

# UConn

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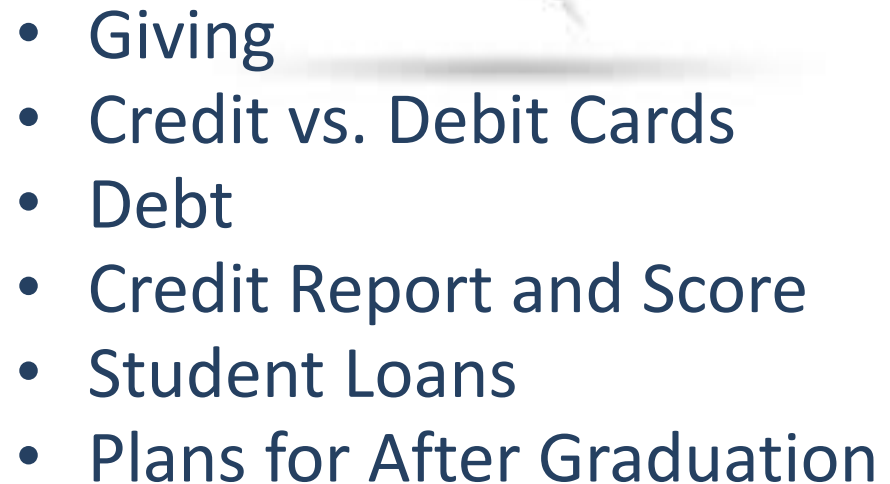
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# **Your Money Matters**

## **A Financial Literacy Workshop**

Presented by the  
**Office of Student Financial Aid Services**

- [illegible]



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## Your Financial Future



## Banking

- 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

## How to Save One Million Dollars

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- You are age 25
- Your investments are earning 7%
- Save monthly:

\$100/58  
Years

\$200/48  
Years

\$400/39  
years

\$750/31  
Years

\$1000/27  
Years

- 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)**
- ✓ **Gifts = (\$100.00)**
- ✓ **Clothes = (\$300.00)**
- ✓ **Personal Items = (\$100.00)**

**Total Expenses = (\$1,100.00)**

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**Net Income: \$900.00**



# Budgeting – Negative Cash Flow



## Monthly Cash Flow

**Income = \$2,000.00**

- ✓ **Cell Phone = (\$200.00)**
- ✓ **Entertainment = (\$500.00)**
- ✓ **Transportation = (\$500.00)**
- ✓ **Gifts = (\$200.00)**
- ✓ **Clothes = (\$1,000.00)**
- ✓ **Personal Items = (\$200.00)**

**Total Expense = (\$2,600.00)**

**Net Income: (\$600.00)**

# 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



# Understanding Different Types of Debt

## Unsecured:

- Lent by individual or institution,
- Collateral not required
- **Backed by borrower's ability to repay**

## Secured:

- Lent by individual or institution
- **Collateral required as a pledge against an asset**
  - Home Mortgage
  - Car loan



# Understanding Different Types of Debt

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## 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



- Minimize accumulation of debt
- Pay off existing debt quickly
- Stick to your budget



- **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.*

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# Giving



## Fixed interest rates vs. Variable interest rates

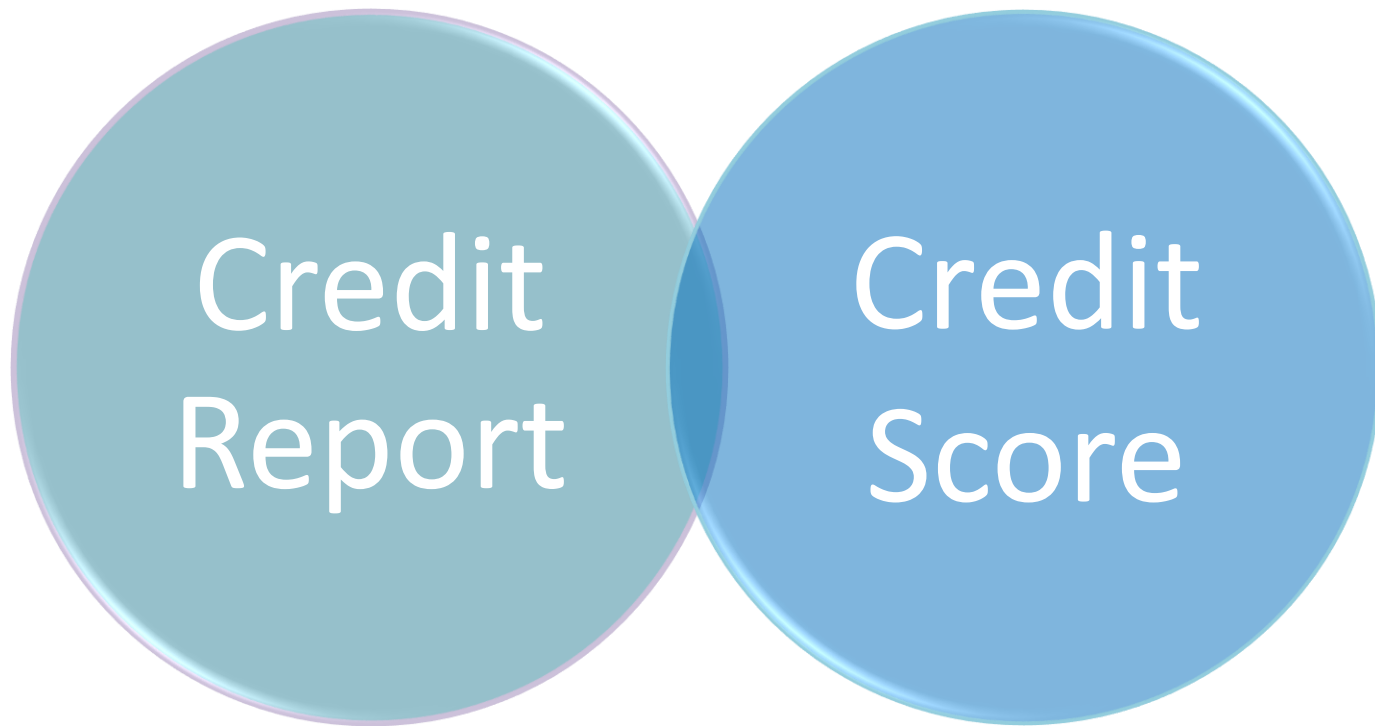
- A **fixed** rate is a set interest rate that remains level for the duration of the loan period
- A **variable** rate is a changing interest rate over the duration of the loan – the rate may increase or decrease depending on interest rate environments.



