

For College Students

Money 101

Student Workbook

A Crash Course in Better Money
Management For College Students



VISA



A Note to Students

For many students, going to college means living independently for the first time, which also means having to make new and sometimes challenging financial decisions. Financial responsibility may be new to you — and even if it isn't, chances are you could still use a few pointers. The purpose of this workbook is to help you learn how to budget your money, as well as understand how financial services and products work so that you can take control of your financial future with confidence.

Whether you are buying a car, renting an apartment, saving for a spring break trip or building an emergency fund, this workbook is meant to be a guide to help you make wise financial choices. Some of these worksheets have answers that come only from your personal experience, while other worksheets require you do some studying before coming up with the correct answer.







Why Now?

College is a time for new experiences and freedoms, but also new responsibilities — especially when it comes to your finances.

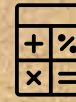
The earlier you start to create good habits with your money, the easier it will be to stick with them, especially when you get older and financial decisions become even more critical and complex. This workbook provides an opportunity to get a jump on becoming a better money manager from day one, so that you can enjoy some of the most important and memorable years of your life, free of undue financial stress.

That's why Visa has put together this program. We want you to understand the basics of managing money wisely. Our hope is that after you complete this workbook, you'll have a better understanding of living within a budget, the nuances of banking and how to handle credit responsibly.

Table of Contents

	Budgeting Your Money	2
	Track Your Expenses	3
	Making a Plan	5
	Monthly Expense Tracker	6
	Balancing Your Budget	8
	Worksheet	9
	Online & Mobile Banking	10
	Your Money and Online Banking	10
	Digital Wallets	12
	Checking Account	14
	Check It Out	15
	Good Record-keeping	17
	Debit Cards	18
	Debit vs. Credit	18
	Things to Remember	19
	Savings Account	20
	For a Rainy Day	20
	Savings Worksheet	21
	Understanding Credit	22
	When Does Your Credit Score Matter?	23
	Meet Tess	24
	Making the Grade	25
	Types of Student Loans	26
	Student Loan Repayment	27
	Tax Savings Lessen the Blow	28
	Don't Get In Over Your Head	29
	Keep Your Eyes on the Fees	30
	Test Yourself	32
	Glossary of Terms	34
	Online Resources	Back Cover

Budgeting Your Money



Be the Master of Your Money

In order to manage your money, you need to have a plan. That is why creating a budget, and sticking to it, is a critical foundation for financial order and stability. By tracking your income and expenses, you will be better able to distinguish between needs vs. wants.

Know Your Income

The first step in this process is to know how much you make. Most college students have limited income. Figure out how much you have coming in each month, and then track your expenses. Use the chart below to track your monthly income. Make sure to only include income you can count on — no gifts or bonuses. To really get ahead of the game, before you budget your income, try to set aside 10% to 15% of it for long-term savings.

Income	Estimated Amount	Actual Amount
Salary		
Loans		
Grants		
Scholarships		
Money from Parents		
Other Income		
Total		

Total Income



Tip: You can track your expenses using personal finance budgeting apps, which make budgeting more convenient than ever.

Track Your Expenses

Tracking your expenses is a key step toward financial responsibility. Track your spending for a month with the worksheet in this workbook. Get receipts for everything and enter the amounts into the worksheet each week. You'll be shocked by the way unplanned small purchases can add up. By making a habit of tracking your expenses, you can see where your money is going, which will help you curb your spending.

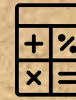
Three Ways to Save

Food: Most schools offer several tiers of meal plans, so you can choose what's right for you without overspending. If you aren't relying on a meal plan, explore all of the stores around you for the best deals on groceries.

Coffee: That daily coffee run may cost you over \$850 per year, not including tip. Cutting back on these small daily expenses or purchasing an inexpensive coffee maker could help you save in the long run.

Textbooks: Buying a gently used textbook rather than a brand-new one — or buying an e-book instead of a printed textbook — can save big bucks.

Budgeting Your Money



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

Compare costs from different insurance companies.

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

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 cramp your budget.

