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MONEY 101

STUDENT WORKBOOK

A CRASH COURSE IN
BETTER MONEY MANAGEMENT
FOR COLLEGE STUDENTS



VISA

A NOTE TO STUDENTS

For many students, the freedom of college also means managing a budget for the first time and living independently. This world of financial responsibility may be new to you – and even if it's not, chances are, you could still use a few pointers. The purpose of this workbook is to give you something to work with and refer to – if you don't use this information today, you will likely have a need to refer to it in the next few years.

So hold on to this workbook – it could be valuable in helping you navigate financial matters, especially when it comes to buying a car or getting an apartment or saving for that dream trip to Europe. Some worksheets here have answers that come only from your personal experience. Other worksheets require you to come up with the right answer. (Yes, the answers are given, but you'll be that much more savvy if you first try to figure them out yourself.)

WHY NOW?

Why not now? You're geared up to be a college student and on your own – perhaps for the first time. What better time to nail down your finances. You'll find that the earlier you start to create good habits around your money, the easier it will be to stick with them. This workbook can provide some of the know-how to give you a kick-start.

WHY ME?

Everything changes once you get to college – new friends, new school, new responsibilities... a whole new environment. You're going to find out real fast how important managing your money is. This workbook is your opportunity to get a jump on smart money management from day one.

WHY CARE?

Mastering your personal finances now allows you to concentrate on learning and having fun, and not having some of the most important years in your life sidetracked by money troubles. It will also give you a big advantage as you grow older and as financial decisions become more complicated. That's why Visa has put together this program. We want you to understand the basics of managing money wisely. Hopefully, after you get through with this workbook, you'll understand living within a budget, the nuances of banking and how to take charge of your credit card.

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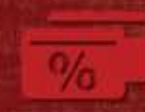
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BUDGETING YOUR MONEY



BUDGETING YOUR MONEY

BE THE MASTER OF YOUR MONEY

Planning a budget might actually give you one less thing to worry about in college: money. No, really. By following relatively simple guidelines, you can be the master of your money. This doesn't mean that you'll be rich or live in a condo at the beach, but you'll know just what you have and be able to live accordingly. A budget helps you spend only the money you have. If you track money coming in and going out, and make a budget and stick to it, you can keep your financial house in order.

KEEPING TRACK

Keeping track of your expenses is the first step toward financial sanity. Track your spending for a month with the worksheet in this workbook. Get receipts for everything and enter them into the worksheet each week. Make a habit of it. You'll be shocked how much you spend on little things – a coffee every day, a bag of chips here and there, quick trips to the grocery store. They all add up. Just by tracking your expenses and saving receipts, you'll probably start to curb your expenses.

KNOW YOUR INCOME

Most college students are going to have what some call "limited revenue streams." In other words, not a lot of income: a monthly check from home, part-time job income – you get the picture. Figure out how much you have coming in each month and, just like your expenses, track monthly income on the worksheet. Only include income that you can count on – no gifts or bonuses. To really get ahead of the game, before you budget your income, try to set aside 5% to 10% of it for long-term savings. We'll talk more about that later.



EASY BUDGETING GUIDELINES

Food: Buy larger (and less expensive) quantities. This will also save you gas money because you won't be running to the store as often.

Food: Use fewer "convenience" (frozen) items and spend a few minutes more on preparation. It may taste better too!

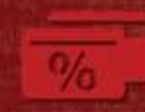
Coffee: That daily coffee can run you at least \$850 per year. And that doesn't include the tip jar. Cut back.

Drive Less: With gas prices going up and up and up, you don't have to be a math major to figure out how much you can save by carpooling, biking or just NOT DRIVING!



Tip: Use a blank check register to record your daily expenses. You can usually get them for free at most banks.

