Making Sense of Money Management
An Educational Program Sponsored
by
Oklahoma Cooperative Extension Service

Please sign and return during the class. A copy will be given to you

Making Sense of Money Management

Oklahoma Cooperative Extension Service

You are enrolling in a class to meet the educational needs of persons currently experiencing troublesome money management issues. The cost for this class is $30 per person or $50 per couple. This course will be offered to participants regardless of ability to pay. If you have difficulty paying for this class, please speak with your county educator or the representative who is teaching the class.*

The Oklahoma Cooperative Extension Service is the outreach branch of Oklahoma State University and our mission is to provide quality education addressing identified needs. The County Educators who are offering these classes are trained instructors with Bachelor's and often Master's degrees. The educators who are involved in providing financial management classes have been specifically trained in this area. Neither Oklahoma State University nor the Oklahoma Cooperative Extension Service receives any compensation or pays any fees for referrals to this program.

Upon the conclusion of this course a certificate of completion will be issued to participants.

Any questions you have may be directed to Dr. Sissy Osteen at Oklahoma State University, phone 405.744.8029 or email sissy.osteen@okstate.edu.

* Course fees will be waived based upon presentation of documentation of public assistance such as letter for DHS, Medicaid card, Food Stamps card, etc.

I have read, understand and agree with this information and have been given a copy of this letter:

Name: ____________________Date:____

Address: ____

City__________________State___Zip_____________________________________

Email ____

Making Sense of Money Management
Participant Sign-In Sheet

Date: ____Location: ________________ Instructor: ____________________

Name	Address	Male*	Female*	Black*	White*	Hispanic*	Asian*	Other*

***Optional. Participants are not required to provide this information**

Pre-Survey

ID#:______ *(Last four digits of your Social Security Number)*

Please check/circle your response

1. Have you written a bogus check more than once? Yes No
2. Highest level of education you completed:

__Some High school
__High school diploma or GED
__Some College
__Associates or Bachelors - college degree
__Masters or PhD - post graduate degree

3. Where did you learn about Money management? *(Check all that apply to you)*

__At home, from family
__In school (k-12), from course or teacher
__In college, from course or teacher
__From the society based on trial and error
__In my job through training

Item	**Strongly Agree**	**Agree**	**Somewhat Agree**	**Not Sure**	**Somewhat Disagree**	**Disagree**	**Strongly Disagree**
1. I am confident about my ability to manage my money.							
2. I am confident about my ability to reduce unnecessary expenditure.							
3. I feel confident about my ability to get back on track with my finances.							
4. I feel good about my financial future.							

Money Management Knowledge

1. When you must pay a bill late, it's important to call the company before the bill is due. True False
2. One needs to have a reserve fund for occasional expenses. True False
3. It's up to you and your family to decide how much to spend for family expenses. True False
4. A spending plan helps you meet financial obligations. True False
5. Free copies of your credit report are only available when you have been turned down for a loan. True False
6. Your credit report determines how much you will pay for credit. True False
7. Bankruptcy is a permanent addition to your credit report. True False
8. Keeping track of your spending won't help you to pinpoint areas where you may be able to cut back on your spending. True False

Making Sense of Money Management

HOW TO GET WHAT YOU WANT IN LIFE

LESSON DESCRIPTION:

Families/individuals find that they can control how they spend their money by setting financial goals. Financial goals include current needs, wants and future aims. Realistically, however, we cannot have it all. We must decide and work toward those goals that are most important to us and the ones we will be able to obtain.

OBJECTIVES:

Participants will recognize values and attitudes about use of money.

Participants will understand the difference between a financial dream and a financial goal.

Participants will understand how setting and achieving money management goals can lead to financial security.

Participants will know the importance of setting financial goals and be able to write financial goal(s) for themselves.

Participants will comprehend that the amount of time available to achieve a financial goal and the interest rate earned will determine the amount of savings required.

Participants will be motivated to take appropriate actions to achieve the financial goals they have set.

MATERIALS:

Marketing Materials
Enrollment Forms
PowerPoint presentation on disk
Handout A Money Management Checklist
Attitudes About Money
Goals You Want To Achieve
Money Habitudes Cards
Oklahoma Cooperative Extension Fact Sheet:
T-4316 The Financial Puzzle: Goals, Choices And Plans

LESSON PRESENTATION:

Show Slide 1 (Lesson Title). How To Get What You Want In Life.

Show Slide 2 (Quotation). *Have participants close their eyes and think about their financial dreams. Ask a few participants to share their dreams with the group. Ask, "What is the difference between a financial dream and a financial goal?"*

A financial dream is more vague than a financial goal. If someone tells you that she wants "adequate financial security at retirement," this is a financial dream. When that person can tell you that she needs $50,000 of annual income in the year 2020 when she turns 65 and that income must last for a life expectancy of 30 years, only then does it become a financial goal. Financial goals are the building blocks that make financial dreams come true.

Why are financial goals important? **(Slide 3)**

- help us get organized
- give direction to our financial lives
- provide a framework for decision-making
- help us cope and give us an element of control in an environment where many things seem out of our control
- help us clear the crystal ball that shows our future

How can you determine financial goals that will be the building blocks you need to achieve your dreams? First, you have to learn how to create SMART goals **(Slide 4).** Financial goals have several important criteria:

$ must be SPECIFIC with dollar amounts, dates, and resources to be used in accomplishing the goals.

M must be MEASURABLE; determine regular amounts weekly, bimonthly, or monthly to set aside to accomplish goals. Another good "M" word to consider is MUTUAL. Goals that are mutual or shared with other family members will be easier to achieve. It is also important to think about how you will keep yourself and other family members MOTIVATED to achieve goals, especially long-term goals.

A Your goals should be ATTAINABLE given your financial situation. Are the goals reasonable considering your income? Do you or your family have the capacity to reach these goals?

R It is important that your goals are RELEVANT and REALISTIC. What RESOURCES are available for you to use in achieving your goals? It is also important that you REVIEW and REVISE your goals periodically as necessary.

T You need a specific TIME-LINE for accomplishing your goals. It is also very important that you are willing to make TRADE-OFFS in your financial life to help you achieve your goals. There is never enough money to fund all of our financial goals at one time. You need to prioritize your goals.

Here are some examples of SMART goals:

Establish a $2000 emergency fund within the next two years

Pay off the $2500 balance on your charge cards by the end of the year

Provide two children with four years of a public college education at today's cost of $10,000 each, beginning in the years 2018 and 2019

In order to help you achieve your financial goal, Oklahoma Cooperative Extension Service <u>(and other county sponsor)</u> has/have provided a tool for you to use.

Show Slide 5. Visualize a financial goal for yourself or your family. Draw a picture or use a photograph to illustrate what it will look like when you accomplish your goal in the space at the bottom. Put your goal into words. Make sure that it is a SMART financial goal. Begin it with I/We and make sure it has a specific dollar amount and a time line.

Once you have determined the dollar amount and time-line for achieving your financial goal, you have to calculate how much money you need to set aside periodically.
You may want to give the audience, Handout - "A Money Management Checklist." The 'Need to Improve' column can give participants ideas of realistic financial goals.

Values and Attitudes about Use of Money

Show Slide 6. Let's begin by thinking about how you use money. Money is a ―touchy‖ subject for some people because it's linked to a past with lots of emotional ties. Money often represents feelings of power, success, and failure. Some people consider themselves a success if they have money to spend. The desire to have ―things‖ can cause severe money problems. The meaning of money to us is as important as what it will buy for us.

This is a time that the Money Habitudes cards could be used to illustrate differences in feelings about money.

The attitudes or values we hold about money influences the way we spend or save it. Some of our feelings about money are easy to recognize. Other feelings may be hidden and difficult to identify. No two people will have exactly the same feelings about using money. Using the family money can cause lots of disagreement and serious arguments. For example, to one person, having money in a savings account and investments gives a feeling of security; to another, money may mean buying the well-known, popular brand and style of clothing.

Show Slide 7. It is important to communicate about your personal feelings about money. Talk through your differences. Keep an open mind to reach a satisfactory compromise that will be acceptable to those involved.

Pass out the handout/Activity –"Attitudes About Money."

Please take a few minutes to complete this handout, ―Attitudes About Money. The purpose of this activity is to help you think about how our/my spending habits and values are related. You will not be asked to share this handout with anyone. When you feel comfortable sharing your thoughts, share with your spouse/significant person in the privacy of your home. So, please be honest as you answer the questions.

Allow time for attendees to complete the worksheet.

Do you and your partner agree on the use of money? Or, does your spouse like to buy fishing/hunting equipment or expensive electronics or a designer handbag when you would rather save the money for an emergency or a future need? When you return home, select a time for a discussion when all family members can participate and are relaxed. Everyone needs to share his or her feelings. For those of you who are single, answer the questions for yourself.

At the lower part of the handout, question 9 will help you to recognize some of the most critical money issues you or your family experience. Check all that apply.

When two people marry, each brings a set of values about how money is to be managed and spent. A person may come from a home where one parent controlled all of the money and doled out small amounts. Or, both parents were employed and Mom had ―her money and Dad had ―his money. Over time, it is important that a couple develop an "ours" set of values about using money. Disagreements require discussion, compromise, and trade-offs. Being able to compromise and reach an acceptable decision is important when identifying financial goals that become our goals not what "I" want.

Show Slide 8. Financial security -- what is it? Financial security is a comfortable feeling that your financial resources will be adequate to meet most needs you have as well as many of your wants.

Simply stated --- Most people want a comfortable lifestyle.

Very few people lead a perfect financial life. Each of us has made a number of errors in how we handled money. Based on sad experiences of young families, here are ten mistakes to avoid.

Show Slide 9. Do you know 10 top money mistakes that waylay young adults? Now it is time for you to decide on some money management goals you want to work toward.

At this time, hand out the handout activity, "Goals You Want To Achieve." You may want to go back and review "A Money Management Checklist" mentioned earlier toward the beginning of this session.

Show Slide 10. In order to make a point, let's look at that problem another way. Let's say that you decide to go to Europe now and charge the $10,000 on your credit card that charges 18% interest compounded monthly.

Discuss the difference in cost between saving for the goal ahead of time and having the immediate gratification and paying interest on a credit card.

(If participants want to take into consideration the effect of inflation on the amount they need to save, you will need to use the Inflation Factor information provided on the TIME VALUE OF MONEY WORKSHEET and TABLE A provided with Option 1.) Help participants work through the problem using the slide to guide them. This activity may be too involved. You may skip this part if you like.

Show Slide 11. Prioritize goals. Ask yourself - Is the goal possible? Will the goal improve my financial security? Is it worthwhile? Can I reach the goal by a targeted date?

Go through the Goals fact sheet with participants and explain how they can use this tool.

SUGGESTED EVALUATION QUESTIONS:

Do you now have at least one SMART financial goal set for yourself or your family?

Do you know how much you need to set aside to achieve your goal?

Are you motivated to take the actions necessary to achieve your financial goals?

SUPPLEMENTAL ACTIVITIES:

Have participants work with the Money Habitudes cards to determine their attitudes towards money. Lead a discussion.

Have participants create a "Goal Bank." Find appropriate sized boxes with lids. Create labels for the boxes that visualize financial goals for which participants wish to save. Instruct participants to put all their spare change into the "bank" until goals are reached.

Revised 2014 by Sissy R. Osteen, Ph.D., CFP®. Adapted from Clemson Cooperative Extension Service by Laverda Johnson, Choctaw/Pushmataha County and Glennis M. Couchman, Ph.D. Oklahoma Cooperative Extension Service. 2000.

A Money Management Checklist

Discuss these money management practices with your family and think of areas that could be improved.	**OK**	**Need to Improve**
We have a filing system to keep track of household bills, payments, and financial records.		
We have a written list of financial goals with an estimated cost of each goal.		
We regularly set aside money to achieve specific goals.		
We have an emergency fund available to use if necessary for minor catastrophes that are not covered by insurance.		
We have a written plan to allocate income to meet expenses and to save for future goals.		
We review and revise the family financial plan periodically to meet changing financial goals and needs.		
We compare costs and services of bank checking accounts, knowing that charges and services can vary widely.		
We move money from bank saving into higher return investments when the account balance exceeds current needs.		
We avoid impulse buying because unplanned spending could sabotage financial plans.		
We avoid overspending for holidays and special events by setting gift spending limits that are in line with family goals.		
When we have a cash flow problem, we cut back on spending until expenses are in line with income.		
We use credit carefully and avoid interest charges when possible by paying off credit card debt monthly.		
We save for major purchases when possible rather than to use credit cards and pay 12-18.5% interest on borrowed money.		
We know what insurance protection our employer(s) provides and supplement that insurance where necessary.		
We compare insurance coverage and costs, and purchase only the needed insurance.		
We have our employer(s) withhold the right amount in taxes in order to avoid lost interest income on large tax refunds.		
We check out charities before making contributions from phone or door solicitations, knowing that many are frauds.		
We just say no to telemarketing investment deals, knowing that if it sounds too good to be true it is usually fraudulent.		
We carefully consider the tax-advantaged saving and investment opportunities provided by our employer(s).		
We compare the health insurance options available through our employers(s) and choose the best option for our needs.		
We read current personal finance articles and work to improve our knowledge of personal money management.		

Attitudes About Money

There are no right or wrong answers. The answers to the questions provide an understanding of each person's feelings about spending money. This activity is important for setting financial goal priorities.

1. On what do I like to spend money?

2. It bothers me to spend money on:

3. It is important to me to save money for **. . .**

4. If I suddenly had $1,000 extra money, what would I do with it?

5. If I had to cut my spending, what things would I spend less on?

6. What was the poorest choice I ever made with money?

7. Why did I make that choice?

8. Do you think you are (a) _a tightwad (b) _a free spender (c) _about right about spending money?

9. **What are my (or our family's) money issues?** Check all that apply.

__ Not enough money
__ No plan for spending the money
__ Using too much credit
__ Lack of savings
__ Purchasing unnecessary things
__ Arguments about money
__ One person controls the money
__ Overdrawn bank account
__ Buying everything the children want
__ Impulse buying
__ Differences in what is important to each of us
__ No short-term and long-term goals about using the household money
__ Other. Please list ____

Goals You Want To Achieve

Directions: What are your goals? Brainstorm ideas with family members. Are all family member's goals included? List several short- and intermediate or long-term financial goals in the spaces provided below. An example is given for each type of goal. If there is not enough space to list all the goals you are considering, add an additional page.

Short-Term Goals (3 months to 2 years)	Estimated Cost
Example: Pay off credit card balance	$1,950

Intermediate (3-5 years)/Long-Term Goals (6-20 years)	Estimated Goals
Example: Emergency savings fund equal to 3 months living expenses	$6,800-$7,000

Time Value of Money Worksheet

How much will a future goal cost and how much savings is needed? The worksheet below shows an example of the Jones family, who are saving to buy a new car.