Monthly Expense Tracker

Expenses	Week 1	Week 2	Week 3	Week 4	Monthly Total
Living					
Rent	\$350				
Utilities	\$35				
Cable					
Cellphone		\$15.50			
Internet			\$25		
Furnishings	\$12			\$38.50	
Misc.		\$25			
Total	\$377	\$40.50	\$25	\$38.50	\$501
Transportation					
Car Payment			\$75		
Insurance		\$200			
Fuel	\$25	\$15.00	\$30	\$15.00	
Parking	\$5.00		\$5.00		
Repairs			\$33		
Public Trans.				\$3.50	
Misc.					
Total	\$30	\$125	\$243	\$18.50	\$416.50
School					
Tuition	\$1500				
Books/Supplies		\$60			
Fees			\$15.00	\$10	
Computer					
Misc.					
Total	\$1500	\$60	\$15.00	\$10	\$1585

Expenses	Week 1	Week 2	Week 3
Medical			
Doctor			
Dentist			
Eyes			
Insurance	\$45		
Prescriptions		\$18.00	
Misc.			
Total	\$45	\$18.00	
Personal			
Entertainment	\$4.15		\$38
Clothing		\$42.50	
Laundry			\$6
Toiletries		\$5.00	
Misc.	\$10		
Total	\$10	\$47.50	\$44
Food			
Groceries	\$24.15	\$47.50	\$34.37
Meal Plan	\$54.25		\$37
Dining Out			
Misc.		\$12	\$6
Total	\$78.40	\$47.50	\$77.37
Other			
Loans	\$54.25	\$12	\$53
Credit Cards	\$100		
Savings			
Misc.			
Total	\$100		

Making a Plan

Track your expenses for a month on the worksheet on pages 6 and 7. Look at all of your expenses by category (living, school, personal, food, and other), estimate your monthly income, see what you've spent, and make a spending plan for the coming month. Tracking your expenses will allow you to find areas of discretionary (items you want) vs. non-discretionary (items you need) spending where you can cut back and increase your savings. (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 add up quickly in college, but they're also easy to cut back. Housing and utilities aren't as easy. A personal budget is a work in progress, and spending within your budget will soon become second nature.

Budgeting to Meet Your Goals

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

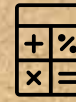
Budgeting Apps

Budgeting apps allow you to link your bank account and separate your income into different categories like rent, loans, groceries and entertainment costs. You can set a budget for each category to keep your expenses organized and controlled.



Tip: Set aside 15 minutes each week to make sure that your expenses are matching up with your online bank statement and your budget is on track.

Budgeting Your Money

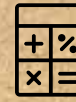


Monthly Expense Tracker

	Expenses	Week 1	Week 2	Week 3	Week 4
Living	Rent				
	Utilities				
	Cable				
	Cell Phone				
	Internet				
	Furnishings				
	Misc.				
	Total				
	Monthly Total				
Transportation	Car Payment				
	Insurance				
	Fuel				
	Parking				
	Repairs				
	Public Trans.				
	Misc.				
	Total				
Monthly Total					
School	Tuition				
	Books/Supplies				
	Fees				
	Computer				
	Misc.				
Total					
Monthly Total					

	Expenses	Week 1	Week 2	Week 3	Week 4
Medical	Doctor				
	Dentist				
	Eyes				
	Insurance				
	Prescriptions				
	Misc.				
	Total				
Monthly Total					
Personal	Entertainment				
	Clothing				
	Laundry				
	Toiletries				
	Misc.				
Total					
Monthly Total					
Food	Groceries				
	Meal Plan				
	Dining Out				
	Misc.				
	Total				
Monthly Total					
Other	Loans				
	Credit Cards				
	Savings				
	Misc.				
	Total				
Monthly Total					

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 your 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 exceeding your budget. You can also get a side hustle, like driving for a rideshare company, to supplement your income so you can make unplanned expenses without blowing 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 the totals to your tracked expenses and income. How far off were you? If you're spending beyond your means, make adjustments, and track your spending again the next month.