BUDGETING YOUR MONEY

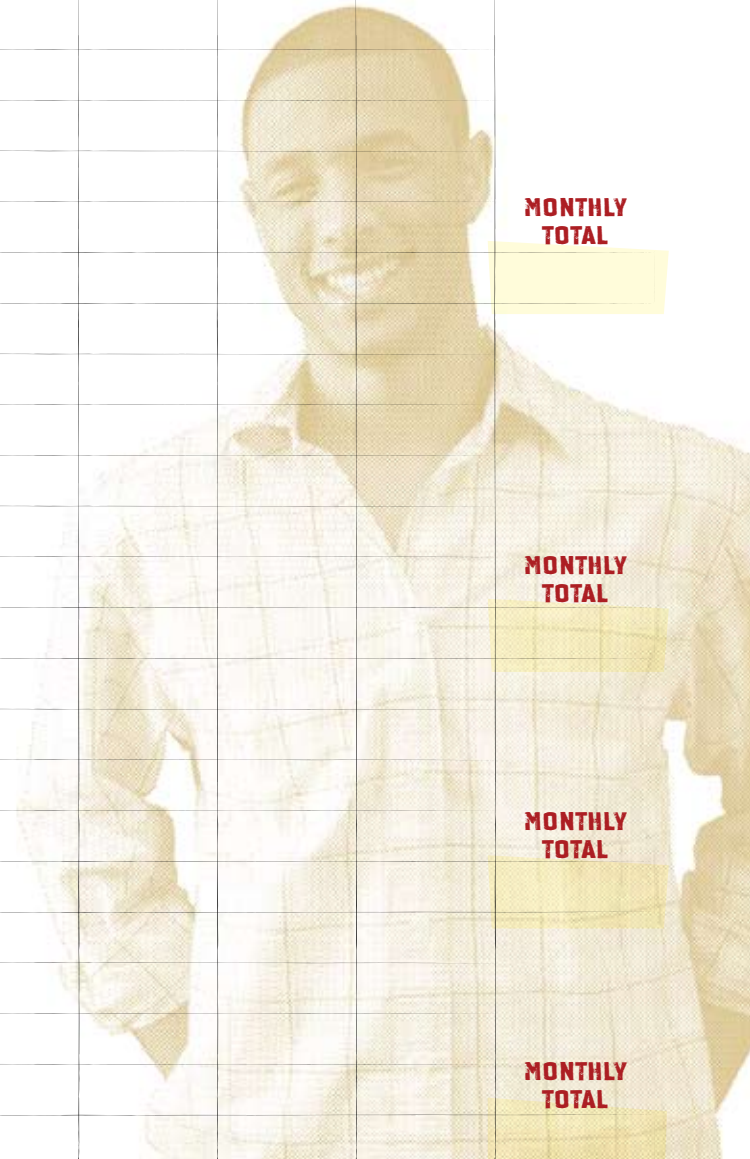


BUDGETING YOUR MONEY

MONTHLY EXPENSE TRACKER

	EXPENSES	WEEK 1	WEEK 2	WEEK 3	WEEK 4
LIVING	Rent				
	Utilities				
	Cable				
	Phone				
	Internet				
	Furnishings				
	Misc.				
	TOTAL				
TRANSPORTATION	Car Payment				
	Insurance				
	Fuel				
	Parking				
	Repairs				
	Public Trans.				
	Misc.				
	TOTAL				
SCHOOL	Tuition				
	Books/Supplies				
	Fees				
	Computer				
	Misc.				
TOTAL					

	EXPENSES	WEEK 1	WEEK 2	WEEK 3	WEEK 4
MEDICAL	Doctor				
	Dentist				
	Eyes				
	Insurance				
	Prescriptions				
	Misc.				
TOTAL					
PERSONAL	Entertainment				
	Cell Phone				
	Clothing				
	Laundry				
	Toiletries				
	Misc.				
TOTAL					
FOOD	Groceries				
	Meal Plan				
	Dining Out				
	Misc.				
TOTAL					
OTHER	Loans				
	Credit Cards				
	Savings				
	Misc.				
TOTAL					



BUDGETING YOUR MONEY



BUDGETING YOUR MONEY

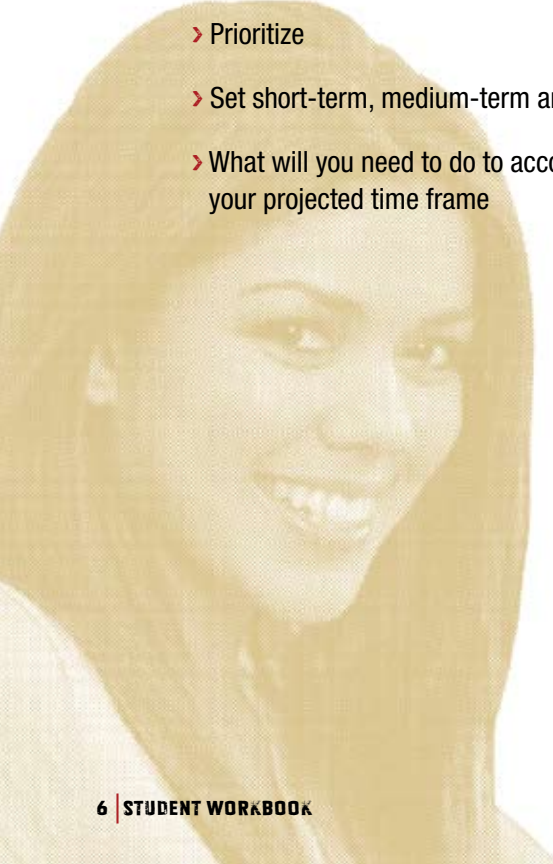
MAKING A PLAN

Once you've tracked your expenses for a month and have a grip on what your income is, you can start to plan a budget. For each category (living, school, personal, food), see what you've spent, and make a spending plan for the coming month. After tracking expenses, you'll probably find areas where you can cut back and areas that need a little more juice. (See example opposite page.)

Every month you should balance your budget to make sure that you're not spending more than you're making. Entertainment expenses can go up quickly in college, but they're easy to cut back. Housing and utilities aren't as easy. Making a budget is a work in progress, so don't get frustrated when you're starting out. You'll eventually get the hang of it, and spending within your budget will become second nature.

BUDGETING TO MEET YOUR GOALS

- > Prioritize
- > Set short-term, medium-term and long-term goals
- > What will you need to do to accomplish these goals within your projected time frame



Tip: Set aside 1/2 hour at the same time each week to make sure that your expenses are matching up with your online bank statement.

Share living expenses with a roommate. It's a great way to cut monthly costs in half.

Join your parents' auto insurance policy to reduce premiums.

Make a list before shopping for groceries. It will help you avoid pricey impulse buys.

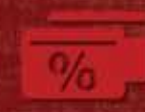
MONTHLY EXPENSE TRACKER

EXPENSES	WEEK 1	WEEK 2	WEEK 3	WEEK 4	MONTHLY TOTAL
LIVING					
Rent	\$350				
Utilities	\$55				
Cable					
Phone		\$1500			
Internet			\$25		
Furnishings	\$12			\$55.50	
Misc.		\$25			
TOTAL	\$317	\$1050	\$25	\$55.50	\$501
TRANSPORTATION					
Car Payment			\$195		
Insurance		\$200			
Fuel	\$25	\$1500	\$30	\$1500	
Parking	\$500		\$500		
Repairs			\$35		
Public Trans.				\$5.50	
Misc.					
TOTAL	\$50	\$125	\$243	\$1500	\$1650
SCHOOL					
Tuition	\$1900				
Books/Supplies		\$60			
Fees			\$1500	\$10	
Computer					
Misc.					
TOTAL	\$1900	\$60	\$1500	\$10	\$3555
MEDICAL					
Doctor					
Dentist					
Eyes					
Insurance		\$45			
Prescriptions				\$1000	
Misc.					
TOTAL	\$45	\$1000			
PERSONAL					
Entertainment		\$14.15		\$35	
Cell Phone			\$42.50		
Clothing				\$16	
Laundry			\$500		
Toiletries	\$10				
Misc.				\$15.57	
TOTAL	\$24.15	\$49.50	\$500	\$31.57	
FOOD					
Groceries	\$59.25				
Meal Plan					
Dining Out		\$12	\$16		
Misc.					
TOTAL	\$59.25	\$12	\$16		
OTHER					
Loans	\$100				
Credit Cards					
Savings					
Misc.					
TOTAL	\$100				

Try to put money aside when you know big expenses like tuition and insurance are coming up.

Go easy on the credit cards. High monthly payments can really cramp your budget.