List the financial goal you wish to achieve. ____

		You	Jones
1.	Number of years to financial goal	________ 1	5
2.	Cost of financial goal today	________ 2	$14,000
3.	Inflation factor. Refer to Table A for the inflation factor based on the time horizon indicated in Step 1.	________ 3	1.34
4.	Future cost of goal. Multiply Step 2 by Step 3	________ 4	$18,760
5.	Return rate factor Make an assumption (guess) for the average yield you will be able to earn on your savings. Follow that column down the chart in Table B until you reach the row that represents the number of years you have left until your goal needs to be reached.	________ 5	5.42 (4% and 5 yrs)
6.	To determine the amount of savings needed: a. Annual amount to save. Divide Step 4 by Step 5.	_______ 6a	$3,461
	b. Monthly amount to save. Divide Step 6a by 12 (months).	_______ 6b	$288

Source: Adapted from materials prepared by Barbara O'Neill, Ph.D., CFP, AFC, CFCS, Family and Consumer Sciences Educator, Rutgers Cooperative Extension of Sussex County, New Jersey.

Table A - Future Value (Inflation) Factors

Years to Goal	3% Future Factor	6% Future Factor
1	1.03	1.06
2	1.06	1.12
3	1.09	1.19
4	1.13	1.26
5	1.16	1.34
6	1.19	1.42
7	1.23	1.50
8	1.27	1.59
9	1.30	1.69
10	1.34	1.79
11	1.38	1.89
12	1.43	2.01
13	1.47	2.13
14	1.51	2.26
15	1.56	2.40
16	1.60	2.54
17	1.65	2.69
18	1.70	2.85
19	1.75	3.03
20	1.81	3.21
21	1.86	3.40
22	1.91	3.60
23	1.97	3.82
24	2.03	4.05
25	2.10	4.30
26	2.16	4.55
27	2.22	4.82
28	2.29	5.11
29	2.36	5.42
30	2.43	5.74

Source: Adapted from materials prepared by Barbara O'Neill, Ph.D., CFP, AFC, CFCS, Family and Consumer Sciences Educator, Rutgers Cooperative Extension of Sussex County, New Jersey.

Table B - Future Value of an Annuity of $1 per Year

Years	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	15%
1	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	2.010	2.020	2.030	2.040	2.050	2.060	2.070	2.080	2.090	2.100	2.120	2.140	2.150
3	3.030	3.060	3.091	3.122	3.153	3.184	3.215	3.246	3.278	3.310	3.374	3.440	3.473
4	4.060	4.122	4.184	4.246	4.310	4.375	4.440	4.506	4.573	4.641	4.779	4.921	4.993
5	5.101	5.204	5.309	5.416	5.526	5.637	5.751	5.867	5.985	6.105	6.353	6.610	6.742
6	6.152	6.308	6.468	6.633	6.802	6.975	7.153	7.336	7.523	7.716	8.115	8.536	8.754
7	7.214	7.434	7.662	7.898	8.142	8.394	8.654	8.923	9.20	9.487	10.09	10.73	11.07
8	8.286	8.583	8.892	9.214	9.549	9.897	10.26	10.64	11.03	11.44	12.30	13.23	13.73
9	9.369	9.755	10.16	10.58	11.03	11.49	11.98	12.49	13.02	13.58	14.78	16.09	16.79
10	10.46	10.95	11.46	12.01	12.58	13.18	13.82	14.49	15.19	15.94	17.55	19.34	20.30
11	11.57	12.17	12.81	13.49	14.21	14.97	15.78	16.65	17.56	18.53	20.65	23.04	24.35
12	12.68	13.41	14.19	15.03	15.92	16.87	17.89	18.98	20.14	21.38	24.13	27.27	29.00
13	13.81	14.68	15.62	16.63	17.71	18.88	20.14	21.50	22.95	24.52	28.03	32.09	34.35
14	14.95	15.97	17.09	18.29	19.60	21.02	22.55	24.21	26.02	27.98	32.39	37.58	40.50
15	16.10	17.29	18.60	20.02	21.58	23.28	25.13	27.15	29.36	31.77	37.28	43.84	47.58
16	17.26	18.64	20.16	21.82	23.66	25.67	27.89	30.32	33.00	35.95	42.75	50.98	55.72
17	18.43	20.01	21.76	23.70	25.84	28.21	30.84	33.75	36.97	40.54	48.88	59.12	65.08
18	19.61	21.41	23.41	25.65	28.13	30.91	34.00	37.45	41.30	45.60	55.75	68.39	75.84
19	20.81	22.84	25.12	27.67	30.54	33.76	37.38	41.45	46.02	51.16	63.44	78.97	88.21
20	22.02	24.30	26.87	29.78	33.07	36.79	41.00	45.76	51.16	57.28	72.05	91.02	102.4
21	23.24	25.78	28.68	31.97	35.72	39.99	44.87	50.42	56.76	64.00	81.70	104.8	118.8
22	24.47	27.30	30.54	34.25	38.51	43.39	49.01	55.46	62.87	71.40	92.50	120.4	137.6
23	25.72	28.85	32.45	36.62	41.43	47.00	53.44	60.89	69.53	79.54	104.6	138.3	159.3
24	26.97	30.42	34.43	39.08	44.50	50.82	58.18	66.76	76.79	88.50	118.2	158.7	184.2
25	28.24	32.03	36.46	41.65	47.73	54.86	63.25	73.11	84.70	98.35	133.3	181.9	212.8
26	29.53	33.67	38.55	44.31	51.11	59.16	68.68	79.95	93.32	109.2	150.3	208.3	245.7
27	30.82	35.34	40.71	47.08	54.67	63.71	74.48	87.35	102.7	121.1	169.4	238.5	283.6
28	32.13	37.05	42.93	49.97	58.40	68.53	80.70	95.34	113.0	134.2	190.7	272.9	327.1
29	33.45	38.79	45.22	52.97	62.32	73.64	87.35	104.04	124.1	148.6	214.6	312.1	377.2
30	34.78	40.57	47.58	56.08	66.44	79.06	94.46	113.34	136.3	164.5	241.3	356.8	434.7
40	48.89	60.40	75.40	95.03	120.8	154.8	199.6	259.1	337.9	442.6	767.1	1,342	1,779
50	64.46	84.58	112.8	152.7	209.3	290.3	406.5	573.8	815.1	1,164	2,400	4,995	7,218

Source: Garman, E.T., & Forgue, R. E. (1997). Personal finance. (5th edition). Boston: Houghton Mifflin.

How to Get What You Want in Life

EXTENSION

Some people make things happen, some watch things happen, while others wonder what has happened.

⌘⌘⌘⌘

Unknown

Financial Goals Give Us:

- Organization
- Direction
- Decision-making
- Control
- Predictions

$MART Goals

$	Specific
M	Measurable, Mutual, Motivated
A	Attainable
R	Relevant, Realistic, Resources, Review Revise
T	Time-Line, Trade-Offs

Goal Setting

Write it down.

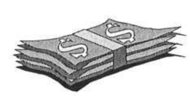
Written goals transform:
wishes into wants,
cant's into cans,
dreams into plans,
and plans into reality

Don't just think it - ink it!

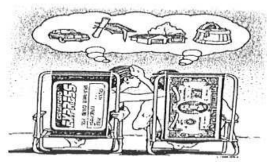
Barb Wingfield

What does money mean to you?

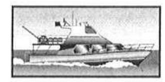
Satisfaction	Status
Power	Success
Envy	Security
Control	



People Value Money Differently



Financial Security: What is it?

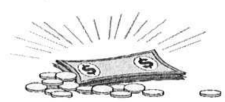


10 Top Money Mistakes That Waylay Young Adults?

10. Do not save.
9. Long-term new car loan.
8. Purchase large life insurance policy before needed.
7. Do not comparison shop for insurance.
6. High use of credit cards.
5. Large debt for too many years.
4. Overlook joining a credit union.
3. Purchase overpriced credit life and disability insurance.
2. No contributions to a tax-deductible retirement plan.
1. Do not finish post-secondary education.

Source: Garman, E.T. and Forgue, R.E. (2005) Personal Finance

Compare The Difference



Monthly Payment

$253.93 X 60 = $15,235.80

Save per Month

$147.05 X 60 = $ 8,822.79

$ 6,413.01 More

What are you aiming for? Is the goal . . . .

Possible?
Worthwhile?
Your Choice?
Specific?
Reachable by a Target Date?

KEEPING YOUR FINANCIAL LIFE IN ORDER

One important aspect of keeping your financial life in order is knowing which financial records are important and how long you need to keep them. In addition, it is vital to develop a system for organizing those records so that you can find them when you need them.

Setting up a filing system can help you go through the papers you have and even get rid of some that you don't need. Let's talk about some possibilities for organizing household records. (Hand out fact sheet T-4150). Discuss information in fact sheet and ask for success stories from the group.

- Conduct financial records activity

- Keeping records

  As you can tell from the activity, some records should be kept for tax reasons. The IRS has three years to audit your returns. This time limit does not apply in case of fraud or if returns have not been filed. Documents used to prepare returns should be kept for at least three years.

  There are other important records you should keep that are listed in the fact sheet we discussed previously. It is an excellent idea to complete a household inventory to let others know where all the important papers are. You can use the fact sheet (T-4151) to accomplish this. It does not matter how formal or informal your process is for organizing your records. The goal is to find a system that will work for you.

Financial Records Activity

Set up 4-5 sets of folders labeled:

One Month   One Year   Seven Years and   Indefinitely‖

Make 4-5 sets of cards labeled with the following

One Month	ATM slips Bank deposit slips Credit card receipts Sales receipts for minor purchases
One Year	Monthly bank statements (if you don't itemize deductions) Monthly credit card statements (if you don't itemize deductions) Monthly or quarterly brokerage statements Monthly mortgage statements Home phone and utility bills Pay stubs
7 Years	W2 and 1099 forms Year-end credit card statements Monthly bank statements (if you itemize deductions) Monthly credit card statements (if you itemize deductions) Phone and utility bills (if you have a home office) Cancelled checks and receipts for annual mortgage interest and property taxes, childcare bills, and other tax deductible expenses
Indefinitely	Annual tax returns Financial services end-of-year statements Confirmation of purchase price for any investments Home improvement records Receipts for major purchases Beneficiary designations

Take the cards and shuffle them. Divide the participants into small groups. Give each table a set of cards and folders and ask them to place each card into the correct folder. Discuss reasons for correct choices.

To save time you can project these items in a PowerPoint slide (randomly ordered) and have participants guess how long they should be retained.

Making Sense of Money Management

PENNIES MAKE DOLLARS

This lesson is designed to be offered after the goal-setting lesson, –How to Get What You Want in Life. It provides some practical tips on how to find money that can be used to implement a savings plan to help one reach identified goals.

OBJECTIVES:

$ Participants will identify the potential benefits of opening a savings account.

$ Participants will be able to identify places where they might be able to –find‖ money to use to fund their savings program.

$ Participants will be able to identify places where they can put money so it will grow and contribute to goal attainment.

$ Participants will be able to consider key factors when comparing savings accounts.

MATERIALS:

Power Point Presentation
Handout - 14 Strategies for Increased Savings
Handout – How $10.00 a Month will Grow
Handout – Comparing Savings Accounts
Handout – 21 Ways to Keep More Cash
Supplemental Handout – Investing $1,000 Annually
Supplemental Handout – Investing $10,000 Lump-Sum Amount

LESSON PRESENTATION:

(SLIDE 1 Title Slide) - Pennies Make Dollars

Are you among the many Americans who are worrying about job loss or mortgage foreclosure? It is estimated that 77% of Americans live "paycheck to paycheck," courting financial disaster if their income were suddenly reduced or stopped. Half of U.S. households have emergency savings equal to one month's living expenses, while 28% have savings equal to two weeks living expenses. Americans are saving more now than they have in the recent past, but they are still not saving enough. The personal savings rate averages 4 percent of take-home pay. Reasons why families do not save enough include: the desire to spend, overuse of credit, and large budget commitments of the household. Are you satisfied with the amount you save? If not, you may want to think about improving both your spending and saving habits. Check up on yourself with these seven questions (SLIDES 2 & 3).

(SLIDE 4). Improving your financial health through increased savings is not a matter of luck, rather it reflects planning, defined goals, wise decision-making, and a desire for personal success. This program will offer you the tools for success, but you will have to supply the desire and the necessary self-discipline.

Money growth can be achieved through saving and/or investing. These two options can be looked at as fixed-dollar investments versus flexible-dollar investments. In fixed-dollar investments (savings), the initial amount of capital remains constant and earns interest or dividends. Examples are savings accounts, certificates of deposit, money market accounts, or U.S. Government Savings Bonds.

With flexible-dollar investments (investing), the initial amount of capital can increase or decline in value, and it may or may not pay interest or dividends. Typical examples include stocks, mutual funds, real estate, corporate or other bonds, artwork, antiques, coins, and stamps.

In general, you put a savings plan into effect long before you need to consider how to invest your surplus savings funds. We will limit our discussion today to savings. Later we will offer programming on investing, watch our newsletter and the newspaper for date and time.

Some families at each income level save some portion of their income, other individuals just get by from day to day, and some spend more than they can ever possibly earn.

One man reported he smoked one less cigarette each day. So far he has $15.00 in pennies. He has the right to be proud of his accomplishment as he said; –first time I ever saved anything in my life. Another man stopped smoking completely and several years later he took a vacation trip on the money he had saved.

Each man was successful because he had a goal and a plan for reaching it. Both also stuck to their plan once they had decided how to reach the goal. These two true stories illustrate exactly how families save. These men saved a small amount over a period of time to get something they wanted. Pennies can make big dollars.

SHOW SLIDE 5. Small change makes big money. What can you do without and save the money you would have spent on the item? There is a yearly cost. The value in 20 years is calculated if invested in a mutual fund earning 9% annually.

SHOW SLIDE 6. Saving means putting money aside from present earnings to provide for a known or unexpected need in the future. It is an integral part of family and personal financial planning.

SHOW SLIDE 7. There are, generally speaking, five major financial needs which require planning for the near and distant future: (1) emergencies that come through the normal course of living; (2) loss of income as a result or death, disability, divorce or unemployment; (3) retirement; (4) special family goals; and 5) irregular expenses.

SHOW SLIDE 8. Emergency - What would you do if this happens?

(Allow group to respond.)

Once savings goals have been set, a major question in most people's minds is ―how am I going to reach this goal? ‒There is no way I can save that amount of money! However, most people find that if they really put their minds to it, they can save the necessary money. What are some strategies you might use to get on the road to smart savings?

(Allow group to respond. Record responses on blackboard, or flip chart. Discuss responses as time allows. Summarize group responses with SLIDE 9 and 10. Elaborate as time allows. Provide participants copies of **Where to Find the Money You Need calculators**.)

Set up a regular savings program - Identify a specific amount to save from each paycheck. Regular savings in small amounts is generally more effective than setting aside larger sums at sporadic intervals. As your salary increases, increase the amount you commit to savings.

SLIDE 11. Savings means PYF. Pay yourself first just like paying the rent or house payments.