Income	Estimated Amount	Actual Amount
Salary		
Money from Parents		
Loans		
Grants		
Scholarships		
Other Income		
Total		

Total Income

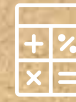
Expenses	Estimated Amount	Actual Amount
Housing		
Food		
Medical		
School		
Transportation		
Personal		
Other		
Total		

Total Expenses

Total Income	-	Total Expenses	=	Net Income
<input type="text"/>		<input type="text"/>		<input type="text"/>

To use our online Budget Planner, visit practicalmoneyskills.com/reworkbudget

Online & Mobile Banking



Technology: The Center of Our Universe

Today's banking technology can help us more than ever before. One of the areas where technology has been fully utilized is mobile and online banking. Now, just about every customer transaction can be completed on your mobile device. Checking balances, paying bills, tracking your spending, finding the closest ATM, transferring funds and depositing checks can all be done in the palm of your hand. Mobile banking is becoming one of the most secure ways to pay and transfer money, especially with features like fingerprint technology.

Your Money and Online Banking

Online and mobile banking are convenient and valuable because they help keep you organized. However, remember that it's important to regularly keep track of debits and deposits that may not have cleared yet on your online banking statement. You can also make fast, easy, cashless transactions with peer-to-peer payment service apps. Today's financial institutions have sophisticated fraud protection services; however, the more you're on top of your daily transactions, the faster you can identify any suspicious activity.

Bill Pay

With online banking, scheduling and paying bills on time makes tracking your expenses fast and efficient. You can easily list payees such as your landlord, cell phone provider or car insurance company. By identifying your payee name, address and account number (if applicable) you can send payments from your account almost instantaneously. If you choose to, you can set it up to pay your bills automatically at a predetermined date or remind you when a payment is due. Many banks will have your bills sent to you online depending on whether or not the payee offers electronic billing.

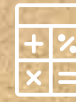
Bill tracking apps allow you to link your bank account to pending bills so that you can pay your landlord or utility vendors with ease. You can pay your bills directly from the app to avoid late fees and stay organized.

Statements

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



Online & Mobile Banking



Funds Transfer

From a security standpoint, one of the best qualities of online banking 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 contacts' accounts — like your landlord's. It may also allow your parents to send you money instantly. While there are many apps and payment services on the market, utilizing your bank's services is convenient and safe.

Another way to develop a saving strategy is to automatically have a portion of your paycheck or checking account balance transferred into a savings account or investment fund. You can typically set this up online or at your local branch or use an investment savings app.

Digital Wallets

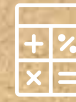
Apps also come in handy for making payments. Many services allow you to keep track of your debit and credit cards digitally. A digital wallet allows you to make cashless payments from your cards through your phone. More stores are beginning to accept these payments.



Online Banking Benefits

- ✓ Available 24/7
- ✓ Email and mobile account alerts
- ✓ Access from any device
- ✓ Budgeting tools and automated spreadsheets
- ✓ View, download and print online statements
- ✓ Easy fund transfers
- ✓ View images of checks
- ✓ Link to student loan information
- ✓ Mobility to access accounts on smartphones and mobile devices
- ✓ Environmentally friendly by making electronic, paperless transactions
- ✓ Bill pay feature can ensure that bills are paid on time

Checking Account



Getting Started: Banking Options Available to Students

To open a checking or savings account, you can apply online or visit a bank's branch location. Once your account is opened, you'll be able to enroll in online banking via the bank's website and use your login information to download and start using the mobile banking app. In any event, it's a good idea to comparison shop for banks and look for minimal fees and the best interest rates on savings as well as all the tools and technology that suit your needs.

Checking Account Checklist

- ✓ Balance your account monthly
- ✓ Know your schedule for automatic transactions
- ✓ Keep track of fees
- ✓ Look out for security features
- ✓ Report suspicious activity immediately

Check It Out

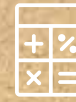
It's important for you to understand the building blocks of budgeting and online banking — your checking and savings accounts. Before you open accounts it's important to understand basics about these accounts. Your checking account is the central hub for your money. You can access it several different ways: checks, ATM, debit card, banks and online banking. Your savings account, which can also be accessed with your debit card or at your banking center, is a great place to save for a rainy day or future expenses, like a car or tuition.