BUDGETING YOUR MONEY



BUDGETING YOUR MONEY

BALANCING YOUR BUDGET

Congratulations! The hard part is done. Once you get in the habit of tracking your expenses, you're ready to start balancing a budget. Take a look at how much you're spending every month in each category. You now have a picture of where your money is going. So you can scrimp in one category if you anticipate needs in another. For example, if a great concert is coming to town, you can cut back on snacks or be frugal with groceries for a couple of days so you can go to the concert and enjoy yourself without busting your budget.

WORKSHEET

This budget worksheet will help you set up your personal budgeting system. Enter your income and expenses in the first column. After a month, compare it to your tracked expenses and income. How far off were you? Make adjustments, and try it again the next month.



INCOME	BUDGET	ACTUAL
Salary		
Money from Parents		
Loans		
Grants		
Scholarships		
Other Income		
TOTAL		

TOTAL INCOME

EXPENSES	BUDGET	ACTUAL
Living		
Transportation		
School		
Medical		
Personal		
Food		
Other		
TOTAL		

TOTAL EXPENSES

TOTAL INCOME

TOTAL EXPENSES

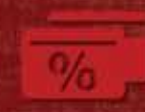
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NET INCOME

TO USE OUR ONLINE BUDGET PLANNER, VISIT WHATSMYSCORE.ORG/BUDGETPLANNER

ONLINE BANKING



ONLINE BANKING

THE COMPUTER : THE CENTER OF YOUR UNIVERSE

Can you imagine what your parents' lives must have been like without a personal computer? No email, no music downloads, no video games...no web surfing! Horrors! It makes you wonder, doesn't it? When your parents were your age they probably spent a lot of time actually going to a bank and either interacting with a teller (a person who works in a bank) or using a new-at-the-time technology called an Automated Teller Machine (ATM).

Well, it's a new day, and technology rules. One of the areas where technology has been fully utilized is online banking. Now just about every customer transaction that used to be done by hand is fully automated – thanks to online banking. One of the biggest advances in online banking has been bill pay. If you still pay your bills by snail mail, you may want to check this out. It's nearly instantaneous, more efficient and paper free.

REASONS TO BANK ONLINE

Open 24/7 – In case you haven't noticed, computers don't need sleep.

Easy access – See your account balances, transfer money and pay bills from any computer, anytime.

Learn to manage your money – Most online banks are full of tools that can help you with your financial literacy.

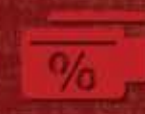
- > Tutorials
- > Budgeting tools and automated spreadsheets
- > Printable online statements
- > Easy fund transfers
- > Copies of checks you've written
- > Student loan information
- > Automatic reminders to pay your bills

GETTING STARTED: BANKING OPTIONS AVAILABLE TO STUDENTS

To enroll in online banking, you may have to do it the old-fashioned way, go to your bank. In some cases, you may be able to enroll online. In any event, it's a good idea to shop banks.



ONLINE BANKING



ONLINE BANKING

YOUR MONEY AND ONLINE BANKING

Online banking is great for a lot of reasons. But mostly, it's valuable because it helps keep you organized in ways you couldn't imagine. It is also important to keep your own log and not solely rely on online banking.

BILL PAY

This is probably the single most convenient feature of online banking. You can enter your regular monthly payees. Each month, with just a few clicks, you can handle many of your payments. No envelopes. No stamps. If you choose to, you can set it up to pay your bills automatically at a pre-determined date or remind you when a payment is due. Some banks will even have your bills delivered to you online.

STATEMENTS

Another extremely useful feature is the ability to view your statements online. Even better, you can view past statements too. It's convenient, saves trees and deters mail fraud and identity theft.

FUND TRANSFER

From a security standpoint, one of the best things that online banking brings to the table is that it allows you to transfer funds electronically. Transfer money between your personal accounts and outside accounts, such as student or car loans, credit cards and sometimes other customers' accounts – like landlords'. It may also allow your parents to send you money instantly.

ONLINE BANKING CHECKLIST

- Convenient - available 24/7
- Email and mobile account alerts
- Access from any computer
- Budgeting tools and automated spreadsheets
- Printable online statements
- Easy fund transfers
- Shows copies of checks written
- Can link to student loan information
- Secure - protects personal information.
- Helps keep you disciplined
- Environmentally friendly
- Can ensure that bills are paid on time

THE CHECKING ACCOUNT



THE CHECKING ACCOUNT

CHECK IT OUT

With all you've learned so far about budgeting and online banking, you may think you're ready to roll with your finances. Not so fast. Now we get to some of the finer points of personal money management – checking and savings accounts. Your checking account is the central hub for your money. You can access it several different ways: checks, ATM, debit card, banks and online banking. Your savings account, which can also be accessed with your ATM card or at your banking center is a great place to put money away for a rainy day or to save for future expenses, like a car or tuition.



CHECK SAFETY AND SECURITY

A reputable check printer offers security features built into the check. Items to look for include a padlock icon, micro printing, security screen and warning boxes that appear on the front and back of the check. These built-in security features are designed to make checks difficult to copy or alter, and they usually become evident only when fraud is attempted. Do not put private information on checks like your Social Security number, your driver's license number or any unnecessary personal information. If you select duplicate check styles – you have the benefit of a carbon record of the check you write, in case you forget to log it into your check register.

Write the name of the person or company you're paying. Never leave this line blank.

Write out the amount of the check in words.

Put the date here. A check cannot be cashed before the date written in this spot.

To help you remember why you wrote the check.

Sign here.

Write the amount of the check in numbers.

THE CHECKING ACCOUNT



THE CHECKING ACCOUNT

GOOD RECORD KEEPING

Part of responsible financial management is good record-keeping. Your online account is a great organizational tool, but it's just as important for you to keep a hard copy of your finances for your own day-to-day records. Earlier in this workbook, we talked about using a check register to keep track of your daily expenses – now we'll show you how to use one to keep track of checks.