Pay yourself first - Make your ‒savings bill a part of your spending plan, just like rent, utility bills, or car payment. When you pay your other bills, pay your savings bill by depositing the money in a savings account.

Use payroll deduction - Have your employer deposit a certain amount of savings directly from your paycheck into a credit union or bank savings account. If you never see it, you won't miss it. (SLIDE 12) See how quickly even small amounts of money can grow. *Handout – **How $10.00 a Month will Grow***

Save "Bonus" money - Save tax refunds, overtime pay, gift money, refunds, and rebates.

Save coupon money - Put aside the amount you ―save‖ by using coupons at the grocery or drugstore. If you save $2 a week using grocery coupons, put the ―savings (the money you did not spend) in your savings account.

Pay installments to yourself - Once you pay off an installment loan (and if other loans are not overdue), continue to make payments to your savings account. This is a good way to save for the down payment on your next car once the old car is paid for.

Collect loose change - At the end of each day or week, empty out your pockets and wallet and put the change in a jar. Every other week or once a month, deposit the change in your savings account. Don't cheat on yourself by stealing change that has been collected.

Break a habit - Every time you don't have a donut at coffee break or an expensive cup of coffee from the coffee shop, or don't spend money in the soft drink machine, save the money you didn't spend. Sometimes we spend small amounts daily without thinking. See how **small** things add up (SLIDE 13). Now add your own habits to the list and see how they can add up.

Save lunch money - Get up 10 minutes earlier and make your own lunch instead of buying it. Save the money you would have spent on lunch.

Save money on sales - When you buy an item on sale, save the difference between the sale price you paid and the full price you would have paid if the item had not been on sale.

Have a "Nothing Week" - Once in a while have a week when you try not to spend any extra money - don't go to the movies, don't go out to eat, don't go bowling, etc. Save the money you would have spent.

Use a "Crash Budget" - A crash budget works like a crash diet - you try to cut out all unnecessary spending and save as much as possible in a given period of time.

Avoid the use of credit - Unless credit purchases are paid in full each month, they eat away at your dollars, dollars you could be saving and using to reach your financial goals.

Carefully evaluate all spending decisions - Make every spending decision on the basis of how it will satisfy your goals. Eliminate spending for items that have little or no value to your goals.

Once you have identified ways to accumulate dollars to save toward achieving your goal(s), you have to decide where to put the money. The first consideration is safety of the principal. The second is to have savings, which earn as much interest or income as possible. Third, savings, or a portion of them, should be available when needed. These three factors are: safety, earnings (or income), and availability (or liquidity). Generally, the safest and most readily available types of savings pay the lowest interest return. As the possibility of higher returns increases, the risks tend to increase. The type of account you choose to put your money in depends on the purpose you are saving for. Money that might be needed on short notice, such as the money in an emergency fund, needs to be in an account that is quickly and easily accessible. Funds that are being saved for long-term goals could be put in mutual funds. However, it may be necessary to save funds for a while to accumulate sufficient funds to have the minimum needed to open a long-term account.

Let's review the types of accounts that might best serve those who are: saving for short term goals, need to accumulate necessary funds to open a long-term account, or need to have ready access of the money (SLIDE 14).

REGULAR SAVINGS ACCOUNTS - Pays the lowest rate of interest, but are easy to use for deposits and withdrawals.

MONEY MARKET ACCOUNT - Pays a low rate of interest. A minimum deposit of $500 or $1,000 is required.

TIME DEPOSITS (CERTIFICATES OF DEPOSIT) - With this savings type, you deposit a given sum of money for a given time frame and you will be paid a specific rate of return. The rate of return generally is dependent on the amount of money deposited and the length of time involved.

SAVER'S CLUB ACCOUNTS – This is a painless way to save small amounts of money on a regular basis. Some accounts pay interest, others do not. As with all accounts, one must shop carefully to get the best buy.

GOVERNMENT SAVING BONDS - A method for saving money that offers the advantages of safety and yield. Also, interest is exempt from all state and local taxes and federal taxes are due only when the bonds are cashed.

*Handout – **Current Interest Rates for Short-Term Savings*.** Instructor should obtain current rates from a local financial institution.*

Different savings types pay different rates of interest. Even if accounts pay the same percentage rate per year, the actual dollars you receive may be different. ―How is this?‖ you ask. It depends on the method of calculating interest, either simple or compound interest. Simple interest is calculated by multiplying the principal times the rate of interest times the time in years that the money will be left in the account. For example, if you put $1,000 principal in a savings account in a bank that pays 2 percent simple annual interest, the interest you will receive at the end of that year will be $20 (SLIDE 15). If you left the principal in the account for two years, you would receive $40 in interest (2 X $20). The financial institution pays interest only on the principal and not on any accumulated interest. Compound interest, on the other hand, is interest that is

calculated on the principal plus the accumulated interest. Compounding means that you earn
–interest on interest‖ during the year. Interest earned after a given period such as monthly or yearly is added to the principal and included in the next interest calculation for the next period. Let's look at an example (SLIDE 16). Compare the results with the $40 amount ($20 for two years) we calculated for a deposit in an account with simple interest. (SLIDE 17). You receive more with the annual compounding because you have received interest on interest. That is what compounding is all about. The more frequently the interest is calculated, the higher the effective interest rate is. The longer that compounding occurs, the greater the benefit. Even though these differences based upon current interest rates seem very small, please remember that interest rates change over time and even small differences add up.

The Rule of 72 serves as a quick guide to help you determine how long it will take your money to double at a given interest rate as well as what interest rate is needed for your money to double in a given number of years (SLIDE 18).

Where you choose to place your money will vary depending on what you are expecting the account to do for you. The important thing to remember is, Savings is the process of telling your money where to go rather than asking where it went. (SLIDE 19).

With planning and self-discipline, you can see your money grow. Let's look at a simple savings plan that you might use to help you accumulate $2000 (SLIDE 20 and 21).

SLIDE 22. Would you like to have $50,000 or $100,000? Here is how to achieve the amount in 10, 15 or 20 years.

(SLIDE 23). There are seven important factors to consider when opening a savings account. An important factor is the amount of interest you receive from the savings account. This is called yield or the APR (Annual Percent Rate). APR means the yearly present rate. Does the account pay simple or compound interest? Of course as we saw earlier, compound interest is the best for you.

"Liquidity" refers to how easy it is to get your money out of the account when you need the funds. Also, you want your savings fund to be "safe." Make sure the account is federally insured by the FDIC (Federal Deposit Insurance Corporation).

Inquire if a minimum deposit is required. Consider the convenience of the financial institution location and what hours the facility is open to serve you.

Find out if service fees are charged to the account for withdrawals from the account. Some accounts will charge a fee if the number of withdrawals exceed the limit.

Some accounts may provide you with additional services. These services may include travel discounts, free travelers checks, etc.

(SLIDE 24). It is important for families/individuals to achieve having three months living expenses or take-home pay readily available in savings accounts. During the next four years, we hope you can save $2,000 for an emergency savings fund.

*Handout – **Comparing Savings Accounts***

SUGGESTED EVALUATION QUESTIONS:

What is the difference between savings and investing?

Should one establish a savings program before considering investing?

List several places where you and your family might ―find‖ money to save.

List savings options that are available in your community.

SUPPLEMENTAL ACTIVITIES:

Distribute **21 Ways to Keep More Cash** and go over the items noted.

Develop a list of ways participants have been able to save. Refine the list and include the suggestions in a news release talking about how people in your county are saving money. Include the list in your county newsletter.

If available, provide financial calculators to participants and have them complete some calculations related to savings or show.

To develop an interest about investing, show supplemental handouts.

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January, 1997

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Resource Management Specialist
April 2014

14 Strategies for Increased Savings

1. **Set up a regular savings program** - Identify a specific amount to save from each paycheck. Regular savings in small amounts is generally more effective than setting aside larger sums at sporadic intervals. As your salary increases, increase the amount you commit to savings.

2. **Pay yourself first** - Make your ―savings bill‖ a part of your spending plan, just like rent or utility bills. When you pay your other bills, pay your savings bill by depositing the money in your savings account.

3. **Use payroll deduction** - Have your employer deposit your savings directly from your paycheck into a credit union or bank account. If you never see it, you won't miss it. See how quickly even small amounts of money can grow.

4. **Save "Bonus" money** - Save tax refunds, overtime pay, gift money, refunds, and rebates.

5. **Save coupon money** - Put aside the amount you ―save‖ by using coupons at the grocery or drugstore. If you save $2 a week using grocery coupons, put the ―savings‖ (the money you did not spend) in your savings account.

6. **Pay installments to yourself -** Once you pay off an installment loan (and if other loans are not overdue), continue to make ―payments‖ to your savings account. This is a good way to save for the down payment on your next car once the old car is paid for.

7. **Collect loose change** - At the end of each day or week empty out your pockets and wallet and put the change in a jar. Every other week or once a month, deposit the change in your savings account. Don't cheat on yourself by ―stealing‖ change that has been collected.

8. **Break a habit -** Every time you don't have a donut at coffee break or don't spend money in the soft drink machine, save the money you didn't spend. Sometimes we spend small amounts daily without thinking. See how **small** things add up. Now add your own habits to the list and see how they can add up.

9. **Save lunch money** - Get up 10 minutes earlier and make your own lunch instead of buying it. Save the money you would have spent on lunch.

10. **Save money on sales** - When you buy an item on sale, save the difference between the sale price you paid and the ―full‖ price you would have paid if the item had not been on sale.

11. **Have a "Nothing Week"** - Once in a while have a week when you try not to spend any extra money - don't go to the movies, don't go out to eat, don't go bowling, etc. Save the money you would have spent.

12. **Use a "Crash Budget"** - A crash budget works like a crash diet - you try to cut out all unnecessary spending and save as much as possible in a given period of time.

13. **Avoid the use of credit** - Unless credit purchases are paid in full each month, they eat away at your dollars, dollars you could be saving and using to reach your financial goals.

14. **Carefully evaluate all spending decisions** - Make every spending decision based on how it will satisfy your goals. Eliminate spending for items that have little or no value relative to your goals.

Distributed by: Oklahoma Cooperative Extension Service, 2014.

How $10.00 a Month Will Grow*

Year	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
1	$122	$122	$123	$124	$125	$125	$126	$127	$127	$128	$129	$130	$130
2	247	249	253	256	258	261	264	267	270	272	275	278	281
3	376	382	389	359	402	408	415	421	428	435	442	449	457
4	509	520	532	544	555	567	580	592	605	618	632	646	660
5	646	662	683	701	720	740	760	781	802	825	848	872	897
6	788	812	841	868	897	926	957	989	1,023	1,058	1,094	1,132	1,171
7	933	968	1,008	1,046	1,086	1,129	1,173	1,220	1,268	1,320	1,374	1,430	1,490
8	1,083	1,129	1,182	1,234	1,289	1,348	1,409	1,474	1,543	1,615	1,692	1,773	1,859
9	1,238	1,297	1,366	1,435	1,507	1,585	1,667	1,755	1,849	1,948	2,054	2,168	2,288
10	1,397	1,472	1,559	1,647	1,741	1,842	1,850	2,066	2,190	2,323	2,467	2,621	2,787
15	2,270	2,461	2,684	2,923	3,188	3,483	3,812	4,279	4,589	5,046	5,557	6,129	6,769
20	3,283	3,668	4,128	4,644	5,240	5,929	6,729	7,657	8,736	9,991	11,455	13,163	15,160
25	4,460	5,141	5,980	6,965	8,148	9,574	11,295	13,379	15,906	18,976	22,714	27,273	32,841
30	5,827	6,940	8,357	10,095	12,271	15,003	18,445	22,793	28,302	35,299	44,206	55,571	70,098

Dollar-Sign realism in goal setting

The table can be used to find out how long it will take to reach your financial goals. It shows the growth of monthly $10 deposits invested at various interest rates. Put aside $10 a month for five years at 10%, for example, and you'll have $781—the figure at the intersection of the year five and 10% interest columns. If you can invest $50 each month, you will have five times $781, or $3,905.

*Adapted from: ‒How To Save $1,000 or More a Year,‖ Denise M. Matejic, Rutgers Cooperative Extension Service.

Other Sources: Personal Finance, E. Thomas Garman, Raymond E. Forgue, Houghton Mifflin. 2005.

Current Interest Rates for Short-Term Savings*

Type of Savings	Interest Rate
Passbook Savings	.45%
Money Market Account ($1,000 min)	.95
6-month Certificate of Deposit	.61
9-month Certificate of Deposit	.64
1-year Certificate of Deposit	1.05
3-year Certificate of Deposit	1.35

- Bankrate.com, April 8, 2014

Comparing Savings Accounts

Name of Institution	**Institution 1**	**Institution 2**	**Institution 3**
Accounts Federally Insured			
Effective Annual Yield (EAY)			
Savings Account			
Minimum Balance			
Annual Percent Yield			
Interest compounded: quarterly, monthly, daily			
Money Market			
Minimum Balance			
Annual Percent Yield			
Interest compounded: quarterly, monthly, daily			
Penalty Imposed			
NOW Account			
Minimum Balance			
Annual Percent Yield			
Interest Compounded: quarterly, monthly, daily			
Penalty Imposed			
Certificate of Deposit (CD)			
Minimum Balance			
Annual Percent Yield			
Interest Compounded: quarterly, monthly, daily			
Penalty Imposed			
Customer Relations (excellent, fair, etc.)			
Convenience (hours/location, etc.)			

21 WAYS TO KEEP MORE CASH

1. Pay yourself first. Have automatic contributions from your paycheck or checking account go to a savings or investment plan. Money that you do not see is often easier to save.

2. Find money to save by refinancing your mortgage. Cutting your rate by a percentage point will probably pay off if you plan to be in your home for an additional 18 months.

3. Switch to a credit card that charges a lower interest rate, but be aware of low rates that increase after 6-12 months. Better still pay cards off in full every month and avoid the finance charges.

4. If you are offered a no-fee, no-points home equity loan, sign up. Use this line of credit to pay off higher-cost debt. Do not use it to increase your debt load.

5. Pay ahead on your mortgage. An extra $25-$50 a month can make a big difference in the amount of interest you pay as well as the number of years you pay. Or pay your monthly payment in two installments - one-payment two weeks before the due date and the other on the due date. You will reduce the total cost of the mortgage and the length of the loan.

6. If you are incurring late fees or extra finance charges because bills come due before you get paid, ask to have the due date changed to after payday.

7. If you have a computer, cut your telephone costs by e-mailing children in college and far-off friends. Other money savings tips include buying your own phone, using a discount provider for long-distance calls, and blocking –900" numbers if you have youngsters.

8. To cut your utility bill, unplug the extra refrigerator or freezer that is used infrequently. Also lower the thermostat on your water heater to 120 degrees, install high-efficiency showerheads and faucets, switch to compact fluorescent bulbs in fixtures that are on at least four hours a day, replace an inefficient heating and cooling system if you are likely to stay in your current house for a decade or more, and check with your utility to see if they have programs that will pay you to insulate your home.

