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Your Money Matters

A Financial Literacy Workshop

Presented by the
Office of Student Financial Aid Services

Agenda

- Your Financial Future
- Banking
- Investing
- Savings
- Personal Finance
- Budgeting



- Credit vs. Debit Cards
- Debt
- Credit Reporting agencies
- Student Loans
- Plans for After Graduation

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Your Financial Future



- Banks safeguard and lend money
- Products:
 - Checking Account
 - Savings Account
 - Certificate of Deposit
 - Home Mortgage



- The act of committing money with the expectation of additional income or profit
 - Retirement accounts, education savings plans, stock market accounts
- Investor / Investment Company
- Choosing a Financial Advisor



Top 3 Reasons to Save



- Your Future
- Major Purchases
- Emergencies

- Creating a budget
- Saving for retirement
- Using credit wisely



Why is Budgeting Important ?



- Make a plan; stick to it
- Track monthly transactions
 - Income
 - Expenses
- Monitor patterns of spending

Budgeting



Monthly Cash Flow

$$\text{Income} - \text{Expenses} = \text{Net Income}$$

Net Income can be:

- * **Cash flow positive** - money left over after expenses have been paid
- * **Cash flow negative** –expenses exceed cash flow sometimes forcing individuals to turn to credit card usage

Budgeting – Positive Cash Flow



Monthly Cash Flow

Income = \$2,000.00

✓ **Cell Phone = (\$100.00)**

✓ **Entertainment = (\$300.00)**

✓ **Transportation = (\$200.00)**

Total Expenses = (\$600.00)

Net Income: \$1,400



Budgeting – Negative Cash Flow



Monthly Cash Flow

Income = \$2,000.00

- ✓ **Cell Phone = (\$100.00)**
 - ✓ **Entertainment = (\$300.00)**
 - ✓ **Transportation = (\$200.00)**
 - ✓ **Gifts = (\$100.00)**
 - ✓ **Clothes = (\$300.00)**
 - ✓ **Personal Items = (\$100.00)**
 - ✓ **Rent = (\$900.00)**
 - ✓ **Car Payment = (\$300.00)**
 - ✓ **Utilities = (\$200.00)**
 - ✓ **Cable & Internet = (\$100.00)**
 - ✓ **Insurance = (\$300.00)**
- Total Expenses = (\$2,900.00)**

Net Income: \$(900.00)

Credit Card vs. Debit Card

Credit Card Charges:

- Must be repaid
- May accrue interest charges if a balance exists, typically after 30 days
- Credit Limit based on credit rating, FICO score



Debit Card:

- Connected with a bank account.
- Comes directly out of the account balance.
- Account balance is \$100. You make a purchase for \$10, now your account then has \$90 remaining



Understanding Different Types of Debt

Open-End Credit (Revolving Credit)

- Require monthly payments that are less than the amount due
- Available credit remaining may be used while paying toward balance due
- Can be in the form of Credit Cards/Lines of Credit

Closed-End Credit

- Fixed amounts of money to finance a specific purpose expense over specific time period such as:
 - Home Mortgages
 - Car loans
 - Student loans



Fixed interest rates vs. Variable interest rates

- A **fixed** rate is a set interest rate that remains level for the duration of the loan period
- A **variable** rate is a changing interest rate over the duration of the loan – the rate may increase or decrease depending on interest rate environments.



Understanding Different Types of Debt

Good:

- Creates Value
- Student loans
- Real estate loans
- Business loans



Potentially Harmful:

- Purchase of durable goods
- Purchase of merchandise that declines in value
- Clothing / store credit card

Credit Reporting Agencies



How to Build Credit



- Pay student loans on time.
- Pay bills on time to build credit history and avoid late fees and interest charges.
 - Cell phone
 - Utility bills
 - Car loans
- Apply for a credit card and make reasonable purchases.

FICO Credit Score



Credit Score

- ☒ 😊 Excellent
- ☐ 😐 Average
- ☐ ☹️ Poor

Your Student Loans

- Investment in your future and career
- It is important to understand terms and conditions for student loans and plan for repayment



- **UConn Students Receiving Federal Loans: 50%**
- **Average Debt at Graduation: \$24,999***
- **Graduation Rate 83%, above national average**
- **Earning Above High School Graduates 79%**
- **Salary After Attending \$53,900, above national average**
- **UConn Students Paying Down Their Debt 93%, *above national average of 66%***

3/2016 Data obtained from CollegeScoreCard.ed.gov.

**Average debt at graduation, reported for 2014 published with US News and World Report.*

Undergraduate Loans at a Glance

Program	Borrower	Credit Check Required?	Interest Rate	Repayment Begins
Federal Perkins Loan	Students with financial need enrolled at least half-time	No	5%	Nine months after graduation
Federal Direct Subsidized Stafford Loan	Students with financial need enrolled at least half-time	No	4.29%	Six months after graduation
Federal Direct Unsubsidized Stafford Loan	Students enrolled at least half-time	No	4.29%	Six months after graduation
Federal Direct Parent Loan for Undergraduate Students	Parents of undergraduate students enrolled at least half-time	Yes	6.84%	Sixty days after second disbursement unless deferred
Private/Alternative Loans	Students with a creditworthy cosigner	Yes	Variable or fixed; usually depend on borrower/cosigner credit scores	Varies by loan product

NSLDS

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A Plan for After Graduation



- Start your new career
- Develop a budget
- Research student loan repayment options and choose a repayment plan via studentaid.ed.gov
- Six months after graduation date most student loan payments begin (May graduation = November payment due)

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Questions?