Once you get in the habit of tracking expenses, it should be easier to keep your checkbook balanced. The problem most people run into is overdrawing their account or “bouncing” a check. Every time you bounce a check, you incur a fee from the bank – an insufficient funds fee. The best way to avoid it to stay on top of your account balance and keep good records. You can also link your checking account to other accounts, such as a savings or credit account. This can be helpful because money can be automatically transferred from your savings or credit account when you don't have enough money in your checking account. You will, however, pay a fee(s) for this automatic transfer.

GOOD HABITS:

- > Record deposits, transfers, ATM withdrawals and debit card transactions as soon as you make them
- > Fill out your check register before you write the check
- > Record any automatic payment debits

HOW TO USE A CHECK REGISTER

Enter the numbers of the checks you write and any use of your debit card here.

Write the date of the transaction here.

Write the amounts of the payments by check or debit card in this column, plus any withdrawals from the ATM or any bank fees. (Stay on top of fees by checking your online statement).

On this line, describe the type of transaction.

AD-Automatic Deposit • AP-Automatic Payment • ATM-Cash Withdrawal • DC-Debit Card • FT-Funds Transfer • SC-Service Charge • TD-Tax Deductible

NAME OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE WITHDRAWAL (-)	DEPOSIT CREDIT (+)	\$ BALANCE
200	5/15	Paul Kirk	19 92		557
	5/16	Lunch with friends	25 30		531 70
201	5/16	Matt Crowley	50 23		481 47
	5/18	Deposit from Work		✓ 787 44	1268 91

In this column, check off the transaction once it has posted to your account, and shows up in your online statement.

Record the amounts of any deposits in this column.

This column shows the balance after each transaction.

THE CHECKING ACCOUNT



THE CHECKING ACCOUNT

BANK STATEMENT

Here's what your online statement might look like. Take a look, then balance the check register on the following page to ensure the statement matches your records.

THIS STATEMENT COVERS: 6/20 through 7/19					
CHECKING ACCOUNT 0471-678	Previous Statement Balance On 6/19		366.97		
	Total of 2 Deposits For		1,453.17	+	
	Total of 6 Withdrawals For		1,347.61	-	
	Total Service Charges		0.00	-	
	End Balance		472.53	+	
CHECKS & OTHER DEBITS	CHECK	DATE PAID	AMOUNT		
	161	6/21	216.30		
	162	6/29	1,000.00		
	163	7/5	26.31		
	164	7/14	10.00		
ATM Withdrawal #00281 at ATM #423A		6/18	40.00		
Check Card #00586 Foodland EFT		6/18	55.00		
DEPOSITS & OTHER CREDITS			DATE POSTED	AMOUNT	
	Transfer from 4039-557 at ATM #423C		6/23	1,200.00	
			7/19	253.17	
CHECK #	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE
					366.97
161	6/4	Sound Out (new sub woofer)	216.30		150.67
ATM	6/18	Withdrawal (spending money)	40.00		110.67
ChkCrd	6/18	Check Card (Foodland groceries)	55.00		55.67
ATM	6/23	Deposit (transfer from savings)		1200.00	1255.67
162	6/26	Woodlands Apts. (rent for everyone)	1000.00		255.67
163	7/5	CD Place (acct. #7M3406)	26.31		229.36
164	7/14	Department Store (T-shirt)	10.00		219.36
ATM	7/19	Deposit (paycheck)		253.17	472.53

WORKSHEET

Banks do make mistakes and accidental charges can appear on your statement. That's why it's important to compare your statement to your checkbook register.

NAME OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE WITHDRAWAL (-)	DEPOSIT CREDIT (+)	\$ BALANCE
		Opening Balance			366.97
161	6/4	Sound Out (new sub woofer)	216.30		
ATM	6/18	Withdrawal (spending money)	40.00		
ChkCrd	6/18	Check Card (Foodland groceries)	55.00		
ATM	6/23	Deposit (transfer from savings)		1200.00	
162	6/26	Woodlands Apts. (rent for everyone)	1000.00		
163	7/5	CD Place (acct. #7M3406)	26.31		
164	7/14	Department Store (T-shirt)	10.00		
ATM	7/19	Deposit (paycheck)		253.17	
ChkCrd	7/17	Check Card (Foodland Groc)	33.00		
165	7/17	Pet Land (pet food)	20.00		

- Add up your deposits and subtract the withdrawals on the bank register above. What is your End Balance? _____
- What is the End Balance on your bank statement? (See previous page) _____
- Does the End Balance on your register match the End Balance on your statement? _____
If you answered no, there is a mistake on your bank statement.
- Try to find the items that are missing or incorrect on your bank statement. What are they? _____

If you find an error or incorrect charge on your statement, contact your bank to let them know of the mistake and have them send a revised statement for your records.

Answers to the checking account worksheet: 1. 419.53, 2. 472.53, 3. No, 4. ChkCrd for 33.00, Check #165 for 20.00

THE SAVINGS ACCOUNT



THE SAVINGS ACCOUNT

FOR A RAINY DAY

Another key element of your financial plan is a savings account. Think of this account as a place where you'll keep your money long term and give it a chance to grow. While your checking account is continually fluctuating in size, your savings account should be stable, if not growing, at a steady rate. Earlier in the workbook, we mentioned trying to set aside 5% to 10% of your income for savings every time you get paid. This is a worthy goal. As a college student on a tight budget, this may be tough. It's probably more realistic to set aside what you can each month after you've done your budgeting. The good news is, the more you set aside, the more interest your account earns, so your money grows faster.

COMPOUND INTEREST

Savings accounts typically earn compound interest. Whenever interest is calculated, it is based not only on the original amount in the account but also on any interest that has been added. The more frequently interest is compounded, the faster the balance grows. The rate that interest is compounded is referred to as the Annual Percentage Yield (APY). The APY measures the total amount of interest paid on an account based on the interest rate and the frequency of compounding. Banks must provide account disclosures for new accounts that reflect the APY.

SIMPLE INTEREST

Simple interest is based only on the original amount. If your account has \$100 in it and earns 5% simple interest per year, it earns \$5 interest. Multiply the dollar amount by the interest rate to get the return. Although extremely rare, you may come across simple interest as you grow older and your investments diversify.

EXTRA CREDIT : RULE OF 72

The Rule of 72 can give you an approximation of how long it will take to double your money at a specified interest rate. If you're earning 6% interest, divide 72 by 6. That means it will take about 12 years for your original investment to double in value at a 6% interest rate.

