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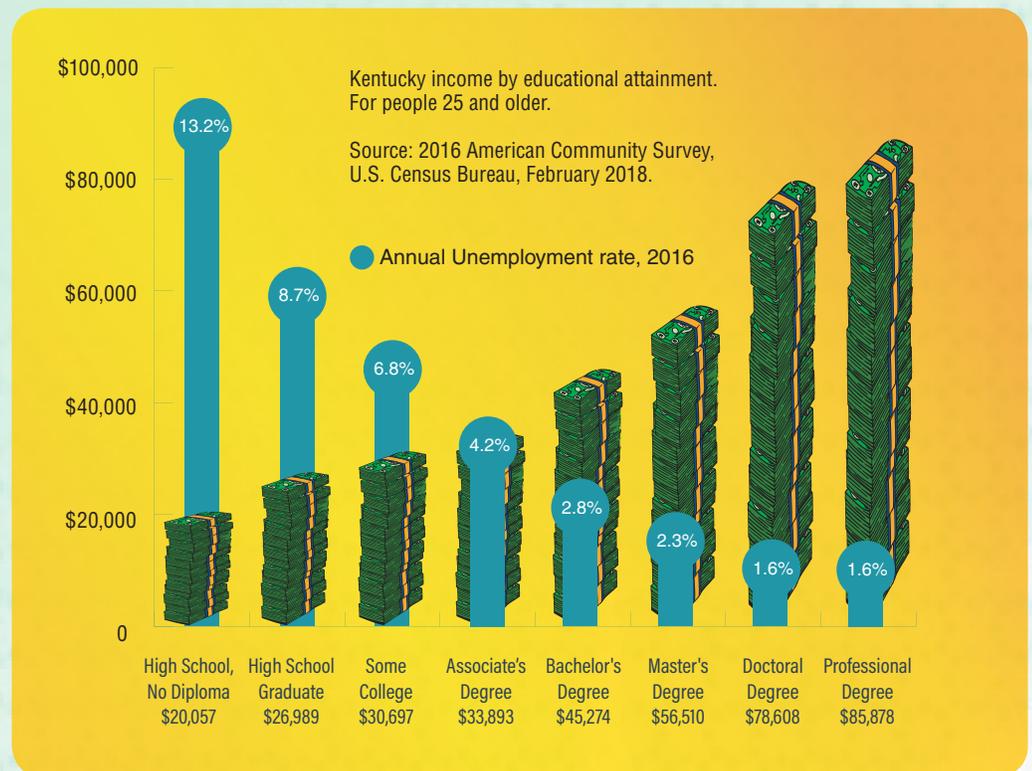
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Everybody needs to know how to manage money and to make it grow. Knowing what to do with your money helps you manage your income and expenses throughout your life.

Entire sectors of the economy are dedicated to separating you from your hard-earned cash. *It's Money, Baby* will help you make informed financial decisions so you keep more of your money in your pocket, not theirs.

EDUCATION PAYS

ATTENDING COLLEGE OR TECHNICAL SCHOOL CAN BOOST YOUR LIFETIME EARNINGS



Median earnings and unemployment rate by educational level in Kentucky. Source: 2016 American Community Survey, U.S. Census Bureau.

Plan Financial Goals

Plan Your Goals

Your biggest financial goal is to save as much money as you can. One easy guide is to live off 80% of your income, allowing for 20% savings. (Many financial planners recommend a 70–30 split, so aim for that if you can!) You should make that savings automatic by using direct deposit to a separate savings account.

Financial goals can also include saving for a trip, concert or car. Use this worksheet to list your short- and long-term goals, estimating how much money you can set aside per month to meet them. You'll get a better idea of how to finance what you need and want.

Goal (Be specific)	Term (Time until the money is needed)	Total Cost (How much needs to be saved)	Monthly Amount (Total cost / term)	Ways to Reach (Where the money will come from)
Example: New 2 in 1 laptop	6 months	\$600	\$100	Part-time job

Read a Pay Stub

This sample pay stub shows you where your hard-earned dollars go. You set the federal and state tax rate on your salary based on how many exemptions you claim on your W-4 form.

STUB A

			NAME JANE BROWN EMPLOYEE NO. 6789	PAYROLL 10/15/19	CHECK NO 12345 AMOUNT \$125.11		
EARNINGS			TAXES WITHHELD		OTHER DEDUCTIONS		
Description	Hrs.	Amount	Tax	Current	YTD	Description	Amount
REG.	7.25	166.75	FED INCOME TAX	14.97	149.70	MEALS	8.00
			SOCIAL SEC	10.34	103.39		
			MEDICARE	2.42	24.18		
			STATE INCOME TAX	5.91	59.10		
CURRENT		166.75					
YTD		1667.50					

1 2 3 4 5

Many jobs pay minimum wage. Others, like waiting tables, pay less because you're expected to earn the difference with tips. As you enter a profession, you'll likely earn a salary over a year, with benefits and perhaps bonuses.

However much you make, you'll have to allow for taxes, Social Security and possibly health insurance.

Gross vs. Net Pay

Gross pay is what you earn before any deductions are taken out, like a 401k or health insurance. **Net pay** is the amount of your paycheck.

STUB A:

- 1 What is your hourly pay?
- 2 How much did you earn this pay period before taxes?
- 3 How much did you earn this year before taxes?
- 4 What are your deductions?
- 5 What is your take-home pay?

OK, here's the difference between a NEED and a WANT:

You **NEED** new shoes.

You **WANT** \$125 shoes.

You **NEED** new clothes.

You **WANT** the \$150 coat/jacket/dress that's so hot and in style.

You **NEED** to get around.

You **WANT** a new Mustang.

