Your Money Matters
A Financial Literacy Workshop

Presented by the
Office of Student Financial Aid Services
• Your Financial Future
• Banking
• Investing
• Savings
• Personal Finance
• Budgeting

• Credit vs. Debit Cards
• Debt
• Credit Reporting agencies
• Student Loans
• Plans for After Graduation
Your Financial Future

Financial Values

Financial Goals

Financial Plan
• 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

"do something today that your future self will thank you for"
Budgeting

Why is Budgeting Important?

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

**Monthly Cash Flow**
Income - Expenses = 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 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
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

- **Very Poor**: 300 - 580
- **Poor**: 580 - 640
- **Fair**: 640 - 700
- **Good**: 700 - 750
- **Excellent**: 750 - 850

**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

- 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

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