WORKSHEET

1. If you put \$200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

2. If you put \$150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

3. If you put \$25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years?

4. If you put \$10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?
(Hint: Use the Savings Calculator at whatsmyscore.org/calculators)

Answers to the savings account worksheet:

1. \$55
 $200 \times 0.055 = \$11$
 $11 \times 5 = \$55$

2. \$189.37
 $150 \times 1.06 = \$159$ (after 1 year)
 $159 \times 1.06 = \$168.54$ (after 2 years)
 $168.54 \times 1.06 = \$178.65$ (after 3 years)
 $178.65 \times 1.06 = \$189.37$ (after 4 years)
 $189.37 \times 1.06 = \$200.73$ (after 5 years)

3. \$319.50
 $10 \times 52 = \$520$
 $520 \times 1.06 = \$551.20$ (after 1 year)
 $551.20 + \$520 = \$1,071.20$
 $1,071.20 \times 1.06 = \$1,135.47$ (after 2 years)
 $1,135.47 + \$520 = \$1,655.47$
 $1,655.47 \times 1.06 = \$1,754.80$ (after 3 years)

4. \$639.00
 $300.00 \times 1.065 = \$319.50$ (after 1 year)
 $319.50 + \$319.50 = \639.00 (after 2 years)

UNDERSTANDING CREDIT



UNDERSTANDING CREDIT

YOU'RE MAKING HISTORY

If you haven't already, you'll probably start building your credit history in college. You'll start the moment you take out a loan. The loan can be for school, a car or a credit card. Your performance in paying back these loans, and your other bills, will determine how your credit is graded – this is called your credit score.

THESE THINGS GO INTO YOUR CREDIT SCORE:

- > Your repayment track record
- > The amount of debt you owe
- > How long you've used credit
- > How often you've applied for new credit
- > The types of credit you currently use

WHAT'S A GOOD CREDIT SCORE, AND WHY IS IT IMPORTANT?

In simplest terms, a credit score is a single number that helps lenders determine how likely you are to repay your debt. It's like your personal finance GPA. The higher the number, the better the score. Credit scores are based solely on credit history and don't take into account things like race, religion, national origin, gender, age, education or marital status – just cold, hard numbers.

Your credit score is fluid. Every time you apply for, use, make or miss a payment on a loan or credit card, you build another entry on your credit report – and raise or lower your credit score. The best way to have an excellent credit score is to start out doing everything right and keep it that way. If for some reason you fall behind, here are a few ways to improve your score quickly.

In this range you need to work hard to improve your score. Getting a credit card or a loan will be a problem.

In this range you're low to moderate risk and should get competitive interest rates.

300 400 500 600 700 800 850

You're a fair to good risk if you fall into this range, but interest rates will be a bit higher. Pay your bills on time and reduce credit balances and your score will go up.

MAKING THE GRADE

All the factors contributing to good credit make it seem like a complex math equation. Here are some common-sense guidelines to establishing and maintaining a good credit score.

> Establish a good credit record.

Open a credit account in your name and use it wisely. Limit the number of credit card accounts that you take out.

> Be sure to pay your monthly balance on time.

If you miss the due date on a payment, send it as soon as possible — you'll incur penalties after the interest-free period has expired, and the longer your payment is overdue, the more your credit score will be affected.

> Running up your credit card is not a good idea.

Use your credit sparingly, and keep well within the credit limit on the account.

> Pay off card balances instead of moving debt to other cards.

Opening new accounts you don't really need can lead to more debt, and too many open accounts may lower your credit score.

> Finally, check your credit report regularly to make sure it is error-free.

Your credit report is available for free once a year from each of the three major credit reporting agencies. Visit annualcreditreport.com to get yours today.



Tip: It's important to remember that your credit score is going to determine what kind of interest rates you'll be offered when you apply for loans or credit cards.

UNDERSTANDING CREDIT



UNDERSTANDING CREDIT

MEET TINA

Take a look at the ups and downs of Tina's credit score during her years in college. She learned some lessons the hard way and eventually learned what it took to maintain a good credit score.

TO ESTIMATE YOUR CREDIT SCORE, GO TO:
WHATSMYSCORE.ORG/ESTIMATOR

BEHAVIOR OR ACTION	CHANGE IN SCORE	CURRENT FICO SCORE	CREDIT SCORE
FRESHMAN YEAR			
Tina gets a credit card with a \$1000 limit. She breaks it in by buying her books and supplies over the semester. She pays at least the minimum due as soon as the bill arrives every month.	-	780	A+
Tina starts Spring break in a great mood. She throws a party for all her friends and maxes out her card.	-150	630	C
Tina applies for and gets a second credit card.	-10	620	C
SOPHOMORE YEAR			
Over the summer, she works hard and pays the balance on her first card.	+180	800	A+
In September, Tina's car needs major repairs.	-180	620	C
In October, Tina forgets to tell one credit card company that she has moved, so her payment on her account, including late fees, is \$100 and 30 days past due.	-130	490	F
She makes up the late payment and pays just the minimum amount due on time on both cards for the rest of the year.	+110	600	C
JUNIOR YEAR			
Tina works very hard to pay down her debts by paying \$50 more than the minimum payment on each card and uses her cards sparingly for the rest of the school year.	+70	670	B
SENIOR YEAR			
Tina decides to take better control of her credit. She pays off almost all of her debt by graduation and then pays her bills on time for a solid two years, her credit is once again excellent.	+100	770	A+



(Chart is for illustrative purposes only.)

WHEN DOES YOUR CREDIT SCORE MATTER?

- > **BUYING A CAR OR HOME:** Lenders may look at your credit score before deciding whether you are a good risk for a car loan or home mortgage – or how much interest to charge if they give you the loan.
- > **PHONE AND ELECTRIC LINE SET-UP:** Utility companies may check your credit score before deciding whether you have to pay a deposit.
- > **RENTING AN APARTMENT:** Landlords may check your credit score before deciding whether to rent to you.
- > **APPLYING FOR A JOB:** Employers may run a credit check on you before making a decision to hire you or not – a good credit report demonstrates responsibility.

