

# Money Management Tool Kit

Maine's Guide to Becoming Financially Savvy

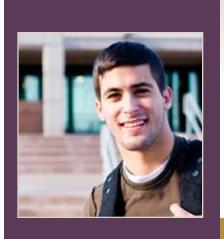


# FAME Money Management TOOL\$

Learning how to manage your money is an important step toward taking control of your life. Therefore, understanding where your money is coming from and where it's going is critical to ensuring that you will be able to achieve your lifelong GOAL\$. It is never too early (or too late) to begin working on your money management skills.

The **Finance Authority of Maine (FAME)** offers a variety of FREE resources to assist you with successfully managing your money. Visit the money management section of the FAME Web site at **www.famemaine. com/education**, where you will find a variety of valuable tools such as:

- FAME's Career Search
- "Get a Life" Money Management Game
- Budgeting & Savings
- Applying for Financial Aid
- Loan Repayment Calculators
- Additional Money Management Resources



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**Business & Education** at Work for Maine

### Know Your GOAL\$

**Setting goals** allows you to clearly determine your financial priorities. It also helps you identify **where you are headed** and if you are on course—consider it a roadmap for your financial life. Goal setting also allows you to see the **results** of your hard work when you budget. Listed below are some things to consider when setting your goals:

- Have short term, intermediate and long term goals.
- Prioritize your goals so that you know what matters most to you.
- Determine what resources you need to achieve your goals.
- Consider all aspects of your life—establish educational, financial, and personal goals, as they are all interconnected.
- Develop a plan toward your goals.
   For instance: never impulsively purchase "big ticket" items like automobiles, or go grocery shopping without pre-planning!
- In order to successfully manage your money, you must first separate your wants from your needs. Think about what is really important to you and remember that small purchases add up quickly.

Are you on course?

Setting goals will provide you with a roadmap for your financial life and the ability to see the results of your hard work.

# Get Organized

Take some time to get your **financial life** in order. Create a filing system in a convenient location to help **keep track** of billing statements, financial information and any other important documents. By **staying organized**, you'll be more likely to pay your bills on time and **keep track** of important deadlines.

- Review your financial records and billing statements regularly. Be sure to check all of your statements to look for any errors or charges that are not your own, as well as any untracked payments.
- When following up on questions related to your bills or other money related issues, be sure to keep a record of the name of the person you spoke to, the date of the conversation and any information that you discussed; especially any important instructions.
- Take advantage of free online bill paying services, as these services help to ensure that you'll pay your bills on time. Designate a time each week to

review and pay bills that are not automatically paid through your bank account.

 Reduce the amount of paperwork that you have by regularly shredding credit card offers and recycling junk mail.
 While there is some paperwork that you need to keep (such as loan documents), a lot of the mail that you receive can be discarded.



# Create a Budget

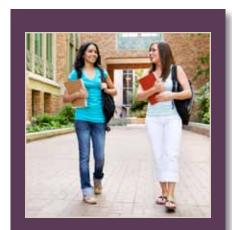
Being in **control of your finances** is also about making choices that will allow you to reach your life goals. Ask yourself, "what is most important to me?" Your answer will help you develop a clear understanding of your individual "wants" versus "needs." Through this understanding, you will then be able to begin the process of establishing a **realistic budget** that you can manage.

# IN ORDER TO ESTABLISH A BUDGET, YOU WILL NEED TO DO THE FOLLOWING:

- Determine your income
- Determine your expenses
- Create a spending plan
- Keep track of your expenses
- Periodically evaluate and adjust your spending plan

### IF YOU ARE IN COLLEGE, CONSIDER THE FOLLOWING:

- How much student loan have I borrowed so far and how much will I owe when I graduate?
- What will my monthly student loan payment be when I finish school?
- Once I graduate and find a job in my field, what is the average starting salary and will I be able to afford my student loan payment?
- Do I need to work part-time or full-time while in school to offset my college expenses and reduce my overall student loan debt?



# **Budget Worksheet**

Use the following worksheet to track your expenses. **Keep track of ALL purchases for an entire month.** By doing this, you will be able to determine what you spend your money on and develop a plan to reduce expenses.