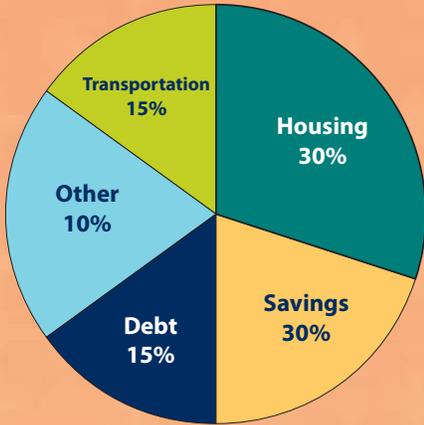
You **NEED** to eat.

You **WANT** to go out for every meal.

Every time you consider buying something, whether it's a soda or a new game, ask yourself, "Do I really **NEED** this?" If the answer is no, pat yourself on the back and put the money in your savings!



Your Money Plan



BUDGET GUIDELINES

Track Your Cash

A budget, or a money plan, tracks the money you make versus the money you spend.

If you're not on your own, your parents may cover most of your expenses. But if you have a job, they might expect you to contribute toward your phone bill, car payments and insurance, or spending money.

You create a budget by estimating how much money you'll make each month and how much you'll spend. It's a great way to avoid running out of money when you need it most.

Best of all, a budget will show you how much you have to save for the goals you set on page 3.

Budgeting Apps

There are many budgeting apps that can help students keep track of their incomes and expenses. Check the app store on your smartphone for a list of popular budgeting apps.

Income	Budget	Actual	Difference
Job #1	\$ _____	\$ _____	\$ _____
Job #2	\$ _____	\$ _____	\$ _____
Job #3	\$ _____	\$ _____	\$ _____
Allowance	\$ _____	\$ _____	\$ _____
Other income	\$ _____	\$ _____	\$ _____
Total monthly income	\$ _____	\$ _____	\$ _____

Fixed Expenses			
Rent	\$ _____	\$ _____	\$ _____
Car payment	\$ _____	\$ _____	\$ _____
Car insurance	\$ _____	\$ _____	\$ _____
Credit card	\$ _____	\$ _____	\$ _____
Savings	\$ _____	\$ _____	\$ _____
Food	\$ _____	\$ _____	\$ _____
Student Loan	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____

Variable Expenses			
Bus fare	\$ _____	\$ _____	\$ _____
Utilities (including cable)	\$ _____	\$ _____	\$ _____
Gas	\$ _____	\$ _____	\$ _____
Parking	\$ _____	\$ _____	\$ _____
Car repairs	\$ _____	\$ _____	\$ _____
Clothing	\$ _____	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____	\$ _____
Personal items	\$ _____	\$ _____	\$ _____
School expenses	\$ _____	\$ _____	\$ _____
Total monthly expenses	\$ _____	\$ _____	\$ _____

Banking

Choosing a Bank

Learning more about the banking system is a key step in understanding personal finances. Before you choose a bank or credit union, do some research. Find out:

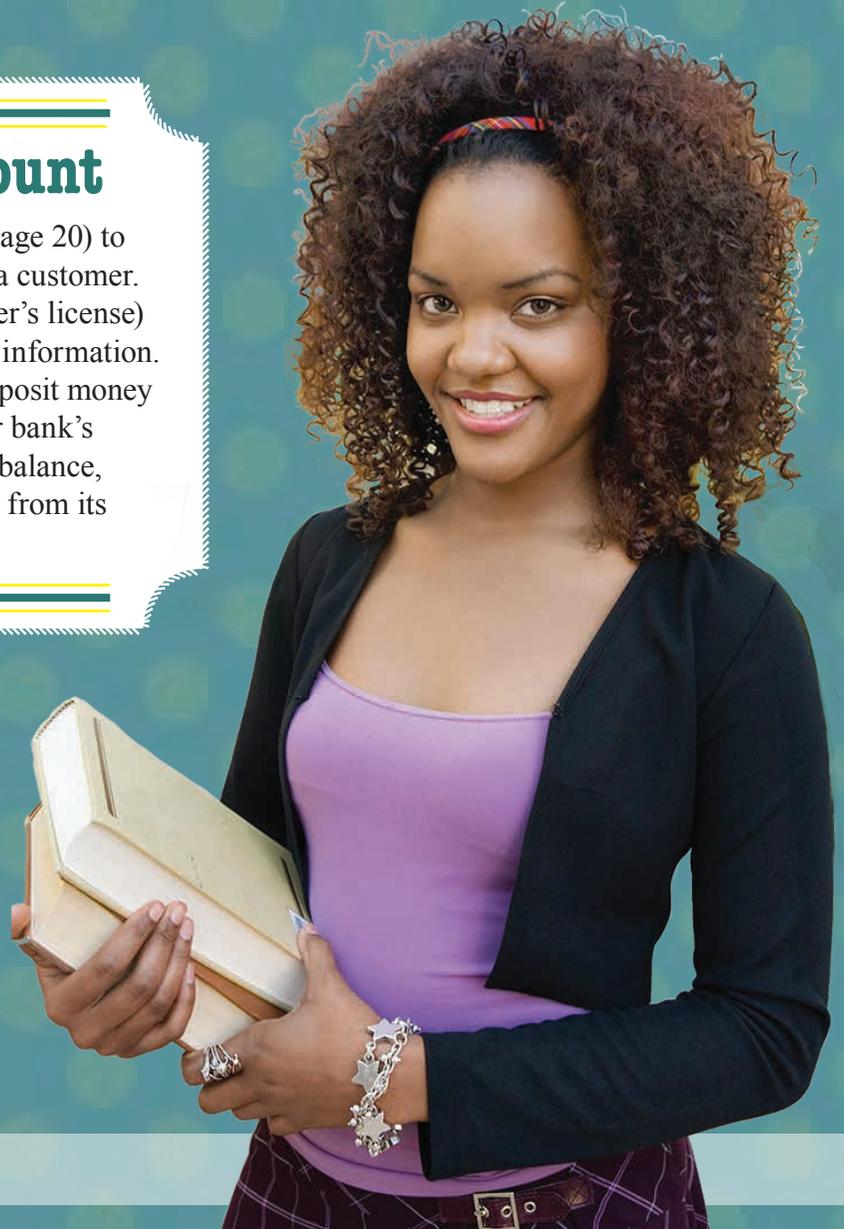
- What features banks and credit unions offer for savings and checking accounts.
- How much you'll be charged in overdraft fees if you don't have enough money in your account to cover your purchase, ATM withdrawal or debit charge.
- If the bank or credit union requires you to have a minimum balance or to use direct deposit to avoid account fees.