THE INS AND OUTS OF STUDENT LOANS

Student loans can be a blessing for many people who couldn't otherwise afford to attend college. But they can also be expensive. With most student loans, you don't have to repay them until after you leave college and join the workforce. Sure, it's a drag to be saddled with debt right out of the gate, but it may be worth it in the long run. College graduates earn, on average, nearly twice as much as high school grads over their lifetime.

College tuition costs are through the roof. Many students owe \$20,000 or more in student loans by the time they graduate. That's why it's important to shop around for a loan with the most favorable terms. A percentage point here or there can cost you thousands in the long run.

HOW TO APPLY FOR A STUDENT LOAN

The first thing you need to do is to complete the Free Application for Federal Student Aid (FAFSA) form, which is required by all public and private schools. Get a copy from your school's guidance counselor or financial aid office by visiting www.fafsa.ed.gov or calling 1-800-4-FED-AID.

UNDERSTANDING CREDIT



UNDERSTANDING CREDIT

TYPES OF STUDENT LOANS

- › **Campus-based aid.** The Federal Supplemental Education Opportunity Grant (FSEOG), Federal Work-Study (FWS) and Federal Perkins Loan programs are funded by the government and provided to students with the greatest economic need. Individual colleges administer some or all of these programs themselves. Note that deadlines are usually earlier than for filing an FAFSA.
- › **Subsidized Stafford loans** are federal low-interest, needs-based loans, where the government pays yearly interest while you're in school.
- › **Unsubsidized Stafford loans** are federal loans that aren't based on financial need. The difference is that you're responsible for interest that accrues while you're in school.
- › **Grad PLUS loans** are federally sponsored student loans for graduate students that are unrelated to financial need. They have greater borrowing capacity than Stafford Loans, but interest rates are higher, and there is a loan origination fee.
- › **Private student loans** are offered by banks and other financial institutions. They aren't guaranteed or subsidized by the government and typically carry higher interest rates than federal loans. Their main advantage is you can borrow more than with federal loans. Details and rates vary widely.
- › **College-sponsored loans** are offered by some colleges. Interest rates may be lower than federal student loans. Check each college's aid materials to see what's available.
- › **Federal PLUS (Parent Loan for Undergraduate Students) loans.** These federally sponsored loans allow parents to borrow for their children's college expenses. Interest rates are fixed – although higher than student loans – and there is a loan origination fee.
- › **Private parent loans** are offered by banks and other financial institutions, usually at higher interest rates than PLUS loans. They may also have a loan origination fee.
- › **College-sponsored parent loans.** Some colleges offer their own parent loans, at rates below PLUS loans. Check each college's aid materials to see what's available.

STUDENT LOAN REPAYMENT

Keep in mind that you'll have to begin paying off your student loans once you graduate. Most federal and private loans offer a grace period.

If you can't afford your full monthly payment right away, talk to your lender about different repayment options, including:

- › Extended loan term (drawback – this will increase the overall interest amount paid).
- › Graduated repayment schedule, where payments start low and gradually increase as your income grows.
- › Economic hardship deferrals (available with federal loans under certain conditions).
- › Some private loans allow “forbearance,” where you can stop making payments for a fixed period of time (drawback – interest continues to accrue).
- › Refinance or consolidate loans at better terms (make sure added fees don't negate the savings).
- › Ask about discounts for online or automatic deduction payments, or rate reductions for on-time payment history. You may be able to shave a point or two off your loan rate.

It's extremely important that you don't miss payments or default on your loan; otherwise, you could hurt your credit score and make it much harder to borrow money for a car or house later on. Remember, it's in your lender's best interest for you to continue paying off your loan, so don't hesitate to call them if you see problems brewing.

UNDERSTANDING CREDIT



UNDERSTANDING CREDIT

TAX SAVINGS LESSEN THE BLOW

One way to ease the sting of college costs is to tap into the tax advantages available to you and your parents. Contact your tax advisor about the deductibility of interest.

- › Open a 529 Qualified State Tuition plan, where you or your parents save money for your education but don't pay federal (and in many cases, state) income tax on the interest it earns. Look up 529 Plans on the U.S. Securities and Exchange Commission's website (www.sec.gov).
- › Coverdell Education Savings Accounts are another way to save money for education where the earnings will grow tax-free until withdrawn. Search for "Coverdell" on the IRS website (www.irs.gov).
- › Once you start paying off your loan, you may deduct the interest from your taxes. Search the IRS website (www.irs.gov) for "Student Loan Interest Deduction."

WHAT WILL YOUR LOAN REALLY COST?

Loan Amount	\$50,000.00	\$50,000.00	
Annual Percentage Rate (APR)	7.5%	8.5%	+1%
Monthly Payment	\$600	\$600	
# of Months to Pay Off	120	128	= +8 months
Total Finance Charge (amount of interest you'll pay)	\$20,848.34	\$25,848.38	= +5,000.04
Total Payment Amount (total of loan plus interest)	\$70,848.34	\$75,848.38	= +5,000.04

TO LEARN MORE ABOUT STUDENT LOANS OR TO USE OUR LOAN CALCULATOR, VISIT: WHATSMYSCORE.ORG/COLLEGEMONEY

CREDIT CARDS – KNOWING YOUR LIMIT

Your first credit card is a rite of passage. For the first time in your life, you're being entrusted with a credit line, which means you can spend money you probably haven't earned yet. Using your card responsibly shows you know how to manage money and puts you on the road to building a solid credit history. If you are under the age of 21 you will have to get a cosigner* on the card or prove you have a job and can make payments. (*CARD Act of 2009, www.whitehouse.gov).

DON'T GET IN OVER YOUR HEAD

- › A credit card is basically a loan from a financial institution. They assign you a pre-determined credit limit, and you can pay back whatever you charge either in full or in monthly installments.
- › If you don't pay back the entire amount owed each month, you'll owe interest on the outstanding amount.
- › Remember, if you buy something on sale with your card but don't pay off your entire credit card bill with your next payment, the added interest may bump the cost over what you saved by buying on sale.
- › A rebate or rewards card may be a good option if you plan on paying your bill on time each month. They usually charge higher interest rates and annual fees but offer features like airline frequent flier miles, cash rewards and free or discounted merchandise.
- › It's easy to get in over your head by charging more than you can afford to pay off. Save credit cards for budgeted purchases and emergencies.
- › Try to use debit cards, cash or checks for basic living expenses like rent, food, utilities, school fees and materials.
- › You can damage your credit score by having too many open accounts or carrying high balances (learn more about credit scores on page 22).