### FICO Score:



- Fair Isaac Corporation (FICO) was founded in 1956 by Bill Fair & Earl Isaac.
- 3 digit number which determines your credit limit and eligibility for lending.
- Primary score used by lenders.

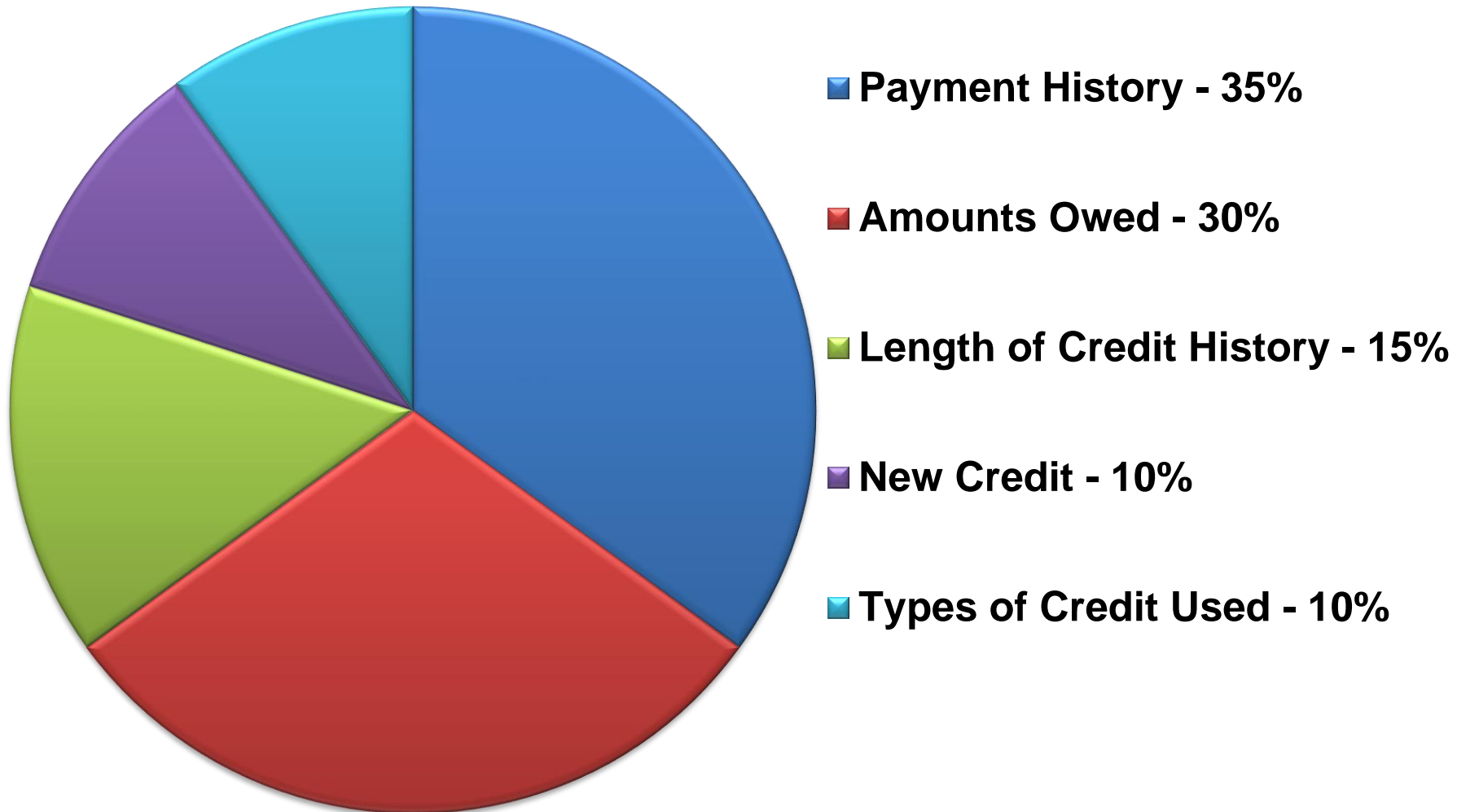


# Credit Reporting Agencies

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## Credit Score





# FICO Credit Score



*Credit Score*

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

## 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.

## Your Student Loans

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



## 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**  
[NSLDS.ed.gov](https://NSLDS.ed.gov)

## 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](https://studentaid.ed.gov)
- Six months after graduation date most student loan payments begin (May graduation = November payment due)

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## Questions?