9. Sign up for overdraft protection on your checking account; dodge unnecessary bank fees; avoid keeping large balances in your checking or savings accounts earning low interest rates, invest them in higher-yielding investments; and compare costs of checks from your bank and other sources for the best buy. Join a credit union for potential savings on your banking and credit transactions.

10. Shop for the best price on all your insurance needs. Reduce costs by having home and auto insurance with one insurer, installing safety devices in your home, canceling private mortgage insurance when you have sufficient equity in your home, purchasing life insurance only on breadwinner(s) or primary care-givers, and avoiding single-disease health insurance policies.

11. If available, use your employer’s plan that lets you set aside part of your salary to pay medical bills with pretax dollars. Carefully evaluate health care plans available to you and select the one that best meets your needs.

12. Comparison shop for the best prices on prescription drugs. When available, use generic drugs for both prescription and over-the-counter drugs, and utilize mail-order pharmacies for drugs taken regularly.

13. If you smoke, stop. It is bad for your health and costs about $700 a year for a pack-a-day smoker. A year after you quit, check with your life insurance agent for reduced premiums.

14. Save big by buying a nearly new rather than a brand-new car. Other saving related to your car include pumping your own gas, buying the octane fuel recommended for your car, raising your collision and comprehensive deductibles to $500, and avoiding four-wheel drive vehicles unless needed (they cost more up front and you pay more for gas, tires, and insurance). If you buy a new car, order from the factory, selecting only the options you want unless the dealer is willing to discount the price of unwanted options.

15. Buy in bulk at discount and warehouse stores. Always shop with a list to avoid impulse buys and use coupons when appropriate. Try store brands for considerable savings.

16. Instead of beginning your landscaping projects the first warm day of spring when plants and related materials are most expensive, wait until the items go on sale.

17. Encourage your college-bound students to apply for scholarships and offer to pay them a lump sum to graduate on time to avoid having to pay a fifth year of college. If your child attends college at least 150 miles away, check with your agent regarding lowering your auto insurance premium (it could drop as much as one-third). Even if the student takes the car to school, costs may be lower due to the location of the school.

18. Maximize contributions to your tax-deferred retirement plan and contribute to an IRA. Even though you may not be able to deduct IRA contributions from your taxes, the money in your account grows tax-deferred until it is taken out.

19. To save dollars on your entertainment and education budget categories, use the local library. They have the latest books, magazines, journals, and newspapers as well as music compact discs, Internet access, investment research, and a host of other services.

20. Other quick ways to add cash back into your budget include: cancel subscriptions to magazines you do not read or could access at the library, drop club memberships you do not use, cancel credit cards no longer used, disconnect cable television or at least drop some of the options you have, and trim back options on your telephone.

21. Catch your coins and bank your surprises. At the end of each day, put all your loose change in a savings container and once a month deposit the collection into your savings account. If you receive a raise or unexpected money such as a gift or contest winnings, put all or part of the money into your savings account.

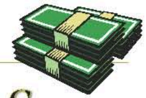
Complied by: Joyce H. Christenbury, Clemson University Cooperative Extension Service, 1997.

INVESTING $1,000 ANNUALLY

Interest Earned	5 Years	10 Years	15 Years	20 Years
5%	$ 5,526	$ 12,578	$ 21,579	$ 33,066
6%	5,637	13,181	23,276	36,786
7%	5,751	13,816	25,129	40,995
8%	5,867	14,487	27,152	45,762
9%	5,985	15,193	29,361	51,160
10%	6,105	15,937	31,772	57,275
11%	6,228	16,722	34,405	64,203
12%	6,353	17,549	37,280	72,052

INVESTING A
$10,000
LUMP-SUM AMOUNT

Interest Earned	5 Years	10 Years	15 Years	20 Years
5%	$ 12,763	$ 16,289	$ 20,789	$ 26,533
6%	13,382	17,908	23,966	32,071
7%	14,026	19,672	27,590	38,697
8%	14,693	21,589	31,722	46,610
9%	15,386	23,674	36,425	56,044
10%	16,105	25,937	41,772	67,275
11%	16,851	28,394	47,846	80,623
12%	17,623	31,058	54,736	96,463



PENNIES MAKE DOLLARS

Seven Questions About Your Savings

1. Do I have 3-6 months living expenses in an emergency fund?
2. Do I save regularly?
3. Am I saving enough for future high cost goals (education, house)?
4. Do I save to purchase big ticket items instead of buying on credit?

Seven Questions About Your Savings continued

5. When I use credit, do I save to make as large a down payment as possible?
6. Do I set aside enough into another account to cover my periodic expenses?
7. Am I saving enough for my retirement?

The more times you answer "yes" to these questions, the more likely you are a prudent saver.

Any "no's" can help you identify areas where you could do better.

Small change makes Big Money!!!

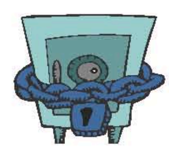
Value in 20 years if invested in a mutual fund with a 9% annual return.

Item	Cost	Yearly Cost	If you invest amount in 2020, it would be worth . . .
Soft Drink	75¢ per can, 5 times a week	$195	$10,192
Pedicure	$35 per session, 4 times a year	$210	$11,595
Frozen Yogurt	$3 for a large, 2 times a week	$312	$15,962
Movie Tickets	$20 per week (tickets, snacks)	$1,040	$53,207

Source: Modern Maturity, July-August 2000

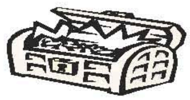
Savings:

putting money aside from present earnings to provide for the future.



WHY WE NEED TO SAVE

- Everyday Emergencies
- Loss of Income
- Retirement
- Special Family Goals
- Irregular Expenses



Emergency !!!!
What would YOU do if this happens?

- Karen has a serious dental problem. The dental bill is already $800 with more dental care needed. No dental insurance. No savings. No credit card limit remains.

SAVINGS STRATEGIES

- Set up a regular plan
- Pay yourself first
- Payroll deduction
- Save bonus money
- Save coupon money
- Pay installments to yourself

- Save loose change
- Break a habit
- Save lunch money
- Buy items on sale
- "Nothing Week"
- Use a "Crash Budget"
- Evaluate all spending decisions

P. Y. F. Rule

Pay #1

Yourself

First

SAVING WEEKLY AT 5% INTEREST

Amount Saved Per Week	Value After 10 Years
$ 7.00	$ 4,720
14.00	9,440
21.00	14,160
28.00	18,880
35.00	23,600

Break a Habit

Item	Frequency	Price	Savings/year
Soft drink/tea	1/day	$1.50	$ 547.50
Beer	1/day	$3.00	$1095.00
Magazine	2/month	$7.98	$ 191.50
Movie tickets	2/week	$22.00	$1141.00
________	______	_____	______
Total			$2978.00

SAVINGS ACCOUNTS

- Regular
- Money Market
- Certificates of Deposit
- Saver's Club
- Government Savings Bonds

SIMPLE INTEREST

Interest = Principle x Rate x Time

= $1,000 x 2% x 1 year

= $20

Principle left in account 2 years

= 2 x $20

= $40

COMPOUND INTEREST

First Year

Interest = Principle x Rate x Time

= $1,000 x 2% x 1 year

= $20

Second Year

Interest = (Principle + Interest) x Rate x Time

= ($1,000 + $20) = $1,020 x 2% x 1 year

= $20.40

2 Year Interest Total

$20 + $20.40 = $40.40

Compare Earnings

Simple Interest = $240

Compound Interest = $240.40

Difference = $.40

RULE OF 72

$$\frac{72}{\text{INTEREST RATE}} = \text{YEARS TO DOUBLE INVESTMENT}$$

OR

$$\frac{72}{\text{YEARS TO DOUBLE INVESTMENT}} = \text{INTEREST RATE REQUIRED}$$

Savings is the process of telling your money where to go - rather than asking where it went !

SIMPLE SAVINGS PLAN

Save over $2,000 in 4 years

Year 1

Put $10 per week into a CD, earning 3.5% interest, compounded monthly.

Total in savings account at end of Year..$529.12

Purchase a 3-year Certificate of Deposit (CD)

Year 2

Continue to save $10 per week at 3.5% interest, compounded monthly.

Total in savings account at end of Year..$529.12

Purchase a 2-year Certificate of Deposit (CD)

Year 3

Continue to save $10 per week at 3.5% interest, compounded monthly.

Total in savings account end of Year 3….$529.12

Purchase a 1-year Certificate of Deposit (CD)

Year 4

Continue to save $10 per week at 3.5% interest, compounded monthly.

Total in savings account end of Year 4….$529.12

Adding It Up

Total in savings account………………….$529.12

Value of 3-year CD at end of year 4……. 619.17

Value of 2-year CD at end of year 4……. 584.78

Value of 1-year CD at end of year 4……. 555.68

Total saved/earned in 4 years...$2,288.75

Would You Like to Have $50,000 or $100,000?

# of Years	Amount to Save Yearly to Have $50,000*	Amount to Save Yearly to Have $100,000*
10	$3,793	$7,587
15	$2,148	$4,296
20	$1,359	$2,718

* Earning 6% annual interest

What to Consider When Opening a Savings Account

- Yield - APR? Compounding?
- Liquidity
- Safety
- Minimum Deposit
- Convenience
- Charges
- Other Services

The Emergency Fund

to cover 3 to 6 months' living expenses in readily available accounts

Making Sense of Money Management

USING CREDIT WISELY: PART 1: IDENTIFYING ISSUES AND SETTING LIMITS

LESSON DESCRIPTION:

This lesson is designed to assist families/individuals in identifying financial needs and resources, calculate debt balances and debt/income ratios and decide if credit usage has become a financial management problem.

OBJECTIVES:

Participants will identify financial needs and resources.
Participants will determine credit issues.
Participants will calculate total debt and debt/income ratios.
Participants will determine income, expenses (including reserve account needs), and total debt.

MATERIALS:

Debt Worry Box. Please refer to Activity 1 of lesson presentation.
Participant's packet of handouts including fact sheet for Establishing a Spending Plan.

LESSON INTRODUCTION:

Set up a –Debt Worry Box that attendees can drop questions or concerns in before the program begins.

RESOURCES:

- Contact the nearest Consumer Credit Counseling Service for materials on the topic of credit limits and using credit wisely. The National Foundation for Credit Counseling (NFCC) is comprised of over 2,000 local bureaus of the Consumer Credit Counseling Service, Toll free at 800-388-CCCS (2227) or online at www.nfcc.org
- Money Management International, 4600 Gulf Freeway Suite 500, Houston, TX 77023-3551; Toll Free 888-845-9606; FAX 713-926-5066; e-mail info@moneymanagementbymail.org
- National Consumers League (NCL), 202-639-8140.
- American Association of Retired Persons, 1909 K Street NW, Washington DC 20049.
- *66 Ways to Save Money* (brochure). To order contact: Save Money, Consumer Federation of America, 1424 16th Street, NW, Suite 604, Washington, DC 20036.

LESSON PRESENTATION

Visual 1
Title Page with presentation information

Welcome to our session on credit management. Using credit is really borrowing money or spending future income. How much future income can you spend? There is not a simple answer or even one right answer to this question. The future has many unknowns - exactly what your income will be, what your other expenses will be at that time, or even what your credit terms will be. Variable rates are very common today so the terms change as the money market changes. Missed payments on a credit card can lead to a substantial increase in annual percentage rates and finance charges on all of your credit accounts.

Activity 1
Warning Signs of Credit Overuse
Handout 1

One way to look at debt levels is to look at your –comfort level‖ with debt. Does the amount of debt you have cause continuing concern for any family member? Are there arguments about finances? Let's look at some of the **Warning Signs Of Credit Overuse** to see if you can identify any issues you may be having with credit.

After the participants complete the warning signs handout put up **Visual 2 - If you Answered "Yes"**

Did the **Warning Signs Of Credit Overuse** activity raise some red flags for you? How do you feel about the comfort levels you have with current debt and about debt in general? For some, any amount owed may be a concern. A good spending plan that has examined the role that credit plays will help with these concerns. Hopefully you will be able to complete a spending plan after this session. If not, make it a priority soon. If you find yourself in the danger zone for debt, filling out a spending plan is a must! Let's talk about some of the concerns that you put in the Debt Worry Box.

Activity 2
Debt Comfort Level, "Debt Worry Box"

Talk about some of the issues the audience raised or any related to the "debit worry box" where the attendees dropped questions as they entered the rooms.

Activity 3- Visual 3
Your Financial Situation. Pass out packet including handouts 2-6.

Worrying about debt may be unavoidable. Having a clear picture about your credit situation is the first step in learning to use credit wisely. There are three pieces to your credit situation 1) your net income, 2) your living expenses, and 3) your credit debt. You have been given a packet that can be used to determine these three steps. Hopefully you will fill these out carefully when you leave this class. For the exercises that we will be discussing in this session you can use estimates for income, expenses and credit debt.

Visual 4 – Determining Income

Discuss sources of income

The first step in understanding your finances is awareness of how much income you have. Let's take a minute to look at some possible sources of income in your household. Where does your money come from? Salary is the net amount listed on your paycheck(s). When determining income from salary, it is best to not include salary from overtime unless this is something that you can *always* depend on.

Let's look at this list and discuss any other sources of income some of those are listed in your handout for determining income.

Visual 5 – Determining Expenses

Visual – 6 Occasional Expenses

Expenses include all money paid out during the month and even the year that go toward recurring expenses. Some expenses do not occur every month and it is these expenses that cause problems for many families. Completing a written spending plan like the one you have been given can show you how this fits into the overall picture. People who have never done a written plan will recognize these periodic expenses as the spoilers in meeting financial goals. Expenses like gifts, vacations, property taxes, tuition and school fees, clothing and medical costs can come due at anytime. Failing to consider these costs and set them aside into a reserve account prevents success for many people.

Visual 7 – Reserve Account

Starting and maintaining a reserve account is the secret to winning the financial game. Those who anticipate expenses and plan for them can pay when the bills are due, those who do not get behind on bills or use credit to meet expenses. Don't forget to count these costs! If you need help remembering what those expenses might be, you can use the seasonal and occasional expenses worksheet in your handouts (worksheet 4).

Visual 8 – Defining your Debt

Now for your monthly debt payments, take the total of what you should be paying monthly for car payments, charge cards, bills you owe for past expenditures such as the doctor or dentist, loans, and so forth. Don't list any bills that are current for utilities and taxes. If you don't know how much your minimum monthly payment will be on credit cards, estimate 3% of the total amount you owe. The balance refers to how much you have left to pay on that debt. This may not be obvious for things like cars since much of the first payments are interest. You may find it on your statement, if not call the lender.

Visual 9 – Is there a debt problem?
Visual 10 – Sometimes looks like this

Now that you have the three pieces of your financial puzzle you will be able to tell if credit is causing a problem for you. One way to determine this is simply to take your income and subtract your expenses to see how much is available for paying debts.