Fees can add up quickly, so choosing your bank and the type of account can make a difference. Ask if they offer a student account, which can help with this.

Consider your needs when choosing which bank you allow to handle your money. Every choice has different rules and benefits, so pick the one that's best for you. If your first choice doesn't work out, you can bank elsewhere.

How to Open an Account

Some banks will do a full credit report (see page 20) to see if you're a good risk for them to add you as a customer. They'll take your identification (typically a driver's license) and your Social Security number to verify your information. Once they determine you're eligible, you can deposit money into your new account. Sign up or enroll in your bank's online banking program so you can check your balance, pay bills and manage your money electronically from its website or mobile app.



Types of Accounts

Savings

Most savings accounts don't earn much interest. To keep pace with inflation, you can put some savings into certificates of deposits savings bonds or Treasury bills to earn a higher return. But that's after you have a chunk of savings you can afford to put away for at least six months. Until then, stash away as much as you can and don't spend it unless you absolutely have to. Remember, pay yourself first. You've earned it!

Checking

Checking accounts let you write checks or use a debit card to withdraw money you've deposited. The bank pays the person or business and sends you a monthly list of deposits and withdrawals called a bank statement. As you write checks, use your debit card or take money out of an ATM, make a note of the amount. Also, write down the dates and amounts of deposits and bank fees so you can keep track of your balance.

Banking Terms

Minimum deposit requirements:

Some banks will charge you a monthly fee if you go under a certain deposit amount. Others will not pay you interest and will charge a fee.

Limits on withdrawals:

Does the bank say when and how much you can access your money? Does it charge you for access?

Interest: That's money the bank pays you for keeping your money there. Some accounts pay, some don't. You're interested in how much and how often it's paid (daily, monthly, quarterly, yearly). Compare banks to find your best deal.

Deposit insurance: Make sure your bank is a member of the Federal Deposit Insurance Corporation (FDIC). Your account is insured for up to \$250,000 in case the bank fails.

Credit union: A nonprofit institution owned and run by its members. Like the FDIC, the National Credit Union Share Insurance Fund (NCUSIF) insures up to \$250,000.

Check-writing: Can you write unlimited checks per month, or only a fixed amount? Does the bank make you wait for a check to clear before the money is available to you? What happens if you write a check for more money than you have in your account?



SAMPLE CHECK REGISTER

CHECK NUMBER	DATE	DESCRIPTION	PAYMENT /DEBIT(-)	DEPOSIT/ CREDIT(+)	\$ BALANCE
099	3/5/2016	SPEEDY MART	23.59		564.69
100	3/7/2016	PIZZA XPRESS	16.49		548.20
101	3/8/2016	KU UTILITIES	45.81		502.39
	3/5/2016	GLACIER IC PAYROLL		236.53	738.32
102	3/5/2016	SPEEDY MART	35.98		702.94
103	3/5/2016	SPEEDY MART	13.79		689.75

- 1 What check number is this?
- 2 What's the going rate for pizza these days?
- 3 How much was your paycheck?
- 4 What is your balance?

Balancing Your Account

Balancing Your Checking Account

Balancing your checking account every month is an important part of being in control of your finances. When you balance your account, you compare your records to the bank's records to check for any errors or unauthorized activity. Here are some basic steps to balance your account:

1. Keep good records of all your spending and deposits. This could be a detailed check register (like the one above), copies of receipts from all of your transactions or entries you've recorded in a budgeting app. Regardless of how you choose to keep track of your checking account transactions, you should always know the date, the amount paid and to whom it was paid (the payee).
2. Match your records with your bank statement. Some banks send paper statements in the mail, but most banks will send this electronically. If anything is on your statement that is not in your records, add it in your record. Maybe you forgot to record something, or there might be bank or ATM fees.
3. If you have something in your records that is not on the bank statement, that is usually because it hasn't cleared the bank yet; don't just delete it from your record.
4. Taking the balance showing on the bank statement, subtract any payments and add deposits in your records that haven't cleared the bank yet. This new balance should match the balance in your records. If it doesn't match, compare your records against the statement again to figure out why. You may have entered a number incorrectly, or it could be a bank error. If you think it's a bank error, contact your bank right away as most have a time limit on disputing errors.