Check Safety and Security

If you are going outside of your bank to get checks printed, make sure you do your homework on a third-party check provider. A reputable check printer offers security features built into the check. Items to look for are a padlock icon on the printer's website to the left of the web address, micro printing, security screen and warning boxes that appear on the front and back of the check. Do not put private information on checks like your Social Security number, your driver's license number or any unnecessary personal data.

Checking Account



Writing a Check

While you may not need to use checks often, you could find yourself in a situation where you need to know how to write one. It is important to know that those funds won't be debited from your account until the payee cashes or deposits the check. It's important to keep track of any checks you write so that you don't accidentally overdraw your account. Most mobile banking apps will allow you to photograph and upload the check for deposit.

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.



To help you remember why you wrote the check.

Zero cents.

Sign here.

Write the amount of the check in numbers.

Good Record-keeping

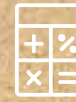
Part of responsible financial management is good record keeping, and with automated bill paying, this is fast and easy. Your online account is a great organizational tool, but it's just as important for you to keep a hard copy of your finances for your own day-to-day records and budgeting purposes.

Once you get in the habit of tracking expenses, it should be easier to monitor any outstanding checks you may have written, in addition to monthly automatic payments. This process of tracking expenses and outstanding checks is commonly known as balancing your checkbook, which includes factoring in auto-pay bills that won't hit your account until later in the month.

The problem most people run into is overdrawing their account. Every time you overdraw, you incur an insufficient funds fee. The best way to avoid it is 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, for overdraft protection. 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.



Debit Cards



Debit vs. Credit: What's the Difference?

A debit card looks just like a credit card whether you are presenting it for payment or using mobile banking services. 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 credit cards, they're nearly universally accepted and have a zero liability policy to protect you. They're also a good way to keep track of your expenses for budgeting purposes.

Use it — Don't Lose it

Your debit card can be used with merchants similarly 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 fraud 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 your account 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. Besides resisting temptation, you don't pile on the debt and interest payments that come with credit card impulse buying.

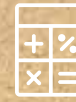
To learn more about debit cards, visit practicalmoneyskills.com/debitcards

Things to Remember

How to use your debit card wisely:

- > Look for the symbol of a processing network (like Visa) that indicates your card will be accepted.
- > 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. By law, to get a debit card you must sign up for your bank's overdraft protection, which automatically transfers available funds from the linked account to cover purchases and help prevent returned checks and declined purchases in the event you don't have enough funds in your eligible checking account. If you have overdraft coverage and you bounce a check, the overdraft fees can cost you a lot.
- > Some debit cards have transaction fees — check your cardholder agreement.
- > Your bank may have also issued you an ATM card. It may share many of the functions of a debit card; however, ATM cards do not have a Visa or other payment network logo and can only be used at your bank's ATM or at an authorized affiliate named on the back of your card. Also, ATM cards cannot be used for purchases.
- > Always keep receipts. Receipts contain information a thief could use to make mail, phone or online purchases on your account, so you should be careful about where you keep them and how to safely dispose of them. Financial documents such as property records should be kept indefinitely, while federal tax returns and payroll records should be kept for six years and income-related materials for three years. As for ATM receipts, deposit slips and bank statements, these can be shredded monthly or annually.
- > Keep track of your transactions online or on mobile devices. Remember to track any debit card fees that may apply (like when you use another bank's ATM).
- > Report lost or stolen cards immediately to your bank.

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 budgeting or planning to set aside 10% to 15% of your income for savings every time you get paid. This is a worthy goal. For a college student on a tight budget, however, this may be tough. You should set aside funds that you realistically work with in your budget. The good news is, the more you set aside, the more interest your account earns, so your money grows faster. While it's a good idea to have money set aside for emergencies at any time, you need to start building an emergency fund for unplanned expenses while you are still in school. Experts say it's smart to build and maintain an emergency fund with three to six months' worth of living expenses.