Visuals 11 & 12 Debt/income ratios

There is a tool that financial planners and lenders use to make judgments about an individual's financial fitness. That tool is called the debt/income ratio. This tool can help you estimate if you are approaching or even past the limit of debt that is manageable. Your debt income ratio is simply your debt divided by your income. This activity shows you how to figure it and how to use it.

Activity 4 Debt/Income Ratio

Give participants calculators if available. To help participants remember how to figure debt/income ratios work an example or two on your transparency. Hand out "Have you reached your debt limit?

Adapted from Master Your Dollars: Using Credit Wisely, Dottie Goss, Ph.D. by Sissy R. Osteen, Ph.D, CFP®, Glennis M. Couchman, Ph.D.; special assistance from Sandra Jones, Stephens County, Oklahoma Cooperative Extension Service. 2005.

Warning Signs of Credit Overuse

YES NO

O O Are you unsure about how much you owe?

YES NO

O O Do you skip some bills to pay others?

YES NO

O O Do you have insufficient cash saved for emergencies?

YES NO

O O If you lost your job, would you have trouble paying for your basic living expenses?

YES NO

O O Have you postponed medical or dental appointments because you can't afford them right now?

YES NO

O O Do you find that you and your partner argue about money?

YES NO

O O Are you receiving calls from creditors about overdue bills?

YES NO

O O Do you find yourself exceeding your monthly budget for necessities like groceries and gas?

YES NO

O O Are you using an increasing percentage of your monthly income to pay off debts?

YES NO

O O Can you only make the minimum payments on your credit cards?

Source: National Foundation for Credit Counseling (2000)

Determining Monthly Net Income
Worksheet 1

Source of Income	Weekly	Bi-Weekly	Monthly	Yearly
Pay Check #1				
Pay Check #2				
Pay Check #3				
Pay Check #4				
Tips				
Commissions				
Social Security or SSI				
Retirement				
Public Assistance				
Child Support				
Alimony				
Veterans' Benefits				
Unemployment				
Interest				
Dividends				
Gifts of Cash				
Income Tax Refunds				
Student Loans				
Rental Income				
Other				
				÷ 12
Totals				

Monthly Expenses
Worksheet 2

	Current	Adjusted
Rent or House Payment		
Home Repairs *		
Utilities		
Groceries		
Lunches		
Tobacco, Alcohol		
Toiletries, Personal Items		
Diapers, Formula, Baby Supplies		
Allowance, School Expenses*		
Barber, Beauty Shop		
Gasoline		
Car Maintenance*		
Insurance*		
Medical*		
Clothing*		
Dry Cleaning, Laundry		
Gifts*		
Newspapers		
Vacations*, Out of Town Trips		
Entertainment		
Contributions		
Child Care/Child Support		
Pet Expense*		
Miscellaneous*		
Total		

1. Total Monthly Net Income		
2. Monthly Living Expenses (subtract this from 1)		
3. Balance for Creditors		
4. Payments on credit debt		
5. Amount left		
6. *For Reserve Account		

Explanation of Monthly Budget Expenses

1. Rent or house payment- the actual amount you pay per month for rent or mortgage payment. Sometimes a mortgage payment includes taxes and insurance. Be sure and list the total payment. Also include lot rent if you have a mobile home.
2. Home repairs are all the costs expended on your home during the year and include such things as paint and wallpaper, plants, seeds, and fertilizers for the yard, as well as chemicals and treatment for a pool or septic tank. Add all of these up and divide by twelve.
3. Utilities are your expenses for gas, electricity, water, and telephone (including home phone, mobile phone and internet service).
4. Groceries are all items purchased at the grocery store. You may include items such as toothpaste, and personal care if you buy these all together.
5. Lunches include all lunches eaten out of the home whether work and school lunches or snacks and colas.
6. Tobacco and alcohol are for tobacco products such as cigarettes and cigars, pipe or chewing tobacco, and alcoholic beverages.
7. Toiletries include all personal care items not purchased at the grocery store: toothpaste, shampoo and hair care products, make-up, deodorant, cologne, and soap and lotions.
8. Diapers, formula, and baby supplies, are those things you purchase regularly for baby care.
9. Allowance or school expenses include any money for allowances given to children or other family members, and expenses for school such as lab fees, cost of field trips, special lessons and tutoring and school supplies.
10. Barber and beauty shop. Any expenses for going to a shop for haircuts, coloring, or styling, as well as manicures. If this is an irregular expense, remember to use the formula above to figure it as a monthly expense.
11. Gasoline is the amount you spend to fill up the car with gasoline. If you do this weekly remember to multiply your weekly amount by 4 to get a monthly amount.
12. Car maintenance is difficult to determine because we don't anticipate repairs. Base repairs on what you have done during the life of the car, the year and repair records of you car. You can consult a consumer magazine to get an idea of what repairs your car might need, or call a garage that specializes in your model to ask questions. In addition, figure out how much you spend a year on oil changes, what you need to set aside for replacing any tires, and finally what it costs each year to get your tags replaced. Divide the yearly expenses by 12 to get the monthly amount.
13. Insurance includes life, car, renter's, health (if not deducted from your paycheck), and property insurance if this isn't included in your mortgage payment. Car and house insurance are often paid periodically so remember to divide by the number of months of coverage.
14. Medical includes expenses for doctors, dentists, eyeglasses and contacts, medications, and money to cover the deductible, co pay, or out of pocket expenses on your medical or health insurance.
15. Clothing- it may be easier if you determine how often you shop, example; beginning of school year or summer sales, and how much you spend at these times. Total up all of these expenses and then divide the total by 12. Don't forget shoes and accessories.
16. Dry-cleaning and laundry are for expenses outside the home for the washing and cleaning of clothes.
17. Gifts- Consider how many people you shop for during the year, how much you spend per gift, and how much you spend on average for gift giving occasions, and divide this amount by 12. If you make most of your gifts, don't forget to include the cost of materials.
18. Newspapers include the cost of subscriptions for newspapers, magazines, record and DVD clubs, and costs for books and newspapers you buy from the newsstand.
19. Vacations and out of town trips are for times when you leave town and spend extra on hotels, transportation, or dining out.
20. Entertainment- Renting videos or games, streaming movies or going to movies, concerts, plays, sporting events, pay per view, cable television, satellite payments, health club memberships, dinners out including ordering food for delivery, etc.
21. Monetary contributions to church, or charities unless they are deducted from your check.
22. Child care/child support- Expenses you pay to someone else for care of you child and any support you pay to someone for your child who does not live with you unless it is deducted from your check.
23. Pet expenses for food, grooming, veterinarian visits, etc. This line would also be used for expenses for farm animals.
24. Miscellaneous expenses would be any expenses from your budget that were not included above except for creditor bills. Consider whether or not you have to pay taxes when you file your income tax, maintenance fees, taxes or regime fees for property, professional fees etc.

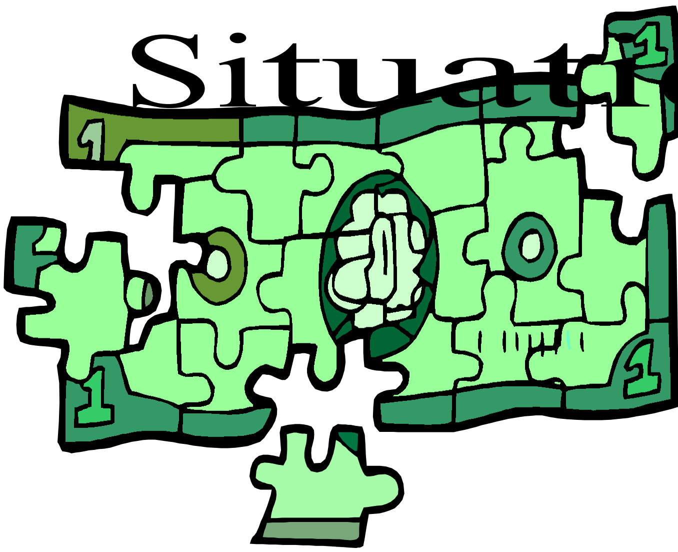
Explanation for filling out the bottom of the budget form

1. Total monthly net income is the take home amount of all sources of income, or the amount left after all deductions have been made. Include paychecks, social security, financial aid, child support you receive, alimony, rent for property you own, social support payments, or any other income.
2. Monthly living expenses are a total of all the expenses from your budget above. Subtract this amount from your net income.
3. Amount for creditors is what is left over from your income to pay anyone else you owe for car payments, credit card bills, and loans. We will talk about managing debt in the next lesson.
4. Payments to creditors will also be determined in the next lesson. If you already know what your payments are to your creditors and don't intend to do the next lesson, you may enter the amount here.
5. Amount left is what you have when you have met your living expenses and paid you creditors. This is money for other purposes like a retirement fund, investments, or emergency savings.
6. *For your reserve account: after you have added the living expenses on your budget, go back and separately add the items that were starred with an *. Only add these if they are for expenses that you are not paying monthly. For instance if you are paying your insurance monthly instead of every 3 to 6 months, don't add this in. This total gives you an amount that should be going into a reserve savings account each month so you can manage you periodic bills. Keep in mind that if you do not have this account for expenses that aren't paid monthly; you may be using credit. If you need more help determining occasional and seasonal expenses you can use Worksheet 4. Remember this step can mean the difference between success and failure!

Making Sense of Money Management

Using Credit Wisely: Identifying Issues and Setting Limits

Your Financial Situation



Income

Debt

Expenses

EXTENSION

Debt Summary and Bill Payment
Worksheet 3

Creditor/Loan Source	Balance Owed	Amount of Payment	Date(s) Payment Due	Annual Percentage Rate (APR)	Months Behind
Mortgage					
Second Mortgage					
Credit Cards					
Car Payment					
Truck Payment					
Education Debt					
Medical Expenses					
Other Debt					

Total Debt $______________________

Total Monthly Debt Payment $_____________

Occasional and Seasonal Expenses
Worksheet 4

Some big expenses like property taxes and insurance premiums come due only once or twice a year. Others are seasonal, such as school clothes in the fall and holiday gifts in December. Use this chart to help you estimate these expenses and include them in your spending plan.

Year 20___ Month _______	Item	Amount	Deposit in Reserve Account	Paid from Reserve Account	Reserve Account Balance
			+	-	=
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
TOTAL		*			

* Total large irregular expenses for one year = $ _________________ ÷ 12 = $ ______________
  This is the amount to be deposited in reserve account each month.

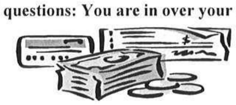
Using Credit Wisely: Identifying Issues & Setting Limits

Presented by:

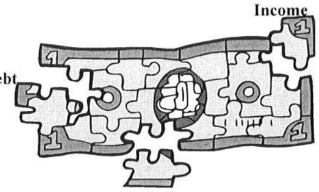
Sissy R Osteen, Ph.D., CFP®

If you Answered "Yes" to:

- 1-2 questions: You may be developing financial problems.
- 3-5 questions: You are on the edge of Financial disaster.
- 5-10 questions: You are in over your head.



Your Financial Situation



Determining Income

Income Source	Weekly	Bi-Weekly	Month	Yearly Total
Salary				
Tips				
Soc. Sec.				
Retirement				
Child Support				
TANF				
Student Loans				
Tax Refunds				
Other				

Determining Expenses

- Housing
- Food
- Clothing
- Transportation
- Childcare
- Medical
- School Expenses
- Entertainment
- Personal Items
- Reserve Savings*
- Miscellaneous

Occasional Expenses

	Past 12 Months
Home Repairs	$
School Expenses	
Car Maintenance	
Car Insurance	
Medical Expenses	
Clothing	
Gifts	
Vacations	
Property Taxes	
Total	$

Reserve Account

- Having some means
  Financial Freedom
- Having none means
  Catching Up and More Debt

Defining Your Debt

Lender	Monthly Payment	Balance
Car Loan		
Credit Cards		
Bills		
Loans		

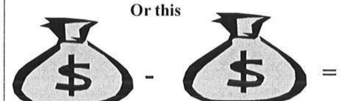
Is there a Debt Problem?

Income minus Expenses

= Amount Available for Paying Debts.

Sometimes looks like this

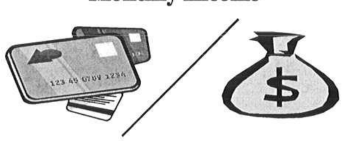
Or this



Debt/Income Ratio

Monthly Debt

Monthly Income



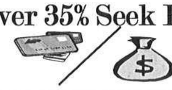
Debt/Income Ratio

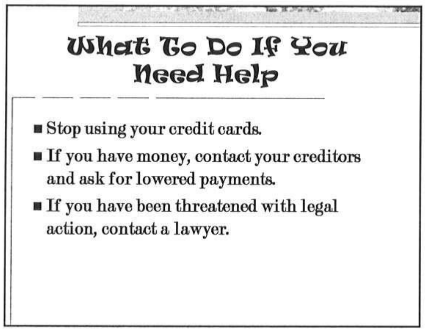
15% or Less Usually Not a Problem

15-20% Plan Carefully

20-35% Cut Back!

Over 35% Seek Help!




What To Do If You Need Help
Stop using your credit cards.
If you have money, contact your creditors and ask for lowered payments.
If you have been threatened with legal action, contact a lawyer.

Student Handout

How to Balance Your Checkbook:

Step-by-step Instructions

Do you balance your checkbook each month? Here are four reasons why you should:

1. Balancing your checkbook verifies that your records match the bank's records.
2. Banks CAN make mistakes, but even more likely is that you'll make a math error in your checkbook register.
3. If you make a mistake or forget to post a transaction in your register, you may start bouncing checks and incurring fees of $25 or more.
4. If there's a problem, you won't need to wade through months of transactions to figure it out.

Here's How:

1. **Create online access to your account**

   Many banks are moving away from mailing statements. It is important that you stay in contact with your accounts. Go to your bank's website and register to have online access. Use a good password for extra protection. This provides a simple way to track your transactions and compare them to what you have recorded in your check register. When you sign into your account, you can click on a link to request your account history. This will provide a list of all of your deposits and withdrawals. You can print this off to check the sheet against your check register.

2. **Reconcile Your Checks**

   Determine if there are checks that haven't cleared the bank. Sort your cancelled checks in check number order, use the listing of your cleared checks in numerical order shown on your statement, or follow the dates listed in both your register and the website. In your checkbook register, check off each cancelled check returned to you or each check that appears on the check listing, making sure the amount you recorded is the amount the bank shows.

3. **Reconcile Your Deposits**

   Make sure each deposit shown on your bank statement is recorded in your check register (especially if you have direct deposit, which you can easily forget to record). Also, go through your deposit slips, paycheck stubs, etc., and make sure the bank statement shows all the deposits you made. Check off the deposits in your check register as you did for checks.

4. **Reconcile Your ATM Withdrawals and Debit Card Purchases**

   Go through the same process with your ATM withdrawals or debit card purchases, checking off each transaction on the bank statement in your check register. If the bank shows transactions that aren't included in your check register, record them now.