Outstanding Debits (not included on your statement)	Outstanding Deposits (not included on your statement)
Amount	Amount
Total	Total
1. Ending balance from your bank statement	\$ _____
2. Add total outstanding deposits	+ _____
3. Subtract total outstanding debits	- _____
4. New balance (should equal your balance after you record interest and fees)	_____

Debit or Credit — Know The Difference

	Debit Card	Credit Card
How does it work?	Linked to your bank account (typically a checking account). Money comes out of the account as soon as a transaction occurs.	Line of credit. The card issuer loans you the money to cover transactions which you must pay back in full each month or be charged interest
Monthly statement	You will receive a bank statement showing all of your transactions for the month — the money has already come out of your account, so no additional payment is needed.	You will receive a statement from the credit card company showing your transactions for a 30-day period — payment must be made according to the statement.
Application process	Easy. Most banks automatically issue a debit card when you set up a checking account.	Somewhat difficult; based on your credit score
Spending limit	The amount you have in the bank account linked to your card	Set by the credit card company; can be based on credit score
Interest charge	No interest because it isn't a loan, you are spending money you already have	Rates vary and can be high. The interest is charged if the bill is not paid in full each month.
Security	Protected by a PIN number you set with your bank	A PIN number can be set to increase security, but most companies don't require one.
Liability for fraudulent charges	High — if the card is stolen and used to make purchases, the money will come out of your account. Reporting fraudulent charges early can help limit or eliminate your liability depending on the circumstances.	Low — credit card companies rarely hold customers liable for fraudulent charges. Even if they do, you can only be held liable for a maximum of \$50.
Credit history	Does not typically impact your credit score unless you make a habit of overdrawing your account (spending more than you have available).	Can help build good credit if you pay your bill in full or make regular monthly payments on your balance. Not carrying a high balance from month to month also helps to build good credit. Failure to make payments or charging too much will hurt your credit score.
Overdraft fees	High — many banks charge \$30 or more every time you overdraw your account.	Low — most credit card companies will not allow customers to go over the spending limit.

Compounding

The money you invest earns interest. Compound interest is when your money (called capital) AND your interest earn money over the next year. In the third year, you earn money based on your capital plus your first two years' interest.

If you start investing when you're young, you have years to take advantage of what has been called "the most powerful force in the universe."

It doesn't take much cash to invest to make big bucks. If you save \$100 a month for 40 years and earn a 10% return (stock markets average 10%, usually), you'll wind up with \$641,128!

So, save away and let your money work for you for a change.

Investor A			Investor B		
Age	Deposit	End of Year Accumulation	Age	Deposit	End of Year Accumulation
22	\$2,000	\$2,220	22	0	0
23	\$2,000	\$4,684	23	0	0
24	\$2,000	\$7,419	24	0	0
25	\$2,000	\$10,456	25	0	0
26	\$2,000	\$13,826	26	0	0
27	\$2,000	\$17,567	27	0	0
28	\$2,000	\$21,719	28	\$2,000	\$2,220
29	0	\$24,108	29	\$2,000	\$4,684
30	0	\$26,760	30	\$2,000	\$7,419
31	0	\$29,703	31	\$2,000	\$10,456
32	0	\$32,971	32	\$2,000	\$13,826
33	0	\$36,598	33	\$2,000	\$17,567
34	0	\$40,623	34	\$2,000	\$21,719
35	0	\$45,092	35	\$2,000	\$26,328
36	0	\$50,052	36	\$2,000	\$31,444
37	0	\$55,558	37	\$2,000	\$37,123
38	0	\$61,669	38	\$2,000	\$43,426
39	0	\$68,453	39	\$2,000	\$50,423
40	0	\$75,982	40	\$2,000	\$58,190
Total Contributions		\$14,000			\$26,000
Total Value		\$75,982			\$58,190



Investor A: Opens an Individual Retirement Account (IRA) at 11%, deposits \$2,000 each year for seven years, then makes last deposit at age 28.

Investor B: During the first six years, spends money, then makes first deposit into an IRA at age 28 and continues to deposit \$2,000 each year (for 13 years!) until age 40.

Result: Investor A has much more money than Investor B even though Investor A saved only \$14,000 compared to Investor B's \$26,000!