ADVANTAGES AND DISADVANTAGES OF CREDIT CARDS

Advantages:

- › Convenient
- › Immediate purchasing power
- › No need for cash
- › Bills can be consolidated
- › Zero liability on fraud

But remember...

- › It's a loan
- › Interest rate may go up
- › May include additional fees
- › Can be easy to overspend
- › Can promote impulse buying

UNDERSTANDING CREDIT



UNDERSTANDING CREDIT

KEEP YOUR EYES ON THE FEES

Before you open a new credit card account, ask the lender to spell out any possible fees or finance charges, including:

- > **Annual fee** – charged for using the card. Many cards have no annual fee, so shop around.
- > **Cash advance fee** – charged for using your credit card to withdraw cash from your available credit limit. It can appear either as a per-use flat rate or as a percentage of the transaction amount.
- > **Late payment fee** – charged if payment is received after the due date. Credit card companies must send payments 21 days before a payment is due. (Caution: Miss a few payment deadlines, and your interest rate could quickly increase.)
- > **Balance transfer fee** – sometimes charged to transfer balances from one card to another.
- > **Over-the-limit fee** – charged if you go over your credit limit, but only if you have opted in and given them permission to authorize purchases that put you over your limit. (Overages can also lead to rate increases)
- > **Minimum finance charge** – imposed whenever you carry forward a balance. (This can be up to a \$2 charge even if your balance is only a penny.)

DECODING OTHER CREDIT CARD TERMS

Annual percentage rate (APR): The interest rate you'll be charged if you don't pay the balance in full each month. Credit cards often have different APRs for purchases, cash advances and balance transfers, so make sure a low APR in one category isn't offset by unreasonably high APRs in others. Also, if there's a low introductory APR, note how long it's offered and what the rate rises to afterward.

Interest free period: If your credit card offers 'interest-free days' be aware that in most cases you get no interest-free period on purchases if you have an outstanding balance on your last statement. You begin paying interest immediately if you have cash advances, balance transfers or balances carried over from previous months.

Cash advances: Cash advances can bail you out of emergencies, but they can become very expensive loans if you don't pay them off quickly. Ask about each card's cash advance APR, fees and any other limits that may apply.

Use the APR to help you compare the cost of different credit cards.

You'll pay a higher APR for cash advances than you do for purchases.

THINGS TO LOOK FOR IN A CREDIT CARD

THERE'S A LOT OF FINE PRINT TO KNOW ABOUT WHEN USING A CREDIT CARD.

Interest Rates and Interest Charges	
ANNUAL PERCENTAGE RATE (APR) FOR PURCHASES	11.99% - 20.99% when you open your account based on your creditworthiness. This APR will vary with the market based on the Prime Rate.
APR FOR BALANCE TRANSFERS	11.99% to 20.99% when you open your account based on your creditworthiness. This APR will vary with the market based on the Prime Rate.
APR FOR CASH ADVANCES	23.99%. This APR will vary with the market based on the Prime Rate.
HOW TO AVOID PAYING INTEREST ON PURCHASES	Your due date is 24-30 days after the close of each billing cycle. You will not be charged interest on purchases if you pay your entire balance by the due date each month.
MINIMUM INTEREST CHARGE	If you are charged interest, the charge will be no less than \$2.00
FOR CREDIT CARD TIPS FROM THE FEDERAL RESERVE BOARD	To learn more about factors to consider when applying or using a credit card, visit the website of the Federal Reserve Board at: www.federalreserve.gov/creditcard
Fees	
ANNUAL FEES	\$0 the first year and any year that you charge at least one purchase to the Account, otherwise \$20.
TRANSACTION FEES	Either \$5 or 3% of the amount of each transfer, whichever is greater
BALANCE TRANSFER	Either \$5 or 3% of the amount of each advance, whichever is greater
CONVENIENCE CHECK ADVANCE	Either \$10 or 4% of the amount of each advance, whichever is greater
CASH ADVANCE	Either \$20 or 4% of the amount of each advance, whichever is greater
CASH EQUIVALENT ADVANCE	\$10 per occurrence.
OVERDRAFT PROTECTION ADVANCE	2% of each foreign purchase transaction or foreign ATM advance transaction in U.S. Dollars
FOREIGN TRANSACTIONS	3% of each foreign purchase transaction or foreign ATM advance transaction in a Foreign Currency
PENALTY FEES	
LATE PAYMENT	\$19 on balances up to \$100 \$29 on balances from \$100 up to \$250 \$39 on balances of \$250 or more
OVERLIMIT FEE	\$39
RETURNED PAYMENT	\$39

All of these fees are on top of any interest you might pay.

Annual Fees occur whether or not you use your card.

DEBIT CARDS



DEBIT CARDS

DEBIT CARDS – IF IT LOOKS LIKE A DUCK...

Face it. A debit card looks just like a credit card. It offers a lot of the same features of a credit card, but it's different in a few important ways. It's not backed by a loan from a financial institution, so you can only access your available funds. But like a credit card, it's nearly universally accepted and as good as cash. It's also a good way to keep track of your expenses for budgeting purposes. You can also use a debit card at ATMs to withdraw cash.

USE IT – DON'T LOSE IT

Your debit card can be used at merchants — similar to how a credit card is used — meaning you can either sign for your purchase or enter your PIN number. When used with a signature, your debit card gives you valuable zero-liability protection if the card is ever used fraudulently.

Your debit card processes your transaction differently depending on how it is carried out. Some debit within 24 hours, while others may take two to three days.

A debit card is also a good way to stay financially responsible. With a credit card, it can be easy to succumb to impulse buys. The lure isn't so great when you can only spend what's in your checking account. The transaction is much more like paying with cash. Besides resisting temptation, you don't pile on the debt and interest payments that come with credit card impulse buying.