Savings – Pay yourself FIRST!!!	\$
School-related expenses, such as tuition and/or books and supplies	\$
Housing (rent, mortgage, dorm, etc)	\$
Food (groceries or meal plan)	\$
Utilities (heat, water, electricity)	\$
Telephone/cable/internet	\$
Transportation (gas, car payment)	\$
Insurance (car, health, renters)	\$
Child care	\$
Loan/credit card payments	\$
Snacks/coffee/dining out	\$
Clothes	\$
Entertainment	\$
Other	\$
Total Monthly Income	\$
Total Monthly Expenses	-
Remaining Balance	=

# Keep track of ALL purchases for an entire month.

# Reduce Your Expenses

After you have tracked your expenses, you will need to **think carefully** about whether or not there are any expenses you can control. It's all about choices!! In order to gain **financial freedom**, you may have to make some difficult decisions. **CONSIDER THESE COST-CUTTING MEASURES:** 



**Cell Phones, Cable & Internet**— Can you eliminate some of the extras, such as cable or internet? Do you pay excess fees for text messaging and can you really afford your phone? Do you need a cell phone and a landline?



**Personal Expenses**—Beyond paying for your living expenses, how much do you spend on yourself? Think about purchases such as clothing, meals out, entertainment, etc?



**Travel Expenses**—Can you carpool or use public transit? Are you getting the best deal on car insurance?



**Housing Costs**—Are there ways that you might be able reduce your rent or mortgage costs? Have you considered a roommate? Are you getting the best deal for renters or home owners insurance?



**Food Costs**—Are you eating out regularly? Do you pack a lunch, or make your own coffee? Do you buy in bulk when possible, cut coupons and shop for sale items?



**Reduce Your Utility Costs**—Are there ways to reduce your electricity, heating, water or other utilities? Do you turn down your thermostat when you aren't at home? Do you turn off the lights when you leave the room?



**Take Advantage of Free Banking**—Most banks offer free checking and some allow you to earn money on your savings and checking accounts. Even if the bank you are using doesn't charge fees, be sure to avoid costly overdraft charges.

### Complete an Annual "Check-Up"

of your insurance and banking costs. Often times there are lower cost options available that could save you hundreds of dollars!

# ADDITIONAL COST SAVING MEASURES FOR COLLEGE STUDENTS:

- Can you live at home and commute to school? If you live off campus, do you have a roommate? If you are living on campus, forego the single room and get a roommate!
- If you eat on-campus, choose a meal plan that works for you. Don't pay for more than you can eat. If you have a meal plan, use it - don't pay for food elsewhere!
- If you live on campus, can you get by without a car? Gas, insurance, car repairs, and parking permits all add up.



- Can you use a dorm or campus computer instead of buying your own? If you feel you have to have a computer, is it possible to purchase a used or refurbished computer?
- Whenever possible, buy your books online. If you must buy through the bookstore, be sure to purchase used books.
- Be sure to apply for financial aid on-time every year!

# Savings–Pay Yourself First!

Now that you have identified spending leaks, it's time to **focus on savings.** Saving each month is important, even if it's just a small amount. Savings can help you **lessen your dependency** on credit cards and other types of borrowing. Experts recommend saving between **three to six months of living expenses** for an emergency fund. Follow these helpful tips:



- If you don't have one, open a savings and checking account. If you are responsible for paying regular bills, then a checking account is a necessity. It will also allow you to track your expenses and avoid using high interest rate credit cards.
- If you are in college, or planning to attend college, you should be working and SAVING! Savings generated from work earnings (especially full-time summer earnings) can help reduce the amount of student loans that you need to borrow. Remember, every little bit that you can contribute toward the cost of your education without borrowing saves you big in the long run. At a minimum, be prepared to purchase books and supplies with cash.
- Consider setting up a direct deposit of your pay to a special savings account. Designate this account as "savings only" and watch the money grow over time!!!

### DO YOU KNOW?

If you eliminate your daily \$2 cup of coffee for one year and instead invest that \$2 per day in a savings account with 5% return on your investment, you will save over \$8,000 in just ten years!

# Protect Your Identity

Identity theft is the **fastest growing crime** in America. It occurs when someone uses your personal information to **commit fraud**.

Victims of identity theft are often left with **debt and credit problems**.



# TO AVOID IDENTITY THEFT, FOLLOW THESE IMPORTANT RULES:

- **Shred all financial documents** and paperwork with personal information before you discard them.
- Don't carry your social security card in your wallet or write your social security number on a check. Only give it out when absolutely necessary.
- Don't give out personal information over the phone, through the mail, or over the Internet unless you know who you are dealing with. Don't click on links sent in unsolicited e-mail messages.
- Use firewalls, anti-spyware, and anti-virus software to protect your home computer.
- Don't use an obvious password like your birth date, your mother's maiden name, or the last four digits of your social security number.
- Keep your personal information in a secure place at home, especially if you have roommates. If you are away, have your mail held at the post office.
- Regularly monitor your financial information and act quickly if you suspect identity theft.