Borrower Beware

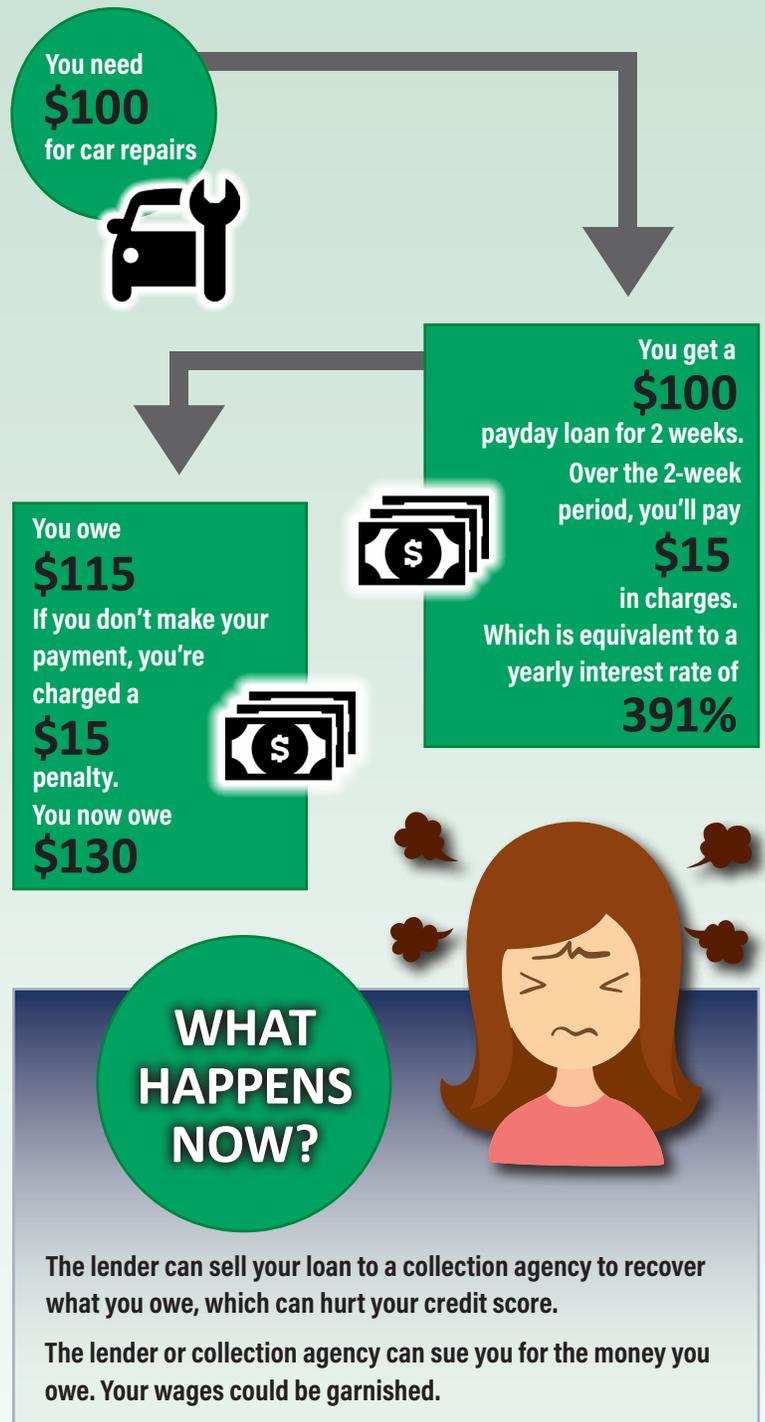
Payday, Tax Refund and Auto Title Loans

A payday loan is a short term loan, typically two weeks. These loans are very costly, are illegal in some states and cannot be offered to military personnel. If you can't pay the entire lump sum off at once, that relatively small loan can roll over into a large amount of debt. Lenders rarely accept partial payments beyond interest and fees, meaning you will never reduce the principal amount borrowed until it is paid in full.

Other high-cost ways to borrow money are tax refund and auto title loans. These types of credit let you get an advance on a tax refund or use a vehicle with a clear title — for a fee, with the balance due in full within a month or less. APRs as high as 774% have been reported. If you're short of cash, avoid these loans by asking for more time to pay a bill or seeking a traditional loan.



Payday loans:



This is for illustration purposes only. Interest and fees may vary.

Insurance

KENTUCKY LAW REQUIRES EVERY DRIVER TO HAVE CAR INSURANCE

Because young people don't have as much driving experience as adults, they're a bigger risk to insure. That means young people may pay more for insurance than someone who's older. There's no grace period for insurance for your premiums, either. If you don't pay your bill, you're not covered!

The Kentucky Department of Insurance has uncovered fake insurance card scams that often cost more than legitimate insurance policies, so go with a reputable company. If you have questions, call the Consumer Protection Division at 1.800.595.6053.

You must have insurance to cover any damage you do to someone else's property or person. That's called liability and isn't negotiable. Collision insurance covers repairs to your car if you have an accident. Unless you owe the bank money on your car, you probably don't have to have collision or comprehensive coverage, especially if your car is older. Not having collision insurance will save you money — unless you have an accident.

Here are the main types of auto insurance:

Liability

 Covers bodily injury and property damage if you hit someone else's car. Kentucky law requires you to have at least \$25,000 for bodily injury per person per accident, \$50,000 for all bodily injuries per accident and \$10,000 for property damage per accident.

 Liability insurance makes up about 40% to 50% of your premium.

Collision

 Pays for physical damage to your car if you're in an accident. You must pay your deductible first.

Comprehensive

 Replaces damaged windshields and repairs damage caused by hail, flooding, theft, vandalism, etc.

Personal Injury Protection

 Pays medical expenses, lost wages and other out-of-pocket costs if you're hurt, regardless of who's at fault.

How Much?

Besides your age, there are several factors that affect how much you'll pay for insurance, like:

- Your credit history (See page 26)
- The kind of car you drive
- The kind of job you have
- The kind of grades you've earned
- Whether you've had any wrecks or gotten any traffic tickets

That's why it's important to find out how much insurance will cost **BEFORE** you buy your car. First, narrow your choices to two or three cars. Then call your insurance agent to get a quote. Sometimes a more expensive car can save you a lot on insurance. Finally, if you use your car on the job — say, delivering pizzas — you may have to pay more for insurance.

Uninsured Motorist

 Covers your medical costs if you're hurt in an accident by an illegally uninsured driver.

Towing and Labor

 Pays these emergency costs when you need them.

Rental Reimbursement

 Pays for a rental car while yours is being fixed if you have an accident.

Word to the Wise:

If you customize your car with special wheels, lights or a sound system, you'll have to pay extra to have them covered by your auto policy.

YOU decide if it's worth the extra cost if they're damaged or stolen.

Health

Health insurance is usually the most expensive insurance. Ask your parents if you're still covered under their policy and if so, for how long. Current law allows parents to provide health insurance until you reach age 26. However, keep in mind that laws can change at any time. Once you graduate and get your first "real job," you may be able to get insurance through your employer.

Renter's/Homeowner's

If you rent an apartment or house, you should check into renter's insurance. It can pay you if your belongings get stolen, burned in a fire or blown away by a tornado. Check with your parents' insurance agent to see if you're covered by an off-premises provision of their policy. When deciding how much coverage to buy, consider replacement vs. actual cash value costs. Replacement means you'll get the same new item; actual cash value will give you an amount based on its used value. If you have really nice stuff like jewelry or a sound system, consider buying extra coverage, called a rider, on those items.

Contracts

A **contract** is a written agreement between two or more parties in which an offer is made and accepted. If you lease an apartment or have your own cell phone plan, you've probably signed a contract.

An insurance policy (see page 12) is an example of a contract.