5. **Record Interest Earned and Bank Fees**

   How to Balance Your Checkbook:

   1. In your check register, record any bank charges (ATM fees, returned check fees, service fees) that you have not yet recorded.
   2. In your check register, record automatic electronic payments such as automated bill payments. (Obviously, these need to be subtracted from your running balance).
   3. In your check register, add automatic deposits such as your direct deposit paychecks.
   4. Record earned interest. (Add this to your running balance).
   5. Compare your check register with the bank's transaction list.
   6. Check off each item in your check register as you locate it on the list. Be sure to note any discrepancies.
   7. Look for any Outstanding Transactions - items on your bank statement not yet checked off. Total the amount of the outstanding transactions.
   8. Subtract this outstanding transaction total from the ending balance on your bank statement.
   9. This total is now your New Balance.
   10. Add any deposits you have made but that are not listed on your bank statement to your New Balance. This number should match the balance in your check register.

What if the numbers don't match up?

1. Re-check your check register against your bank statement – did you check off all posted transactions?
2. Double-check your addition and subtraction.
3. Check your deposit, withdrawal, and ATM receipts, etc. to be sure you logged them properly.
4. Check for transposed numbers.

Tips & Warnings

Buy duplicate checks. If you forget to write one down, the carbon copy has all the information you need.

Find an app for your cell phone and make a habit of recording all of your transactions as soon as you make them. Don't count on remembering them later.

If you don't take the time to write the amount of your check, ATM withdrawal, or debit card purchase in your register at the time of the transaction, simply fold up the receipt and *put it in your checkbook register*. Don't put it in your pocket, your wallet, or your handbag. It only takes a moment. Then, when you get home at the end of the day, all of your receipts are in one place, waiting to be transcribed

In the first column in your check register, write DEP for Deposits, WD for Withdrawals, AUTO for Automatic Payments, DBT or DC for Debit Card purchases, EFT for Electronic Funds Transfer, FEE for bank fees and check numbers for any checks you've written. Fill in dates and descriptions. Put Debits (-) and Credits (+) in the correct column. Debits include all payments, withdrawals, and bank fees. Credits include Deposits and Dividends.

Out of balance? Check your math. Take the higher balance and subtract the lower one. If the result can divide evenly by 9, it's likely a transposition error. ($9.84 instead of $8.94) If not, you may have put something in the wrong column (subtracting a deposit, for example.) Multiply and divide the discrepancy by two and look for those two numbers in your register. Fix any math error you encounter.

The **Adjusted Checkbook Balance** and the **Adjusted Statement Balance** will be the same amount if your checkbook is in balance.

On alternating months, mark off your transactions with a different symbol or a **different color of ink**. It makes tracking an error a simpler process.

Draw a red line underneath the balance in your check register. If your check register balance agrees with the Adjusted Bank Balance, write BAL next to it. If not, skip a line and write "My Balance: xxx, Adjusted Bank Balance: xxx, Difference: xxx."

Checking Account Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		✓	Fee (-)	Deposit/Credit (+)		Balance $ 209.00	

The check register is used to keep track of the money in your checking account. In the check register, you write down every transaction that affects the balance in your account—such as checks you write, debit card purchases, deposits you make, automatic withdrawals, interest paid to you, bank charges, fees, etc. Record all transactions immediately in your check register.

• Use the receipts from the following page or from envelop provided to complete this Checking Account Register.

• Use a two-line entry to make (+) and (—) easier.

Receipts
for Check Register Exercise

Checking Account Beginning Balance **$209.00**		January 9, 2014 Hometown Quick Stop For Gasoline $37.00 Check #224
January 3, 2014 "MyChex" Ordered new checks at the bank. $23.50		January 13, 2014 Deluxe Dime Store Birthday Gifts $36.54 (Debit Card)
January 5, 2014 Fantastic Food Market Groceries $ 27.01 Check #223		January 15, 2014 Happy Workers Inc. Deposited Pay Check $ 500.00
January 7, 2014 Cash at ATM $40.00 $1.00 Fee		January 18, 2014 Merry Motors Company Car Payment—Auto. Withdrawal $150

Reconciling a Bank Statement

Monthly Statement
OK Community Bank

February 1, 2014

Someone Else
10 Sandy Hills
Western, OK 96020

Account #1234-56

Beginning balance on January 1, 2014	**$209.00**
Deposits and other additions	$500.00
Checks paid and other subtractions	-$ 310.69
Ending balance on February 1, 2014	**$398.31**

Cleared Checks			Cleared Deposits	
1/7	223	$27.01	1/15	500.00
1/17	225	32.64		
Auto Withdrawals/Debit Cards/ATM				
1/3	MyChex	23.50		
1/7	ATM	40.00		
	ATM Fee	1.00		
1/13	Deluxe Dime St	36.54		
1/18	MMC	150.00		

Why isn't the balance on the bank statement and the balance in your check register the same?

Chances are you have forgotten to record a check you have written or you may have given a check that has not been cashed yet. Often times, the automatic withdrawals, service charges, and ATM fees have not been recorded in the check register. The following table will help you find the problem.

Current Checkbook Balance	
Add any deposits that are on your bank statement that have **not** been made in your checkbook.	+
	+
	+
Subtotal of deposits	+
Subtract any checks that show to be cleared in your bank statement that have **not** been recorded in your check register. Don't forget to write down service charges and other deductions not previously entered in your check register.	-
	-
	-
Subtotal of deductions	-
Adjusted Checkbook Balance	

Current Bank Statement Balance	
Add any deposits that have been made in your check register and are **not** shown in your bank statement.	+
	+
	+
Subtotal of deposits	+
Subtract any checks that been recorded in your check register that are **not** shown in the bank statement. Don't forget to write down ATM and debit card deductions.	-
	-
	-
Subtotal of deductions	-
Adjusted Checkbook Balance	

Your checkbook is in balance if the "adjusted checkbook balance" and the "adjusted statement balance" are the same amount.

(Register Key)

Checking Account Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		✓	Fee (-)	Deposit/Credit (+)		Balance $ 209.00	
EFT	1/3/14	MyChex	23	50					-23	50
		new checks							185	50
223	1/5/14	Fantastic Food Market	27	01					-27	01
		groceries							158	49
ATM	1/7/14	Cash	40	00		1.00			-41	00
									117	49
224	1/9/14	Hometown Quick Stop	37	00					-37	00
		gasoline							80	49
DC	1/13/14	Deluxe Dime Store	36	54					-36	54
		Birthday gifts							43	95
DEP	1/15/14	Happy Workers					500	00	+500	00
		Pay check							543	95
A W	1/18/14	Merry Motors Company	150	00					-150	00
		Final payment							393	95

Note: Many check registers have combined the **Fee** (-) column with the ✓ column. In that case you may want to use the column for reconciling and include the notation of fees in the memo area following the transaction. Be sure to include the entire amount in the payment column.

Check Number	Date	Description of Transaction	Payment/Debit (-)		Fee (-) (✓)	Deposit/Credit (+)		Balance $ 209.00	
EFT	1/3/14	MyChex	23	50				-23	50
		new checks						185	50
223	1/5/14	Fantastic Food Market	27	01				-27	01
		groceries						158	49
ATM	1/7/14	Cash	41	00				-41	00
		($1.oo fee charged)						117	49

(Reconciled Register Key)

Checking Account Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		✓	Fee (-)	Deposit/Credit (+)		Balance $ 209.00	
EFT	1/3/14	MyChex	23	50	✓				-23	50
		new checks							185	50
223	1/5/14	Fantastic Food Market	27	01	✓				-27	01
		groceries							158	49
ATM	1/7/14	Cash	40	00	✓	1.00			-41	00
									117	49
224	1/9/14	Hometown Quick Stop	37	00					-37	00
		gasoline							80	49
DC	1/13/14	Deluxe Dime Store	36	54	✓				-36	54
		Birthday gifts							43	95
DEP	1/15/14	Happy Workers			✓		500	00	+500	00
		Pay check							543	95
A W	1/18/14	Merry Motors Company	150	00	✓				-150	00
		Final payment							393	95
225	**1/17/11**	**B J's Variety**	**32**	**64**	✓				**-32**	**64**
		Cleaning Supplies							361	31

Balanced

Draw a line underneath the last line that has been reconciled.

(Reconciliation Form Key)

IMPORTANT!

The **Adjusted Checkbook Balance** and the **Adjusted Statement Balance** will be the same amount if your checkbook is in balance.

Don't forget to make any corrections on your check register and make a note that it is balanced. **Balanced**

Draw a line beneath the last line that has been reconciled for an easy reference point.

Current Checkbook Balance	**$393.95**
Add any deposits that are on your bank statement that have **not** been made in your checkbook.	+
	+
	+
Subtotal of deposits	+ **0**
Subtract any checks that show to be cleared in your bank statement that have **not** been recorded in your check register. Don't forget to write down service charges and other deductions not previously entered in your check register.	**- 32.64**
	-
	-
Subtotal of deductions	**-32.64**
Adjusted Checkbook Balance	**$361.31**
Current Bank Statement Balance	**$398.31**
Add any deposits that have been made in your check register and are **not** shown in your bank statement.	+
	+
	+
Subtotal of deposits	+ **0**
Subtract any checks that been recorded in your check register that are **not** shown in the bank statement. Don't forget to write down ATM and debit card deductions.	**-37.00**
	-
	-
Subtotal of deductions	**-37.00**
Adjusted Checkbook Balance	**$361.31**

If the adjusted checkbook and statement balances do not match:

- Review last month's statement to make sure any differences were corrected.
- Check additions and subtractions in your checkbook.
- Compare the amount of each check and deposit on this statement with the amount recorded in your checkbook.
- Make sure all outstanding checks have been listed, including those that may not have been paid from the previous statement.
- Make sure that any electronic fund transfers or automatic payments are recorded in your checkbook.

This is a copy of the reconciliation form that comes in my bank statement each month. As you can see, the process is very similar to what you have just worked through. There are more spaces for you to list any missing items from your check register. Whatever form you choose, follow the instructions—step-by-step.

HOW TO RECONCILE YOUR ACCOUNT

STEP ①

Obtain your account register and check off the following items listed on your statement:

(1) Personal Checks
(2) Deposits
(3) Interest payments
(4) Automatic transfers
(5) Automatic bill payments
(6) Automatic Teller machine transactions
(7) Service Charges
(8) Finance charges

If any of the above items (1) thru (8) are on your statement, but not in your checkbook account register, then verify that they are your items. If so, then record them in your account register and adjust your account register balance.

List and total all deposits and checks not checked off in your account register. This total will be used in Step 4.

STEP ② DEPOSITS			STEP ③ CHECKS	
DATE	AMOUNT		NUMBER	AMOUNT
1.			1.	
2.			2.	
3.			3.	
4.			4.	
5.			5.	
6.			6.	
7.			7.	
8.			8.	
9.			9.	
TOTAL			TOTAL	

STEP ④

ENTER:
Statement current balance $______

ADD:
Total deposits from step 2 $______

SUB TOTAL: $______

SUBTRACT:
Total checks from step 3 $______

SUB TOTAL: $______

ENTER & SUBTRACT
Balance on your checkbook account register $______

TOTAL: $______
(Should be 0)
IF THE TOTAL IS NOT ZERO SEE STEP 5

STEP ⑤

Recheck steps 1 thru 4

Compare the amount entered on your checks to the amount in your account register.

Check for additon and subtraction errors.

Check for deposits and checks not listed in Steps 2 and 3.

Compare the encoded amounts on your checks to the amounts written on your check.

Making Sense of Money Management

CREDIT REPORTING

LESSON DESCRIPTION:

This lesson provides information on the credit reporting process and obtaining, reading, and correcting credit reports. There is discussion on how credit scores are determined and used and how they can potentially be improved. Consumer resources are included so that participants can get more information.

OBJECTIVES:

Participants will be able to:

- Describe a credit report and its uses
- Understand credit scores and their uses
- Access their credit reports
- Explain key information in the report
- Recognize and dispute inaccurate information
- Identify common myths about credit reports and score

MATERIALS:

PowerPoint Presentation
Annual Credit Report Request Form - Handout 1

LESSON PRESENTATION:

Show Slide 1 (Lesson Title). Credit Reports

Show Slide 2. (Objectives)

Slide 3. Explain the role of credit reporting agencies and what a credit report is. Provide participants with a sample credit report and go over the information included in a credit report.

Slide 4. Discuss how credit information affects credit scores.

Slide 5. Discuss importance of checking credit reports.
Slide 6. In March 2006, the three main credit-reporting agencies reported that they would be using a new credit score, the vantage score. This score ranges from 500-990 and awards an A, B, C, D, & F score based upon those numbers. Though little information is available about the criteria weighting, we do know that the criteria used to

determine the score is similar to the RICD score. However, for the Vantage score, payment history accounts for 65% of the score.

Slide 7. Discuss how credit reports are used.

Slide 8. The FACT Act allows consumers one free credit report annually from each of the major Credit Reporting agencies. There are three ways to request a copy. (hand out request form)

Slide 9. Stress importance of getting a credit report.

Slide 10. Go back to sample credit report and discuss reading account information.

Slide 11. Discuss how inaccuracies of the credit report can be disputed and corrected.

Slide 12. Talk about credit myths listed and ask participants if they have heard of more that aren't on this list.

Slide 13. There are practices that could potentially improve a credit score.

Slide 14. There are resources available that can help consumers learn more about the issues discussed in this lesson.

Slide 15. Address any questions and comments.

Credit Reports

Sissy R. Osteen, Ph.D., CFP®
Oklahoma State University

Objectives

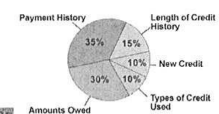
Participants will be able to
- Describe a credit report and its uses
- Define a credit score and its uses
- Access their credit reports
- Explain the key information in a credit report
- Recognize and dispute inaccurate information
- Identify common myths about credit reports and scores

What is a credit report?

- A credit report provides information on a person's history of borrowing and repaying money.
- Credit reports maintained by three national Credit Reporting Agencies (CRAs):
  Equifax, Experian, TransUnion
- Information includes:
  - Current and past residences
  - Credit accounts and loans
  - Bankruptcies and late payments
  - Recent inquiries

What is a credit score?

- A credit score is a measure of risk based on information in the credit report
- FICO scores based on a proprietary formula use 22 data points that forecasts behavior are frequently used by mortgage lenders.



FICO Credit Scores (continued)

- Results range from 300 to 850 with a median score of about 720.
- Score only as good as the data:
  - 25% of credit reports had errors sufficient to cause consumers to be turned down for a loan or a job
  - Credit reports often don't collect sufficient data to provide an accurate picture of low-income consumers

New Vantage Scores

- March 2006 CRAs announce new score
- Vantage score 500-990 points
- Grades of "A" to "F"
- 901-990 = A
- 501-600 = F

How is a credit report used?

- Traditionally, to determine credit
- Increasingly, used by:
  - Insurance companies to set premiums
  - Employers to assess new hires
  - Landlords in evaluating tenants
  - Utility companies in setting deposits
- Credit reports & scores are increasing in importance, yet:
  - Only 33% of consumers have requested their scores
  - 49% of consumers do not know that credit scores are a measure of credit risk

How do you get a credit report?