TO LEARN MORE ABOUT DEBIT CARDS, VISIT WHATSMYSCORE.ORG/DEBITCARDS

THINGS TO REMEMBER:

How to use your debit card wisely. Your ATM card may also be a debit card.

- › Look for the Visa symbol to recognize your debit card.
- › ATM cards do NOT have a Visa logo and can be only used at your bank's ATM (Automatic Teller Machine) or at authorized ATM affiliates shown on the back of your card.
- › Create a PIN (personal identification number) that a smart thief couldn't figure out. Avoid the obvious — your name, address, phone number, or birth date.
- › Keep your PIN private. Memorize it. Don't write it down (especially on the card) and don't tell it to anyone.
- › Know your current account balance. There is a new law that customers must sign up for overdraft protection to be charged overdraft fees for ATM withdrawals and debit purchases. If you have overdraft coverage or you bounce a check, the fees can put you over and out.
- › Some debit cards have transaction fees — check your cardholder agreement.
- › Always keep receipts. You should be doing this anyway for your budget. Receipts contain information a thief could use to make mail, phone or Internet purchases on your account.
- › Record transactions in your check register. Remember to include any debit card fees that may apply (like when you use another bank's ATM).
- › Report lost or stolen cards immediately to your bank.

TEST YOURSELF ON WHAT YOU HAVE LEARNED

WORKSHEET

Take our quiz to see how much you know about managing your money.

- T F The moment you take out a loan, you're starting to build your credit history.
- T F A car loan doesn't count on your credit report.
- A default on which of the following loans is liable to hurt your credit score the most?
 - Car loan
 - Student loan
 - Credit card
 - Personal loan
- T F Your credit score is directly related to your credit history.
- T F Your credit score rarely changes.
- With a credit score in the 300 to 600 range:
 - Getting a credit card or loan should be a piece of cake
 - You'll need to work hard to improve your score
 - Getting a credit card will be a problem
 - Both b and c
- T F The more credit cards you have, the better your credit score.
- T F Paying off credit card balances completely and then canceling the card improves your credit score.
- T F Credit reporting agencies can have inaccuracies in their reports.
- T F A credit card is a type of loan.
- T F If you sign for a debit card purchase, the funds clear your account faster.
- T F A debit card is backed by a bank loan.
- T F It's a good idea to write your PIN on your card so you don't lose or forget it.
- T F Impulse buying is one of the hazards of carrying a credit card.
- T F Credit cards usually have the same annual percentage rate (APR) for purchases, cash advances and balance transfers.
- From page 24 of this workbook, Tina's credit score took the biggest hit when she:
 - Threw a big party and put it on her credit card
 - Got a second credit card
 - Paid only the minimum amount due on her balance
 - Forgot to tell one credit card company she moved, so her account went past due

1. T
2. F
3. Probably b – but whichever loan is the largest.
4. T
5. F
6. d
7. F
8. F
9. T
10. F
11. F
12. F
13. F
14. T
15. F
16. d

Answers to test yourself worksheet.

GLOSSARY OF TERMS

ATM: Automated Teller Machine.

BALANCED BUDGET: Income equals or exceeds expenses.

BUDGET: An itemized estimate of income and spending during a specified period.

COMPOUND INTEREST: Is based not only on the original principal but also on any unpaid interest that has been added to the principal. The more frequently interest is compounded, the faster the balance grows.

CREDIT BUREAUS: There are three major credit bureaus that report individuals' credit activity: Equifax, Experian and TransUnion. For a free credit report call 1-877-322-8228 or log on to annualcreditreport.com, a website created jointly by all three credit bureaus.

CREDIT LIMIT: The amount you can spend on your credit card.

CREDIT SCORE: Formal evaluation of an individual's credit history and capability of repaying debt. (For more, check out www.whatsmyscore.org or www.myfico.com)

INTEREST: Cost of using money, expressed as a rate per period of time, usually one year, in which case it is called an annual rate of interest.

OVERDRAFT: The amount that an account holder owes a bank because the balance in the account does not cover the amount he or she had withdrawn.

OVERDRAFT PROTECTION: Advances money to cover a withdrawal from an account that does not have sufficient funds. Overdraft protection can loan money to cover ATM withdrawals, debit card purchases, electronic transfers and checks. When used to cover checks, the service prevents the check from bouncing. When used to cover other transactions, it lets you borrow money through a withdrawal. The financial institution may charge a fee for overdraft protection. As of July 1, 2010, customers have to sign up for the service to be charged overdraft fees on ATM withdrawals and debit purchases.

PIN: Personal Identification Number.

RULE OF 72: The rule says that to find the number of years required to double your money at a given interest rate, you just divide the interest rate into 72. For example, if you want to know how long it will take to double your money at 8% interest, divide 8 into 72 and get 9 years.



ONLINE RESOURCES

BUDGETING YOUR MONEY

- › Whatsmyscore.org One-stop money management for students
- › Practicalmoneyskills.com Money management portal
- › Fool.com Investment advice, plain talk
- › Smartmoney.com Tools, investments, news
- › Moneyinstructor.com Basic financial lessons
- › Stretcher.com The Dollar Stretcher, lots of ideas

BANKING

- › ABA.com American Bankers Association
- › FDIC.gov Federal Deposit Insurance Corporation
- › ICBA.org Independent Community Bankers of America
- › Chexhelp.com Consumerdebit.com – consumer resource

UNDERSTANDING CREDIT

- › Jeanchatzky.com Award-winning journalist and best-selling author
- › Myfico.com Information about your FICO score
- › Whatsmyscore.org One-stop money management for students
- › Cardreport.com Credit tools, news and reference
- › Creditemystified.com Simple answers to complicated questions
- › Annualcreditreport.com Free comprehensive credit report
- › Consumercredit.com Credit counseling

STUDENT LOAN INFO

- › Salliemae.com Nation's leading provider of student loans
- › Nelliemae.com Student loan programs for families
- › NSLDS.ed.gov National Student Loan Data System
- › FAFSA.ed.gov Free Application for Federal Student Aid

EVALUATING CREDIT CARDS

- › Bankrate.com News, tips and advice
- › Moneycentral.msn.com MSN Money - all things money
- › Cardtrak.com All about credit cards

FOR MORE INFORMATION, VISIT...

whatsmyscore.org