Read contracts thoroughly and ask questions **BEFORE** signing. Complete everything and keep a copy for yourself.

Consumer protection laws let you cancel some contracts within three days of signing. Before you sign any contract, find out if you have that option. If you don't but have to cancel the contract later, you may have to pay a big penalty.

Otherwise, you'll have to pay what the contract calls for.

Never sign a contract unless you read and understand the terms of the agreement. If you feel pressured, walk away.

Born to be Wild?

Keep in mind:

-  Cars with bigger engines cost more to insure
-  Cities have more traffic than small towns, so where you live affects how much you pay for insurance
-  If someone else drives your car and causes an accident, you can be held responsible if they don't have insurance



Credit



A Sample Credit Card Offer:

Annual Percentage Rate for Purchases
(What you pay for the money you owe.)

Surprise! Yours will likely be much closer to the higher number. Why? Your rate depends on your creditworthiness, which is based on your debt, income, credit score and other factors, such as your history of paying bills on time.

What Credit Card Companies Don't Want You to Know

The fine print! The law requires the information on page 15 (or something like it) be written on your credit card application form. To help you make sense of the fine print, we've listed what all that stuff means. Remember, credit cards (like debit cards) can be useful tools. They can help you build a good credit history, which can help you get lower interest rates to buy cars, get insurance and maybe even rent an apartment.

A credit history or credit report lists all accounts you have and if you've paid your bills on time. If you haven't, you earn a much lower score than if you did. Prospective employers may also check your credit history before they offer you a job.

Credit cards offer security in emergencies and a reduced need to carry cash as well as enhanced personal responsibility. Save your credit card for budgeted purchases and emergencies, and **to avoid interest, pay the bill off in full every month to avoid interest.**



Penalty APR
(The \$35 "Oops!") Set up automatic payments and never pay this fee — or this interest rate.

This rate is the penalty for missing your payment due date, going over your credit limit or making a payment that is returned due to insufficient funds. And worse, you'll pay this rate for six months — or more.

ADVANTAGES

Convenient, cash free and zero liability for fraud. BUT, remember these things about credit cards:

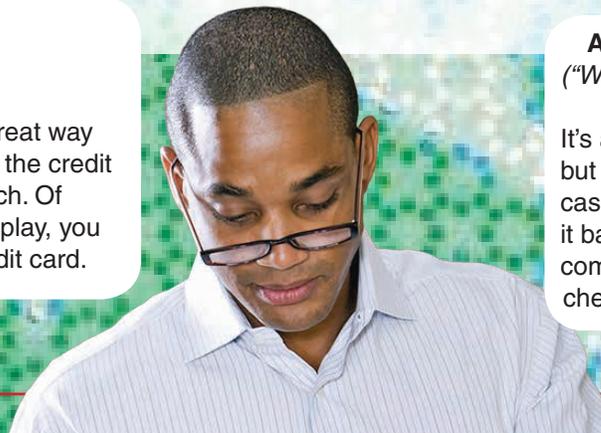
- Purchases are loans you repay.
- Interest rates may go up.
- You could rack up additional fees.
- It's easy to overspend when using a credit card.
- They can promote impulse buying.

Grace Period for Repayment
(“Pay as you play”)

If you can manage it, this is a great way to build good credit — although the credit card companies don't like it much. Of course, if you *could* pay as you play, you wouldn't need to put it on a credit card.

APR Information
(“When the banks are closed”)

It's always nice to have cash on hand, but it comes with a price. So remember, cash costs more. And if you're late paying it back — a lot more. If your credit card company sends you “cash advance” checks, tear them up immediately.



Annual Percentage Rate (APR) for Purchases

This rate will vary with the market based on the prime rate. The variable rate, based on the current Prime Rate of 3.25%, would be **19.99%** APR, based on your creditworthiness.

APR for Balance Transfers

0% Introductory APR, for the first 12 months. After that, your APR will be **19.99**. This APR will vary with the market based on the Prime Rate.

Grace Period for Repayment

If you pay your previous balance in full on or before the due date shown on your previous statement, you will have a grace period on purchases of 25 days (from the statement closing date to the payment due date).

Cash Advances APR (Cash from your Card)

The rate for cash advance transactions is **22.69%** and will vary with the market based on the Prime Rate. Cash advances are defined as all advances to get cash over the counter, through an ATM or other “cash-like” transactions (such as purchasing a money order, traveler's check, casino betting chip, or lottery ticket) as determined by us.

Penalty APR and When It Applies

29.99%. This APR will vary with the market based on the Prime Rate. This APR may be applied to your account if you make a late payment.

How long will the Penalty APR Apply? If your APRs are increased for this reason, the Penalty APR will apply until you make the next six consecutive minimum payments when due.

FEES

Annual Fee

None on this sample offer. Some banks charge up to \$30 a year, though, and in 2012, the Consumer Financial Protection Bureau reports cardholders paid an additional \$475 million in annual fees as banks tried to make up revenue restricted by new laws.

Transaction Fees

Balance Transfer

Either \$10 or 5% of the amount of each transfer, whichever is greater.

Cash Advance

Either \$10 or 5% of the amount of each cash advance at an ATM or over the counter, whichever is greater. \$10 or 5%, whichever is greater, on all other cash advances.

PENALTY FEES

Late Payment Fee

Up to \$35.00.

Over-the-Credit-Limit Fee

Up to \$25.00 each month balance exceeds credit limit.

Returned Payment

Up to \$25.00

Late Payment Fee
(Every time you're late)

This works the same way as exceeding your credit limit. The penalty is applied to your existing debt and can add to your interest charges.

Easy Street?

Let's say you have a credit card with a line of credit of \$2,000. But after pizzas, parties, books, student fees and things you didn't have the cash for, you owe \$1,500.