- FACT Act requires each CRA to provide a consumer a free copy every 12 months upon request
- Three ways to request a free copy:
  - Online at www.annualcreditreport.com
  - By phone at (877)322-8228
  - By mail *(see form in handouts)*
- Free reports available under other circumstances:
  - If adverse action taken against you based on credit report
  - One free report a year if you are unemployed or on public assistance
  - If report is inaccurate due to fraud or identity theft

Why request a credit report?

- An accurate credit report is essential to ensure that you receive the best credit score possible
- To ensure that the information is accurate, complete and up to date before applying for a loan, buying insurance or applying for a job
- To guard against identity theft

How do I read this thing?

- Personal information
- Account information
  - Account number
  - Account type
  - Status
  - High credit
  - History

How to dispute inaccuracies

- Consumers have the right to dispute errors in their credit reports
- Two options:
  - Contact credit bureaus directly
  - Contact lenders
- Explanation of dispute procedures available at www.ftc.gov/credit

Credit Myths

- Credit counseling is as bad as bankruptcy
- Paying off old debts will raise my score
- You only have one credit score
- Checking your credit will lower your score
- Shopping for a loan hurts your score
- Disputing correct info will remove it
- Married couples have a combined score
- Credit card offers hurt your score

Improving Your Score *(Possibly)*

- Pay bills on time
- Get current and stay current
- Watch the timing of your purchases
- Limit credit card applications
- Be wary of adding new cards and canceling old cards
- Make sure credit limits are posted
- Keep balances low
- Pay off debt rather than moving it around

Resources

- www.ftc.gov
- www.annualcreditreport.com
- www.consumersunion.org/issues/creditmatters.html
- www.myfico.com
- www.mymoney.gov

Questions and Comments

Making Sense of Money Management

INSURE WISELY TO ACHIEVE YOUR FINANCIAL GOALS

Learning to be a wise consumer of insurance products can help participants protect financial assets and achieve financial goals since insurance coverage makes up a major portion of a household's budget.

OBJECTIVES:

Participants will understand the importance of wisely purchasing insurance to manage risks in order to preserve assets and protect against financial loss.

Participants will complete a self-assessment to determine upon which risk management tasks they need to focus.

Participants will improve consumer decision-making skills for purchasing insurance so that they can maximize contributions toward financial goals.

MATERIALS:

Checklist for Financial Fitness - Handout 1
30 Ways to Cut Your Insurance Costs - Handout 2
General Insurance Information – Handout 3

LESSON INTRODUCTION:

Give each participant a copy of the ―Checklist for Financial Fitness.‖ Have participants read each question and place a check in the space if they can answer yes. Ask if anyone has all 14 items checked. Blanks indicate places where participants may want to begin working in order to be adequately protected against financial losses.

LESSON PRESENTATION:

Insurance is the primary way to protect yourself against financial loss caused by illness, accidents, and other destructive or damaging events.

When you purchase insurance, you pool your risk with others. A premium is paid to an insurance company that in return pays for the damaging effects of a large loss if it occurs.

You have a choice to accept some of the risks in your life and share others. When you accept a risk, you are planning to be financially able to handle the loss. For example, your emergency savings fund could be used to pay a variety of unexpected expenses such as burial expenses and repair of major equipment instead of buying insurance or maintenance contracts to cover the loss. In order to share risks, you must purchase insurance so that your losses are covered. Even when you purchase insurance there are ways to reduce the cost of the coverage. Choosing large deductibles (the amount of money you agree to pay per claim before the insurance company pays for a loss) is a way to share risk for less cost. Money that you save by being a wise consumer of insurance could be redirected to your savings for your financial goals.

Distribute the ‗30 Ways to Cut Your Insurance Costs‖ handout. Highlight numerous suggestions from the list and discuss with the group.

It is also very important to keep your insurance policies up-to-date. Even if a policy change will result in a higher premium, make sure that you keep your agent fully informed and up-to-date about the coverage you need. This will reduce the possibility of a loss that is not covered by your insurance. Find a time each year to think about purchases made during the year, improvements to property, decreases in value of vehicle, using car for business purposes, changes in status, etc. Look at copies of your insurance policies to see if these things are covered. There can be cases where you need additional insurance or can drop some coverage.

Notify your insurance agent if you or a member of your household:

- should no longer be covered on a policy
- get married or divorced
- move to a different location
- have a boarder move into the house
- substantially reduce or increase amount of driving
- buy or sell a car, recreation vehicle, or boat

In conclusion, it is important to estimate your needs, shop around, talk with several agents, and select coverage that will fit your budget. Do not over-insure. Insurance needs should be reviewed periodically, particularly when income changes. With all insurance, make sure the company has a very high rating with the insurance rating services. Friends and relatives can share experiences they have had with different companies' service and payments on claims.

SUGGESTED EVALUATION QUESTIONS:

Do you now have a better idea about which tasks you need to focus on to complete your risk management and insurance coverage plan?

Do you believe that you will now be able to improve your consumer skills when purchasing insurance so you can maximize your contributions toward your financial goals?

SUPPLEMENTAL ACTIVITIES:

This program may be presented as a cooperative effort between you and one or more co-sponsoring insurance companies. A panel of carefully chosen insurance representatives could then be available to answer specific consumer questions. The panel could be composed of agents who sell different forms of insurance such as life, health, disability, homeowner's, and auto. **It is important to make it clear that the cooperative program is not to be used as a sales program, but only as a consumer information program.** Guidelines for these types of collaborative agreements can be found in the AARP Financial Information Program materials. If you have Internet access in the facility where you are presenting, show the participants the state Department of Insurance website. This is a good resource for consumers who have questions related to all types of insurance.

Prepared by: Nancy M. Porter, Ph.D., CFCS, Extension Family Resource Management Specialist, Clemson University October, 1997.
Revised by: Sissy R. Osteen, Ph.D., CFP®, Oklahoma State University, April, 2014.

Insurance
Checklist for Financial Fitness

(Check the blank if your answer is yes to the question asked.)

_______ Can you locate your insurance policies such as life, health, property, casualty, automobile, and disability?

_______ Do you know the type and amount of life insurance protection you have?

_______ Is your life insurance coverage adequate to protect dependents and assets?

_______ Do you know the names of the beneficiaries and contingent beneficiaries of your life insurance policies?

_______ Do you know the type of health insurance protection you have and the provisions of the policy?

_______ Do you have major medical insurance with high lifetime limits?

_______ Do you have adequate disability insurance?

_______ Is your automobile liability insurance sufficient?

_______ Is your automobile adequately insured for collision, yet not over insured?

_______ Are your home and personal property insured for today's replacement values?

_______ Do you know the limits in your homeowner's policy on loss of silver, furs, collectibles, computers, and stereo equipment?

_______ Have you appraised and insured valuables such as jewelry, silver, and collectibles?

_______ Have you made a personal property inventory?

_______ If you are not a homeowner, do you have renter's insurance that will cover your personal belongings?

Prepared by: Nancy M. Porter, Ph.D., Clemson University Cooperative Extension Service, October, 1997

HANDOUT 1

30 Ways to Cut Your Insurance Costs

For All Insurance

1. Look for broad policies that insure exactly what you need to insure. Avoid narrowly defined policies. For example, one comprehensive health insurance policy should eliminate the need for a cancer insurance policy.
2. Do not buy insurance coverage for risks that you could insure yourself. You could prepare for low-cost risks, such as minor damage to your car, through savings.
3. Take the biggest deductible that you can afford. The deductible is the part of the insurance costs that you have to pay. Keep an amount equal to the deductible in a savings account.
4. Check policies to make certain you are not paying twice for the same coverage. For example, you could lower your auto insurance premium by decreasing your medical payments coverage if you have good health care coverage for you and your family.
5. Check out all possible discounts with your insurance representative.
6. Pay premiums the least expensive way -- usually annually, not quarterly or monthly.
7. Compare the costs of several different companies before making a choice. Go to the Oklahoma Department of Insurance website www.oid.state.ok.us to obtain a list of typical prices with different licensed companies.
8. Learn if you are eligible for a group policy. Group rates are usually lower than individual rates.
9. Check the local library for information about the financial soundness of insurance companies, such as A.M. Best's Insurance Reports. You should select a company that has at least an "A" rating.

For Health Insurance

10. Select a company that returns a high percentage of the premiums paid to it. Ask the agent or the state Department of Insurance for the loss ratio.
11. Do not try to make a profit on your insurance by carrying overlapping coverage. A coordination of benefits clause usually limits benefits paid by one or more policies to 100 percent of expenses.
12. Note pre-existing condition clauses. These clauses mean that for the first weeks or months your policy will not cover medical conditions you had when you bought the insurance.
13. Check renewal provisions. Ideally, you would purchase a non-cancellable, guaranteed renewable policy.
14. Study deductibles and co-insurance clauses. If you are able to absorb more medical expenses by choosing a higher deductible, you can lower your insurance premiums.
15. Keep records of your expenses and file claims on time.
16. Be cautious about switching policies. A new policy may mean new waiting periods and exclusions.

HANDOUT 2

For Life Insurance

17. For universal life insurance policies, compare administrative costs. Some can be substantial. Ask if the charges are front loaded (deducted before the premium is credited to your cash value) or back loaded (paid when you surrender the policy).
18. Find out the purpose of any optional features of a policy and decide which are worth the added cost.
19. Compare the interest-adjusted net cost index. Cost comparisons should only be made between similar plans of life insurance. The index for a cash value policy cannot be compared with that of a term policy.
20. Evaluate fees and agents' commissions before switching policies. The costs may outweigh the benefits.
21. Do not buy credit life insurance if you can find life insurance coverage elsewhere. Lenders sell credit life policies to protect themselves if the borrower dies. A good term life insurance policy is far less expensive than credit life insurance.

For Auto Insurance

22. Choose the right car. Discounts and surcharges for particular models can vary. Your insurance company can tell you which cars are more or less expensive to drive.
23. Change your rating category. Car-pool or use public transportation rather than driving your car to work. Have a young driver share the family car rather than drive his or her own.
24. Avoid unneeded options. If you have adequate life, health, and homeowner's insurance, you may not need the limited life, medical payments, and theft insurance that many companies sell.
25. Do not buy rental car insurance if your auto insurance policy protects you or if your credit card offers coverage if you decline it.

For Property Insurance

26. Install security devices. Practically every insurance company offers discounts for some combination of the following protection devices: burglar alarms, deadbolt locks on all doors, smoke alarms, and fire extinguishers.
27. When purchasing or building a home, consider one built of a fire resistant material such as brick.
28. Your home's location affects your insurance rates. A home located near a fire station is less expensive to insure than one several miles away from fire protection. Insurance costs are lower for homes in low crime and vandalism areas.
29. Review your homeowner's insurance regularly. Drop riders you may have purchased years ago and no longer need.
30. Ask about discounts. You may receive a discount if, for example, you buy your homeowner's and auto insurance from the same company.

Source: Cude, B. (1989). 35 ways to cut your insurance costs. University of Illinois Cooperative Extension Service.
Adapted by Sissy R. Osteen, Ph.D., CFP® (2014)

General Insurance Information

1. Insurance companies know how to make money. Consumers need to know how to manage the money they have in order to provide for their needs, wants, and accomplish their financial goals.

2. Historically, risk management has been practiced for centuries. Early Chinese merchant shippers-around 3000 BC utilized risk management without even knowing it.

3. They identified the risk of financial ruin that would occur if their boats and cargoes sank while going through rock-filled rapids of the Yangtze River.

4. They analyzed the risk and came up with a plan to manage it--by sharing the risk with each other.

5. Each boat owner placed some of his cargo onto the other boats. Then if his boat sank he would still have the cargo he placed on the other boats. This Chinese method of sharing risks is very close in principle to most insurance today.

6. Individuals need to identify the risks to which they are exposed. Each risk needs to be analyzed to determine the potential it has for financial loss. There are four basic ways to handle risk: avoid it, reduce it, accept it, or transfer it.

7. To **avoid a risk**, you simply choose to not participate in activities that expose you to that risk.

8. You can **reduce risks** by trying to prevent certain losses. For example in your home, you can install smoke detectors, fire extinguishers, dead bolt locks, and burglar alarms to reduce the risks of fire damage or theft.

9. To **accept a risk**, you decide to set aside money in an emergency fund that will cover the financial loss if it should occur. Choosing not to purchase collision insurance on an older car is accepting or assuming the risk. If an accident occurs, you will have to repair or replace the car with your own money.

10. You can **transfer risks** by purchasing insurance. Protection from financial loss is provided by an insurance company in return for the premium you pay. Insurance works on the principle that a group of people has the same concern about a potential loss. However, it is unlikely that each person will experience the loss. Therefore, each pays a sum of money (insurance premium) so that if the loss occurs, it will be covered. Because only part of the group experiences the loss, there are sufficient funds available to pay for the losses.

11. Insurance goals are usually to protect against the financial losses due to:
    - premature death or disability of breadwinners and family caregivers
    - illness or injury
    - loss of property due to fire, theft, or other hazards such as severe weather, and
    - personal liability for damages

12. **Remember that insurance can only provide protection against financial losses, not emotional losses.**

13. You may choose not to use insurance to protect against all of the risks you and your family face. One guideline is to **–absorb minor losses and insure major losses."** Absorb minor losses means to set aside savings for low-cost losses. For example, you may choose to accumulate savings to pay for minor medical expenses and raise the deductible amount on your policy.

14. Insure major losses means to buy insurance for events that would have a high cost if they did happen . . . . .like buying homeowner's insurance.

15. Spend the bulk of your insurance dollars to insure against large financial risks.

16. Choosing the right insurance policies can be a tedious task. However, if consumers do not comparison shop before buying insurance, they are probably spending more than they need to for premiums or could buy the same coverage for less money.

17. Look for broad policies that insure exactly what you need to insure. If you have a unique situation, make sure your insurance coverage is unique.

18. Know what your needs are and what your policy covers. Read your policy. If you don't understand something, ask your agent to explain. If you can't see the coverage in writing, then you may not be covered.

    Compare policies with at least three different companies before you buy. Make sure you are comparing equal coverage, not just premium dollars. Avoid narrowly defined policies, such as cancer policies or flight insurance. If your life, health, homeowner's, and auto insurance are comprehensive, you won't need policies to cover specific risks. Buying tiny amounts of insurance is like buying toothpaste one squeeze at a time.

19. Take the largest deductible that you can afford. The deductible is the part of the insurance that you have to pay. A higher deductible means a lower premium and sometimes the difference is substantial.

20. Be sure that you have an emergency fund that would cover your expenses if you had to pay all of the deductibles in a short period of time.

21. Check possible discounts with your agent. Some insurance companies give discounts for people who combine homeowner and auto insurance coverage with their company. In addition, you can get cut-rates for insuring two or more cars with the insurer, completing a Driver's Education course, or even having a child away at college.