Compound Interest

Savings accounts typically earn compound interest. Compounding means that whenever interest is calculated, it is based not only on the original amount in the account but also on any interest that has accumulated. The more frequently interest is compounded, the faster the balance grows. The yearly rate at which 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 2% simple interest per year, it earns \$2 interest. Multiply the dollar amount by the interest rate to get the annual return. By the end of three years, you will have earned \$6 in interest for a total of \$106. Although it's extremely rare, you may come across accounts with simple interest as you grow older and your investments diversify.

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 2% compound interest, divide 72 by 2. That means it will take about 36 years for your original investment to double in value at a 2% interest rate.

Savings Worksheet

1. If you put \$200 in a savings account that paid 2% simple interest each year, how much interest would you earn in five years?

2. If you put \$150 in a savings account that paid 1.5% 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 1.8% 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 2.2% interest compounded yearly, how much money would you have in your account after three years? (Hint: Use the *How Will My Savings Grow?* calculator on practicalmoneyskills.com).

Answers for the savings account worksheet:

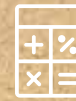
1 \$20
 $\$200 \times 0.02 = \4
 $\$4 \times 5 = \20

2 \$1159
 $\$150 (1 + 0.015/1)^1 = \152.25 (after 1 year)
 $\$152.25 (1 + 0.015/1)^2 = \154.53 (after 2 years)
 $\$154.53 (1 + 0.015/1)^3 = \156.85 (after 3 years)
 $\$156.85 (1 + 0.015/1)^4 = \159.20 (after 4 years)
 $\$159.20 (1 + 0.015/1)^5 = \161.59 (after 5 years)

3 \$605.40
 $\$300.00 (1 + 0.018) = \305.40 (after 1 year)
 $\$305.40 + \$300.00 = \$605.40$ (after 2 years)

4 \$1629.65
 $\$10 \times 52 = \520
 $\$520 (1 + 0.022/1)^1 = \531.44 (after 1 year)
 $\$531.44 + \$520 = \$1051.44$
 $\$1051.44 (1 + 0.022/1)^3 = \1074.57 (after 2 years)
 $\$1074.57 + \$520 = \$1594.57$
 $\$1594.57 (1 + 0.022/1)^3 = \1629.65 (after 3 years)

Understanding Credit



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 in your name or parents' name. The loan can be for school, a car or a credit card. Your performance in paying back these loans, and your other bills in your name, will determine how your credit is graded — this is called your credit score.

Credit reporting companies calculate scores in different ways, but all use a complex mathematical model to take certain factors into account. Your score changes over time to accurately reflect your current financial behavior. Credit reports contain your credit history, including things like debts, bankruptcies, unpaid bills and credit card use.

These Things Make Up Your Credit Report:

- > 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
- > New credit

What's a Good Credit Score and Why Is It Important?

In simplest terms, a credit score is a 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 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, which in turn raises or lowers 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.

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.
- > **Open Phone or Utility Accounts:** Utility companies may check your credit score before deciding whether you have to pay a deposit.
- > **Renting an Apartment:** Landlords may check your credit report before deciding whether to rent to you.
- > **Applying for a Job:** Employers typically 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

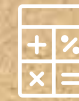
Student loans can be helpful for people who couldn't otherwise afford to attend college; they can also be expensive. With most student loans, you don't have to repay them until after you leave college and join the workforce. Sure, it's a drag to be saddled with debt right out of the gate, but a cost-benefit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

College tuition costs are increasing. Many students owe \$37,000 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 later down the line.

How to Apply for a Student Loan

The first thing you should do is complete the Free Application for Federal Student Aid (FAFSA) form. You can get a copy from your school's guidance counselor or financial aid office, or by visiting www.fafsa.ed.gov or calling 1-800-4-FED-AID.