No problem, right? The minimum payment is just a few dollars a month. You're on easy street because credit cards aren't real money, right? Well, yes, they are. You'd have to be crazy to ruin your finances like that. [SEE WHY](#) 

Compare Offers

If you're under 21, you may be eligible for a credit card if you have a qualified co-signer or can prove you can make required payments. But you need to compare credit card offers. Some cards charge an annual fee, while others require a deposit equal to the amount of credit you have available — not a bad idea, since you can't charge over this limit.

Interest rate charges on credit card balances are far greater than any rate you could earn on investments.

You can get in way over your head with bills you can't pay by charging on your card. College administrators say they lose more students because they have to go to work to pay their credit card bills than because of failing grades.

You might feel like your plastic really isn't money. But if you don't pay more than the minimum balance, or worse, avoid paying the bill for a couple of months, your credit will be shot. If you find yourself in trouble and unable to pay, that's a black mark on your credit report (more about that later) for up to seven years.

BALANCE

\$1,500

INTEREST

RATE

22%

MINIMUM

PAYMENT

\$30

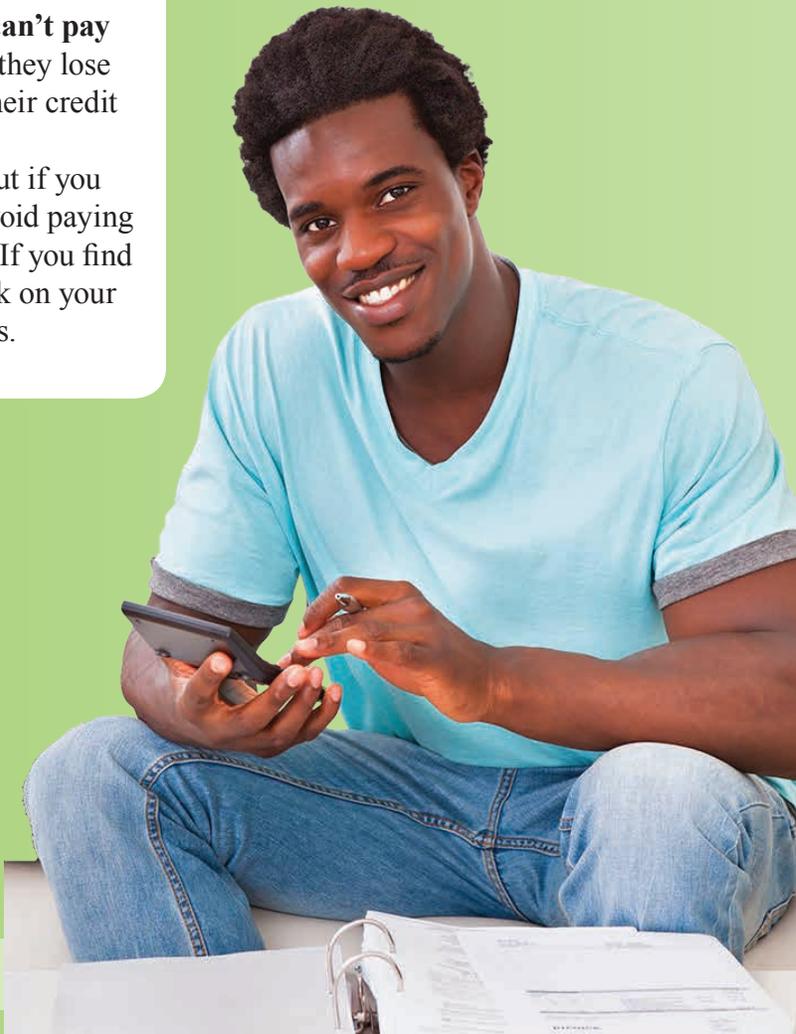
IF you only pay the minimum payment, it will take you over 11 years to pay back, PLUS you'll pay...

\$2,603

IN INTEREST

NEVER RUN YOUR
LIFE ON

BORROWED
MONEY



Explain In Writing



If you have a bill you can't pay, contact the company immediately to work out a payment arrangement. Whatever you do, don't ignore letters from people you owe!

Explain everything in writing so you have a record of it. Most companies will work with you if you're upfront about a temporary lack of cash. Ask if the creditor will waive any penalty fees and extend your payment period after you explain you're having a temporary financial setback. If you do find yourself in a bind, look at your finances and figure out your budget before writing your creditors.

BEWARE:

You may get offers for buying credit insurance that will take care of your credit card debt in case you're laid off, become disabled or die, or if a big-ticket purchase is damaged or lost. The *Consumer Action Handbook* says you should beware these types of offers. You may be better off to buy regular property, life or disability insurance instead.

Here's a sample letter:

Dear Creditor,

I am currently having difficulty paying my bills because I have not found a job after graduation. Based on my household expenses, I am asking your company to accept a reduced payment on my debt for the next several months while I look for a job. Instead of the \$75 minimum monthly payment, I can pay \$45 during this emergency. Once I am employed, please rest assured I will resume my normal payments and notify you immediately.

Sincerely,
Your name
Address

Account number (Last four digits)

Credit Cards' Rules

Here's what you need to know about the laws on consumer credit accounts. Credit card companies:

- Are limited in increasing the rate on transferred balances during the account's first year.
- Can't typically apply higher interest rates to existing card balances.
- Must inform consumers of rate increases or other significant changes 45 days in advance.
- Must honor "teaser" rates for six months.
- Must mail statements at least 21 days before payment is due.
- Are required to provide more timely and clear disclosure statements displaying due date and potential late fees. The statement also must include interest paid in the current year, the monthly payment required to pay off an existing balance and a warning about the costs of making only minimum payments.
- Are required to post standard card agreements on the Internet.
- Must set a consistent due date for payments each month. If the due date falls on a holiday or weekend, the deadline is considered the next business day.
- Are restricted on penalties they may charge for going over the credit limit.