22. Similar discounts are available on homeowner's policies for having safety devices in the home, living near a fire hydrant, or insuring a new home.

23. Avoid duplicating coverage. Check your policies to make certain that you aren't paying twice for the same coverage.

24. To lower premiums, pay them annually, not quarterly or monthly. Don't pay cash. Pay by check, money order, or bank draft payable to the insurance company, not the person who sold you the policy.

25. Look for reputable insurers and agents licensed to do business in Oklahoma. Remember that the services a company provides are as important as costs.

    Work with an agent or broker with whom you feel comfortable. It is important that you are able to ask questions and get answers. Also, consider ease in reaching the agent if you need help.

    Ask these questions:

    - Will the agent work with you to identify products that meet your needs?
    - What is the company's reputation for handling claims?
    - Find out how you would go about filing a claim should a loss happen. Know what information is needed and to whom to send it.
    - Will someone be available to help you file a claim and follow through on your behalf?

26. Keep your policies, agents' names, addresses, phone numbers, and other information together and in a location where family or others can find them.

27. Review your policies annually and consider other policies available from other companies.

28. Do not keep a policy forever just because you have always had it. Be sure that you need it and that it meets your needs.

29. Switch policies carefully. Make sure that you are getting the coverage you need, and that you are covered during the switch.

30. Avoid policies purchased through toll-free numbers, by mail order, or those promoted by celebrities. Check consumer publications and with others to judge how good the company is about settling claims.

Best's Insurance Report rates insurance companies for consumers. A copy of this guide is usually found in the public library. You should select a company that has at least an ―A‖ rating.

Prepared by: Nancy M. Porter, Ph.D., (1997) Clemson University Cooperative Extension Service, Revised by Sissy R. Osteen, Ph.D., CFP®, Oklahoma State University, April, 2014.

BEING A BETTER CONSUMER

You can use a flipchart for this activity and divide the group into small groups to answer the questions and report back to the larger group.

For most people, there will be times of economic readjustment in their lives. Changes occur due to employment situations such as layoffs, retirement or unemployment; unexpected expenses too large to fit into regular cash flow; changes in family situation such as death, divorce, marriage or addition of members to the family; and changes in living costs either though inflation or changing family needs such as for health care or support for daily living tasks.

During these readjustment periods, it may to necessary to take time out and redefine how one lives. It will be important to determine a short term coping strategy and a long term, flexible plan. Redefinition of life style is never easy. It requires communication about what is important and central to each family member's life and what is necessary for the family unit to remain intact. The use of material resources is interwoven into the fabric of our lives so changes pull and tear in unexpected ways. Inching back on use of a variety of resources rather than one big change is the process most families try first. Often this will bring about all the adjustments needed. Positive as well as negative outcomes are possible -focus on enhancing the positive and reducing the negative.

There are no "right" answers, but many different actions that may improve the situation. Generally times of transition are based upon a collection of ambiguous, tangled and shifting situations. Some decisions must be made on a trial and error basis since not enough is known to do otherwise. The use of contingency and directional planning may reduce the risk and stress in these situations. Both experts and those with experience in similar situations can provide helpful insights.

Families need a good plan of what to do and a good system for staying on top of cash flow. Some people find making specific allocations for each expenditure category and putting that amount into envelopes helps. Some even save for irregular expenses each pay period by putting the money into an envelope so it is available when bills are due. Some "hide" emergency funds and irregular expenses savings in their checking account by reducing the balance listed in their check book. For others, keeping track of income and expenses on paper works.

Reducing expenses often requires a trade off of some valued things for other more highly valued things. A careful assessment of the immediate situation in the context of where you want to go in the future will be necessary. Reacting to a series of family generated "what if this happened" situations is one way to begin to explore how you might reduce expenditures. What is the worst that could happen to us as a result of this change? What could we do to shape the changes that will need to take place to preserve the "important things" in our lives? How will we tell others about the changes we are making?

To get you started thinking about life style changes that would work in your family, discuss some of the ideas that follow. You might want to write down the ideas you generate.

1. What purchases could you decrease? What could you do without or postpone buying? Do not neglect health, essential maintenance on house or car, insurance payments, or other essentials that will greatly increase costs in the long run. Break expenditures into their smallest components such as: not just the telephone bill, but basic rate, long distance, data plans, extras such as caller ID, etc.; not just food, but school lunches, meals eaten out at work, fast food, snacks, grocery store food and non-food purchases. Record all expenditures, sort into categories and discuss them weekly for a period of time. Discuss and label expenditures as A. -essential to be maintained from family or community resources; B. -important, but reduce or defer for now; or C. - eliminate for now.

2. What could you buy differently? What could you buy used instead of new? Would buying at garage sales, second-hand stores, discount houses or outlet stores help? This may take more time, but can save money. Can you rent some things and reduce the cost? Could you use a letter or email rather than calling long distance? Could you reduce the length of calls?

3. Would increasing effort at home reduce costs? Again look at the smallest components of each expenditure category -- packing lunches rather than purchasing, repairing clothing, preserving garden produce, etc.

4. Which free or low cost services and government programs would be useful to you? Use the telephone to determine eligibility requirements. Many civic, religious, and social groups have programs to lend a hand. Ask if there is a directory in your community or ask friends or social service agencies if they know about such services.

5. Could you use lower priced items than you presently buy? Try generic or store brands of food or clothing. Could you reduce life insurance costs by switching from whole life to term? Could you reduce auto and property insurance by increasing the amounts of your deductibles? Could you get the same nutritional value from lower cost foods?

6. Are there ways to lower the prices on what you buy? Could you: buy by the case jointly with neighbors and friends to reduce the price per item; bargain with the seller; shop places that have lower overhead and reduced prices; or use discounts and coupons if they don't tempt you to buy things that are not on your list?

7. Can you make what you have last longer by preventing food waste; better planning for transportation; preventative maintenance on new clothing; better health habits, etc? Examine what you toss out now.

8. Could you save by paying with cash rather than using credit? Do you need to visit with creditors to work out an alternative plan to reduce payments on your bills?

9. Can you save by changing habits? Such as: use less hot water by using warm instead of hot water where safety is not a factor; shorter showers: turning water off instead of letting run during showers, hand dish washing, hand washing, etc. Change heating and cooling temperatures when no one is at home for extended times. Reduce the use of disposable paper products. Use transportation for several purposes by planning ahead. Be on the look out for ways to reduce convenience a little and save some money.

10. Can you increase the use of the resources you already have? Change and hang up clothes when you get home from work or school so the garment may be worn another time. Repair or update clothing hanging in the closet rather than buying new. Use up food on hand. Could you rent out space to others for storage? Could you rent out space in your home for someone else to live? Could you rent unused land for placement of manufactured home?

11. Can you convert some of your current resources to cash to help in your situation? You can place things on consignment to resale shop, sell items directly with newspaper advertisements, sell to a used store or antique dealer, sell through an online auction or have a garage sale. Or you may wish to trade-down such as with a car to reduce debt. Getting rid of items that reduce related costs is a good idea. For example, selling the second car reduces insurance, gasoline and maintenance expenses. Can you sell trash for recycling? This might be metal out of storage areas to pop cans from the weekly trash.

12. Can you swap services or goods? Check with neighbors, friends, extended family, or organizations about having a swap day. Or set an arrangement to trade regularly with someone. You might post on Craig's list; bulletin boards in grocery stores; Laundromats, or other places what you have to trade and what you want. Perhaps you need services but cannot presently pay for them. Approach the seller of those services and explore if you might provide such things as an extensive office or business cleaning, grounds rejuvenation, etc. You might stop by the business and look about to see if you have talents that could be useful in some way. Go in person and explain your needs and explore options. The worst that can happen is they will say no.

13. Could your family have a weekly brainstorming session just to explore ways to raise money or reduce costs? Think of one-time events as well as things you do regularly. No amount of money generated or saved should be considered too sma1l to discuss. Attack the problem on as many fronts as possible with ideas acceptable to family members. Write down all ideas no matter how silly. Pick a few ideas that have the most potential to get started with. If you need more information before you can begin, divide up the tasks and assign to family members who can find out what it will take to get started. Keep track of how you are doing. As one-time events are done, go back to the list and pick some additional ones to try. If some of the regular activities selected to work on do not pan out, explore whether to change the plan of attack on that effort or go on to another effort. Add to your list of items to explore if a new idea comes up. If you are feeling glum about doing some of the activities selected, discuss what it would be like to be doing the worst one on the list.

14. What will your plan be for dealing with unexpected emergencies - such as car trouble, medical bills, etc. and with the things you buy infrequently like car tags, insurance, etc.? Will you have an account or envelope to save money for these each month? Will you have a credit card amount that can only be used for such purposes?

15. Last but certainly not least, how will you celebrate your progress toward getting more and more in control of your financial situation?

Revised 2014 by Sissy R. Osteen, Ph.D., CFP®, Associate Professor and Resource Management Specialist. Prepared by Dottie Goss, Ph.D., Professor and Family Resource Management Specialist, Department of Family Relations and Child Development, Oklahoma State University, Oklahoma Cooperative Extension Service, Stillwater, OK.

Post-Survey

Please check/circle your response

ID#:_________ *(Last four digits of your Social Security Number)*

Item	Strongly Agree	Agree	Somewhat Agree	Not Sure	Somewhat Disagree	Disagree	Strongly Disagree
1. I am confident about my ability to manage my money.							
2. I am confident about my ability to manage my money.							
3. I feel confident about my ability to get back on track with my finances.							
4. I feel good about my financial future.							

Money Management Knowledge

1. When you must pay a bill late, it's important to call the company before the bill is due. True False
2. One needs to have a reserve fund for occasional expenses. True False
3. It's up to you and your family to decide how much to spend for family expenses. True False
4. A spending plan helps you meet financial obligations and save for family goals. True False
5. Free copies of your credit report are only available when you have been turned down for a loan. True False
6. Your credit report determines how much you will pay for credit. True False
7. Bankruptcy is a permanent addition to your credit report. True False
8. Keeping track of your spending won't help you to pinpoint areas where you may be able to cut back on your spending. True False

As a result of this workshop how likely are you to:

Practices	Unlikely	Less Likely	Unsure	Somewhat Likely	More Likely
1. Keep track of your spending.					
2. Pay your bills on time every month.					
3. Reduce spending for one or more expenses.					
4. Start an emergency saving fund.					
5. Develop a written plan for spending.					
6. Talk with your family about our expenses.					
7. Get your financial records more organized.					
8. Contact us for financial education					

Overall how would you rate this program? **Not helpful** 1 2 3 4 5 **Very helpful**

What was the most important thing you learned today?

What would you recommend to further improve this workshop?

Certificate of Completion

Making Sense of Money Management

____

has completed this 4-hour educational program.

____

Instructor

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Banking Made Simple

#1 Rule: Think of your bank as a big wallet.

The money in your account should be treated just like money in your wallet.

- You can only take out what you put in.
- You want to save a little for rainy day funds (open a savings account)
- Each service (pocket) has a useful function—utilize it to the fullest.
- Don't over extend yourself. Don't fill your wallet with IOU's. (I owe you)

Things to do—**ALWAYS**

- Write down all deposits in your check register—to the penny.
- Write down all withdrawals in your check register—to the penny.
- Balance your bank statement to your check register.
- Contact the Bank if there is a discrepancy.

Banks have many products and services available to help you stay on track:

ATM Only Accounts
Savings Accounts
Overdraft Protection (use only on a very limited basis)
Internet Banking
Phone Banking
Debit Cards
Customer Service Representatives

Basic Do’s & Don’ts

- **Do keep your checks/debit cards in a safe place.**

- Unscrupulous people can easily access your account.

- **Don’t give someone a post-dated check and think they can’t cash it until the date arrives.**

- **Can a post-dated check be cashed too soon?** A debt collector is not supposed to cash a post-dated check before the date on the check, but don't ever give them one, since there is little you can do legally if he does cash it early! Banks have to process thousands of checks each night so there is no way a bank can catch every check that is post-dated.

- Never give a check to anyone when you know that you don't have enough money in your account to cover it.

- **Do check to see that your checking account is totally free. Additional services come with additional charges.**

  - Overdraft protection is an expensive service.

- **Do remember, deposits made may not be available until the following day—or later.**

- **Don’t write a check unless you have the money in the account to cover it. “Check 21” allows checks to clear the bank almost immediately!**

  - Do **NOT** count on float time when you write a check!

  - Check 21 is a federal law that is designed to enable banks to handle more checks electronically, which should make check processing faster and more efficient. In the past, banks would physically move original paper checks from the bank where the checks are deposited to the bank that pays them. This transportation was inefficient and costly. Check 21 means money may be deducted from your checking account faster. Before you write a check, it's always best to make sure your checking account has enough money in it to cover the check.

DEVELOPING A PERSONAL FINANCIAL MANAGEMENT PLAN

HANDLING RISKS

All of us face some financial risks. They may relate to loss of income or unexpected expenses or liabilities. While it is not possible or economically reasonable to anticipate and protect against all possible risks, a good plan will save much worry and stress. Insurance, lines of credit, and savings can all play a role in risk management.

QUESTIONS TO DISCUSS OR PONDER

What kinds of risks do we face? How will we handle the small financial emergencies of life? What major items do we own that will need to be repaired or replaced soon? Is it likely all earners could be laid off work at the same time? What would be the impact if a present breadwinner was unable to provide income for the family (death, disability, separation)? What would happen if the primary home production worker was not able to provide that service? Would we want to maintain present lifestyle if there were a family crisis of some type? How big an expense could we handle from current income? How big an emergency fund/credit line do we need? (Financial advisors suggest access to dollars equal to 2 to 6 month's living expenses.) What employee benefits do we have for risk management? If we were sued, what might we lose? Who will we seek advise from for risk management? What risks will we insure against personally? How will individual and family insurance needs vary across the life span? What types of insurance will best meet our needs?

<u>Predictable unusual expenses</u> - painting, repairs, replacements

Expense	Estimate of when	Estimate of amount

<u>Unpredictable unusual expenses</u> - illness or accident, property loss, job loss

Family Health	Insurance policy/Agent/Phone number

Property loss/ Liability	Insurance policy/Agent/Phone number
Job loss	Coverage
Death of main household salary earner	Insurance

Goals

Individual __________________ Family _________________

This is a tool to assist you in putting together a listing of goals that require financial resources and make plans to accomplish the most important of them. First, each household member should use this sheet to make a first draft of their goals with time lines. List goal with approximate cost.

Soon	Within Five Years	Over Five Years

Now, take all the individual goal sheets and begin to prepare a household or family goal sheet. Begin with the areas of agreement. Then discuss if they can all be accomplished in the time frame anticipated. Discuss the goals that are individual. What should be the balance between individual and family goals? How should these be reflected in the plan?

Our Family Spending Goals

Here is a chart your family can use to discuss and plan its spending goals. List these goals and what they will cost in the chart below. Are the goals ones your family can reach? This list will help you plan which goals are most important to your family.

Goals (Soon)	Cost	Goals (Future)	Cost

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