Understanding Credit



Meet Tess

Take a look at the ups and downs of Tess'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: practicalmoneyskills.com/estimator

Behavior or Action	Change in Score	Current FICO Score	Credit Score
FRESHMAN YEAR			
Tess gets a credit card with a \$1,000 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+
Tess starts spring break in a great mood. She throws a party for all her friends and maxes out her card.	-150	630	C
Tess 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, Tess's car needs major repairs.	-180	620	C
In October, Tess forgets to tell one credit card company that she has moved and never received her bill, 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			
Tess works very hard to pay down her debts by paying \$50 more than the minimum payment on each card and uses her cards sparingly, and pays them off regularly for the rest of the school year.	+70	670	B
SENIOR YEAR			
Tess 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, and her credit is once again excellent.	+100	770	A+



(Grades in this chart are not reflective of behavior but of the current FICO score. Chart is for illustrative purposes only.)

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 and loans that you take out. If you find yourself in financial trouble, consider contacting a debt counseling agency and verify that it is a member of the National Foundation of Credit Counselors, the nation's largest national nonprofit credit counseling network.

> Be sure to make monthly payments 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. Most financial experts recommend not using more than 30 percent of available credit, if possible.

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

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

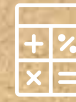
> Finally, check your credit report regularly to make sure it is error-free.

You can get one free credit report each year from each of the three major credit bureaus (Equifax, Experian and TransUnion). 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



Types of Student Loans

> **Campus-based aid.** The Federal Supplemental Educational 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 those for filing a FAFSA.

> **Subsidized Stafford Loans** are federal loans that are based on demonstrated financial need. You're not responsible for interest that accrues while you're in school.

> **Unsubsidized Stafford Loans** are federal loans that aren't based on financial need. And unlike with subsidized, you are responsible for interest that accrues while you're in school.

> **Direct PLUS (Parent Loan for Undergraduate Students) 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.

> **Federal Pell Grants** are the most common federal grant for higher education and are available only to undergraduate students who haven't earned a degree. Families that demonstrate financial need are eligible to receive a federal Pell Grant. However, there's a limited amount of Pell Grant money available to each borrower.

> **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 with federal student loans. Check each college's aid materials to see what's available.

> **Federal PLUS loans.** These federally sponsored loans allow parents to borrow for their children's college expenses. Interest rates are fixed — although higher than for 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 for 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.

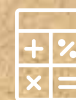
If you can't afford your full monthly payment right away, talk to your lender about different repayment options, including:

- > 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).
- > Income-based repayment, where required monthly payments on certain federal loans may be reduced for low-income borrowers.
- > 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 degree completion, online or automatic deduction payments, or rate reductions for on-time payment history. You may be able to shave part of a point 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 arising.

To learn more about the different types of student aid available, visit the government's Federal Student Aid site at <https://studentaid.ed.gov>, and FinAid, at <http://www.finaid.org>.

Understanding Credit



Credit Cards – Know Your Limit

When you are entrusted with a credit line, you can spend money you may not have earned yet. Using your card responsibly shows that 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 co-signer on the card or prove you have a job and can make payments.

Consider a Secured Credit Card Account

If you're opening your first credit card account or you're trying to rebuild a damaged credit score, a secured credit card account could be a good option. The main advantage of a secured credit card is that you cannot use it to spend outside your means. You are required to make an initial deposit to open a secured card, and after that you will only be able to spend up to 100 percent of that deposit amount.

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 adviser about the deductibility of interest.

- > Consider opening 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. 529 plans are most beneficial when they are started early and contributed to often.
- > Coverdell Education Savings Accounts (www.irs.gov) are another way to save money for education where the earnings will grow tax-free until withdrawn.
- > Once you start paying off your loan, you may be able to deduct the interest on your taxes; see the IRS website (www.irs.gov).

What will your loan really cost?

