emergency fund—and from there, learn how to grow their emergency fund to include three to six months of expenses for those times when life throws a bigger curveball

What is an Emergency (Savings) Fund? An emergency fund is a separate savings or bank account used to cover or offset the expense of an unforeseen situation. **It should not be considered** a nest egg or calculated as part of a long-term savings plan for college tuition, a new car, or a vacation. Instead an emergency fund should be viewed as a stash of money set aside to cover the financial surprises life throws your way. These unexpected events can be stressful and costly. Here are some of the top emergencies people face:

- Job loss
- Medical or dental emergency
- Unexpected home repairs
- Car troubles
- Unplanned travel expenses

#### **Debt**

- Come in all forms: rent, home mortgages, auto loans, credit cards and student loans
- The Federal Reserve Bank of New York reported in 2018 that the total consumer debt in America had reached \$3.95 trillion
- To see how that debt load impacts daily living, consider the fact Northwestern Mutual reported that 40% of Americans spend up to half of their monthly income in debt payments

A big part of financial literacy focuses on understanding how the time and money people spend on paying off debt hurts their ability to invest in their future

## 1) The Basics of Budgeting

Creating and maintaining a budget is one of the most basic aspects of staying on top of your finances. In this modern day, it's easier than ever to create a budget with the help of websites and apps, such as [www.mint.com](http://www.mint.com). But you can also use excel spreadsheets like the one shared here.

It doesn't matter if math isn't your strong suit - thanks to these user-friendly tools, everyone can get help with keeping their finances on track. And, when utilized properly, they'll keep you in the know about where your money is actually going.

Without following a budget, it's difficult to hold yourself accountable on where your money is coming from and what it's going toward, so mastering the basics of budgeting is where any financial novice should begin.

## 2) Understanding Interest Rates

While you may touch upon the concepts within a mathematics course, it's important to understand different aspects, like **compound interest**. Why? Not only can it help you save even more, but it can make the difference between borrowing a small amount and paying back much more than you need to for years to come. I.e. credit cards (**see #4 below**).

Understanding the ins and outs of interest can impact your finances more than you likely realize, so it's an important concept to gain a better understand of early on in life.

## 3) Prioritizing Saving

Obviously, saving is an important aspect of maintaining a healthy financial situation. But, the majority of young college students (even adults) do not prioritize this aspect as much as they should. It's easy to ignore things like retirement since it seems so far off in the future. Learning to save early on can help you gain the knowledge, practice and set of skills you'll utilize throughout your entire life.

Beginners can start working on this concept in the simplest sense, like saving money for a higher-ticket item they desire. Working toward a goal is key here and students need to understand that there's a lot of value in paying yourself first – because the bills will always be there. Having peace of mind? Well, that comes with practice, diligence and patience, all qualities you'll develop when mastering your savings skill set.

#### 4) Credit-Debt Cycle Traps

Meaning: it's much easier to lose credit than gain it and many students don't realize how easy it is to ruin their credit – and how difficult it can be to regain credit – before it's too late. That's why it's crucial to provide knowledge on debt earlier than later.

Credit can be an extremely useful tool – if it's managed correctly. Making rash decisions when you are young can end up costing you throughout adulthood so it's important to grasp the concepts and tools behind responsible credit practices as early on as possible.

Pulling your credit report contains personal information, credit account history, credit inquiries and public records. This information is reported by your lenders and creditors to the credit

bureaus. Much of it is used to calculate your FICO® Scores to inform future lenders about your creditworthiness.

## 5) Identity Theft Issues & Safety

In this modern day and age, identity theft is more prevalent than ever, i.e. mobile banking, pay at the pump, and “tap and go”. Since everything is digital and just about everyone has shopped online at one point or another, your financial information is more vulnerable to fraud.

Understanding this concept, along with preventative measures, like password protection and limiting the amount of information shared online can be the key to maintaining safe accounts or, inversely, can lead to financial ruin.

While it’s not a fool proof science (people can be safe, and things do still happen) it’s important to safeguard your finances as best as possible to avoid the threats that exist. Should that occur, be sure to visit the three credit reporting bureaus:

- <https://www.experian.com/>
- <https://www.equifax.com/>
- <https://www.transunion.com/>

Again, it’s important to start taking preventative measures and find out what is on your credit report so that you are not blindsided by fraud or identity theft. Remember, you:

- Are entitled to one free copy of your credit report every 12 months from each of the three nationwide credit reporting companies;
- Can freeze your credit to help prevent new accounts from being opened in your name. It is absolutely free to freeze and unfreeze your credit, and it won’t affect your credit score;
- Utilize the attached form letter to mail to the credit reporting bureaus to request your credit report; when send it to one bureau, the request goes to all three (see attached)

Lastly, you should consider employment that offers medical, dental, and retirement, just to name a few. Other “budgeting-related” terms for you to become familiar with as you prepare for employment:

- **Medical insurance**

- The central differences between *HMO vs. PPO vs. POS*:

- Is whether or not you have to select a primary care physician who refers you to a specialist;
- HMOs and POS plans require a primary care physician and referrals while PPO plans do not;
- How much you have to pay if you see a provider who is out of network

- **Deductible** – The amount you pay for covered health care services before your insurance plan starts to pay.

- With a \$2,000 deductible, for example, you pay the first \$2,000 of covered services yourself. After you pay your deductible, you usually pay only a copayment or coinsurance for covered service

- **A Healthcare Flexible Spending Account or "FSA "**

- Is a pre-tax benefit account that you can use to pay for ***eligible medical, dental, and vision care expenses*** that aren't covered by your health insurance plan;
- Similar to a retirement plan, you decide how much will be deducted from your annual paycheck each year to use for those eligible expenses;
- Generally, you need to spend the funds in your Healthcare FSA within the plan year;

# Sample Form

... requesting a credit report

July 9, 2020

Experian  
PO Box 105281  
Atlanta, GA 30348-5281

Attention: **Experian, Equifax and TransUnion**

RE: Credit Report Department

Dear Sir or Madam:

Please mail me a copy of my free annual credit report from Experian, Equifax and TransUnion.

If you have any questions, feel free to call at (xxx) xxx-xxxx.

Sincerely,

Jane Smith  
44444 W Olympic Blvd  
Whittier, California 90601

DOB – January 20, 1989  
Social Security #111-11-1111

Questions?  
Comments?  
Concerns?