### What's Your Score?

Your credit report is a **collection of information** about you and your credit history. It's like a **financial report card.** If you have ever applied for a credit card (including store cards), a student loan, an auto loan or mortgage, then you have a credit report and a credit score. Credit scores range from 300 – 850 and your score impacts your life in numerous ways. You should **review your credit report** at least once per year to make sure the information is accurate.

### WHO LOOKS AT MY CREDIT REPORT?

Your credit report may be reviewed by potential creditors, landlords, current or potential employers, government licensing agencies and insurance companies. What they find may impact whether you are approved for a loan, the interest rates you pay and the fees you are charged.

### WHAT IS ON MY CREDIT REPORT?

Your credit report includes your name, social security number, date of birth, current and previous addresses, and employers. It also includes credit account information, such as date opened, credit limit, balance, monthly payment, and payment history. It will also include bankruptcy, unpaid taxes, and, in some states, overdue child support.

### WHAT DOES MY CREDIT REPORT SAY ABOUT ME?

Your credit report reflects whether or not you pay your bills on time, credit cards that you hold, the total amount of credit extended to you and how much you owe on all of your accounts.

### WHAT ARE THE CONSEQUENCES OF CREDIT MISTAKES?

Any negative information found on your credit report (late payments, bankruptcies, too much debt) can have a serious impact on your ability to borrow money, get a job, advance in your current job, and rent or buy a home.

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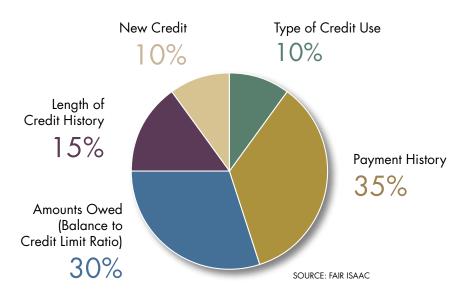
### HOW LONG DOES INFORMATION STAY ON MY CREDIT REPORT?

Positive information remains on your credit report indefinitely. Credit inquiries are included for six months to two years. Most negative information stays on your report for seven years; however some bankruptcies may remain for as long as 10 years.

### **HOW CAN I BUILD A GOOD CREDIT REPORT?**

Be sure to pay bills consistently and on time. Remember a little late is bad, but a lot late is worse (late fees and interest penalties). You should avoid "maxing out" a credit card or other lines of credit and pay off card balances instead of moving debt to other cards. Don't forget to check your credit report annually at www.annualcreditreport.com.

### WEIGHTING OF FACTORS IN A CREDIT SCORE



# Take Control of Your Debt

The average American household with at least one credit card has nearly \$10,700 in **credit card debt** and the average interest rate can run 15-18% at any given time. While some debt may be necessary, such as borrowing for a home or college, you need to be sure that you **don't borrow more than you can afford** to pay back.

- **Avoid using credit cards** to pay for things such as meals and vacations, as there's no faster way to fall into debt.
- Watch out for the minimum payment trap. If you are only making the minimum payment on your credit card, it will take you years to pay off your balance and you'll end up spending a lot more than the original amount you charged.
- Only spend what you can afford to pay off at the end of the month when you make a purchase using a credit card. Don't tell yourself that you can just pay it off next month. If possible, don't put the purchase on a credit card at all.
- When purchasing an automobile, be sure to shop wisely to ensure you get the best deal.
- Take a few days to think about a purchase before you follow through with it. A few days will give you time to figure out whether you really need the item.
- Focus on paying off your higher interest rate loans. Once the high-interest debt is paid down, focus on paying off debt with lower interest rates.
- Raise cash to pay off debt. Consider selling things that you don't
  use in order to raise extra cash to pay off your credit cards and
  other consumer debt.
- Get help if you need it. There are numerous reputable debt counseling agencies that may be able to help you manage your debt.

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### A WORD ABOUT STUDENT LOANS...

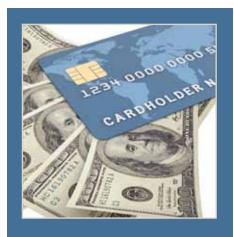
While borrowing student loans is an investment in your future, it is important to remember that **most students spend 10 or 20 years** repaying their college loans. It is important that you borrow responsibly.

- Consider student loans only after you have researched all sources of free financial aid (including scholarships, grants and work-study);
- BORROW FEDERAL LOANS FIRST and only borrow what you need to cover educational expenses;
- Don't borrow private/alternative loans until you have considered

all other financing options.

These types of loans are more expensive and should only be considered as a last resort:

 Determine how much you can afford to borrow and how much you can realistically repay.
 Knowing your anticipated salary is critical.



### **DID YOU KNOW?**

The average student loan debt for a student graduating in 2008 from a public or private four-year college or university in Maine was approximately **\$24,000?** 

-Project on Student Debt, 2008

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