Loan Amount	\$50,000.00	\$50,000.00	
Annual Percentage Rate	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, visit practicalmoneyskills.com/college

Don't Get in Over Your Head

- > A credit card is basically a loan from a financial institution. They assign you a predetermined 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 balance.
- > Remember, if you buy something with your card but don't pay off your entire balance 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 may have 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, secured credit 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

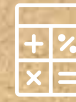
Advantages:

- > 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



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 statements 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 to the next billing cycle. (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 you use 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 BALANCE TRANSFER CONVENIENCE CHECK ADVANCE CASH ADVANCE CASH EQUIVALENT ADVANCE OVERDRAFT PROTECTION ADVANCE FOREIGN TRANSACTIONS	Either \$5 or 3% of the amount of each transfer, whichever is greater Either \$5 or 3% of the amount of each advance, whichever is greater Either \$10 or 4% of the amount of each advance, whichever is greater Either \$20 or 4% of the amount of each advance, whichever is greater \$10 per occurrence. 2% of each foreign purchase transaction or foreign ATM advance transaction in U.S. Dollars 3% of each foreign purchase transaction or foreign ATM advance transaction in a Foreign Currency
PENALTY FEES LATE PAYMENT OVERLIMIT FEE RETURNED PAYMENT	Up to \$35 Up to \$35 Up to \$35

(Sample Credit Card Agreement)

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

Annual fees may occur whether or not you use your card.

Test Yourself

Worksheet

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

1. **T / F** The moment you take out a loan, you're starting to build your credit history.
2. **T / F** A car loan doesn't count on your credit report.
3. **T / F** Your credit score is directly related to your credit history.
4. **T / F** Your credit score rarely changes.
5. With a credit score in the 300 to 600 range:
 - a) Getting a credit card or loan should be a piece of cake
 - b) You'll need to work hard to improve your score
 - c) Getting a credit card will be a problem
 - d) Both b and c
6. **T / F** Paying off credit card balances completely and then cancelling improves your credit score.
7. **T / F** Credit reporting agencies can have inaccuracies in their reports.
8. **T / F** A credit card is a type of loan.
9. **T / F** If you sign for a debit card purchase, the funds clear your account.
10. **T / F** A debit card is backed by a bank loan.
11. **T / F** It's a good idea to write your PIN on your card so you don't lose or forget it.
12. **T / F** Impulse buying is one of the hazards of carrying a credit card.
13. **T / F** Credit cards usually have the same annual percentage rate (APR) for purchases, cash advances and balance transfers.
14. From page 24 of this workbook, Tess's credit score took the biggest hit when she:
 - a) Threw a big party and put it on her credit card
 - b) Got a second credit card
 - c) Paid only the minimum amount due on her balance
 - d) Forgot to tell one credit card issuer she moved, so her account went past due



9. F
10. F
11. F
12. T
13. F
14. D

1. T
2. F
3. T
4. F
5. D
6. F
7. T
8. T

Answers for 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 an individual's credit activity: Equifax, Experian and TransUnion. For one free annual credit report from each bureau, call 1-877-322-8228 or log on to annualcreditreport.com, a website co-operated jointly by all three credit bureaus.

Credit limit: The maximum amount you are authorized to spend on your credit card.

Credit score: A numerical score that's calculated based on information contained in your credit report. Lenders use your credit score, among other measurements, to determine your creditworthiness and potential ability to repay debt. (For more, check out www.whatsmyscore.org or www.myfico.com.)

Simple 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.

PIN: Personal identification number.

Rule of 72: The rule says that to find the number of years required to roughly double your money at a given compound 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 approximately get 9 years.



Online Resources

Budgeting your money

[Practicalmoneyskills.com](https://practicalmoneyskills.com) Money management portal

Banking

[ABA.com](https://www.aba.com) American Bankers Association
[FDIC.gov](https://www.fdic.gov) Federal Deposit Insurance Corporation
[ICBA.org](https://www.icba.org) Independent Community Bankers of America
[NCUA.gov](https://www.ncua.gov) National Credit Union Administration

Understanding credit

[Myfico.com](https://www.myfico.com) Information about your FICO score
[Annualcreditreport.com](https://www.annualcreditreport.com) Free comprehensive credit report
[Consumerfinance.gov](https://www.consumerfinance.gov) Consumer Financial Protection Agency

Student loan Info

[Finaid.org](https://www.finaid.org) Student loan programs for families
[NSLDS.ed.gov](https://www.nsls.ed.gov) National Student Loan Data System
[FAFSA.ed.gov](https://www.fafsa.ed.gov) Free Application for Federal Student Aid

For more information, visit: practicalmoneyskills.com