A Sample Credit Card Bill:

Are You in over Your Head with Credit Card Debt?

- Are you taking cash advances on your credit cards to pay your everyday living expenses?
- Are you taking cash advances to pay on your other credit cards?
- Are you spending over 20 percent of your income on installment credit?
- Are you charging purchases you used to pay for with cash?
- Are you making only minimum payments on your credit cards?
- Is your overall debt increasing every month?
- Do you owe more now than you did this time last year?
- Are you using more than two credit cards?
- Are you paying late fees and high interest charges?
- Are you paying your bills later and later?
- Are you hearing from bill collectors, asking when they can expect their money?

If you answered “yes” to any of these questions, you could be in over your head. Recognizing the warning signs is only half the battle. Once you know you have a problem, you have to do something about it. Don’t be afraid to ask for help.



Credit card bills may show more information than this design, which is mandated by consumer protection laws. Laws are subject to change at any time.

The Big Oops. Even though you’ve made a timely payment, with your balance transfer and cash advance, plus your purchases, you’ve gone over your credit limit and hit the penalty interest rate — which is more than double your current rate of 14.99%.

Always make more than the minimum payment — or pay your balance in full — to avoid interest rates and long-term credit card debt. You probably can’t make 15% or 30% interest on any investment.

Summary of Account Activity

Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	\$-13.45
Purchases	+\$529.57
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	\$0.00
Fees Charged	+\$69.45
Interest Charged	+\$10.89
New Balance	\$1,784.53
Credit Limit	\$1,750.00
Available Credit	\$0.00
Statement Closing Date	3/22/2019
Days in Billing Cycle	30

Payment Information

New Balance	\$1,784.53
Minimum Payment Due	\$53.00
Payment Due Date	4/20/19

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APR may be increased to the Penalty APR of 29.99%

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)
If you would like information about credit counseling services, call 1-800-555-5555 Please send billing inquiries and correspondence to: PO Box XXXX, Anytown, KY XXXXX		

Important Changes to Your Account Terms

You have triggered the Penalty APR of 29.99%. This change will impact your account as follows:

Transactions made on or after 4/9/19: As of 5/10/19, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/19: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Interest Charge Calculation

Your Annual Percentage Rate (APR) is the annual interest rate on your account. (V) = Variable Rate

Type of Balance	Annual Percentage Rate	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00

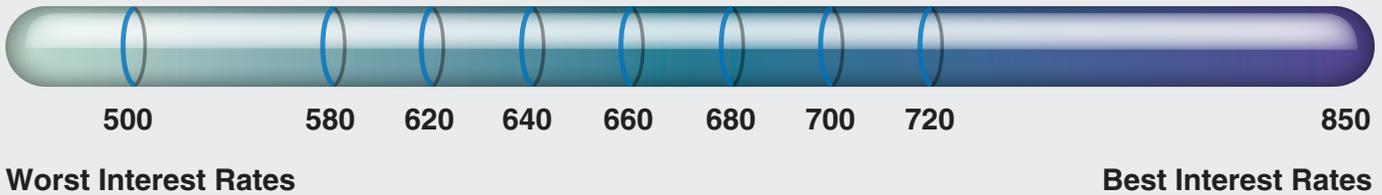
If you would like information about credit counseling services, call 1-800-555-5555

QUESTIONS? Call Customer Service 1-800-555-5555

Lost or Stolen Credit Card 1-800-555-5555

A FICO score, or credit score, is a measure of creditworthiness. In other words, it tells lenders and other interested parties (such as an employer) how good you are at being a responsible borrower and paying your debts on time. The higher your credit score, the better it is.

What's Your FICO® Score?



Check your credit

Equifax
1.800.685.1111
www.equifax.com

Experian
1.888.397.3742
www.experian.com

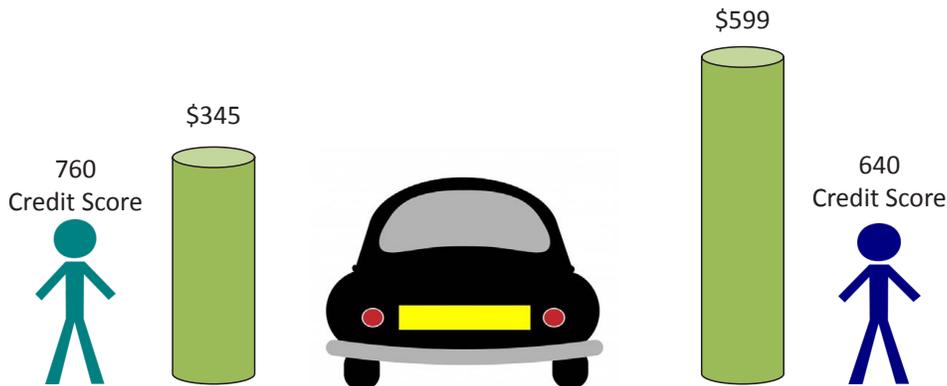
Trans Union Corporation
1.800.916.8800
www.transunion.com

Your FICO score ranges from 300 to 850. The exact formula used is proprietary information, but these items make up your score:



Why Good Credit Matters

Assume two people each borrow \$5,000 to purchase cars. One has a strong credit score of 760 and gets a 4.5% interest rate, and one has a poor credit score of 640 and gets a 7.5% interest rate. They will both have to repay the \$5,000 principle balance of the loan, but look who pays more *interest* over the life of the loan.



That's a difference of \$254 more in interest just for having a poor credit score!



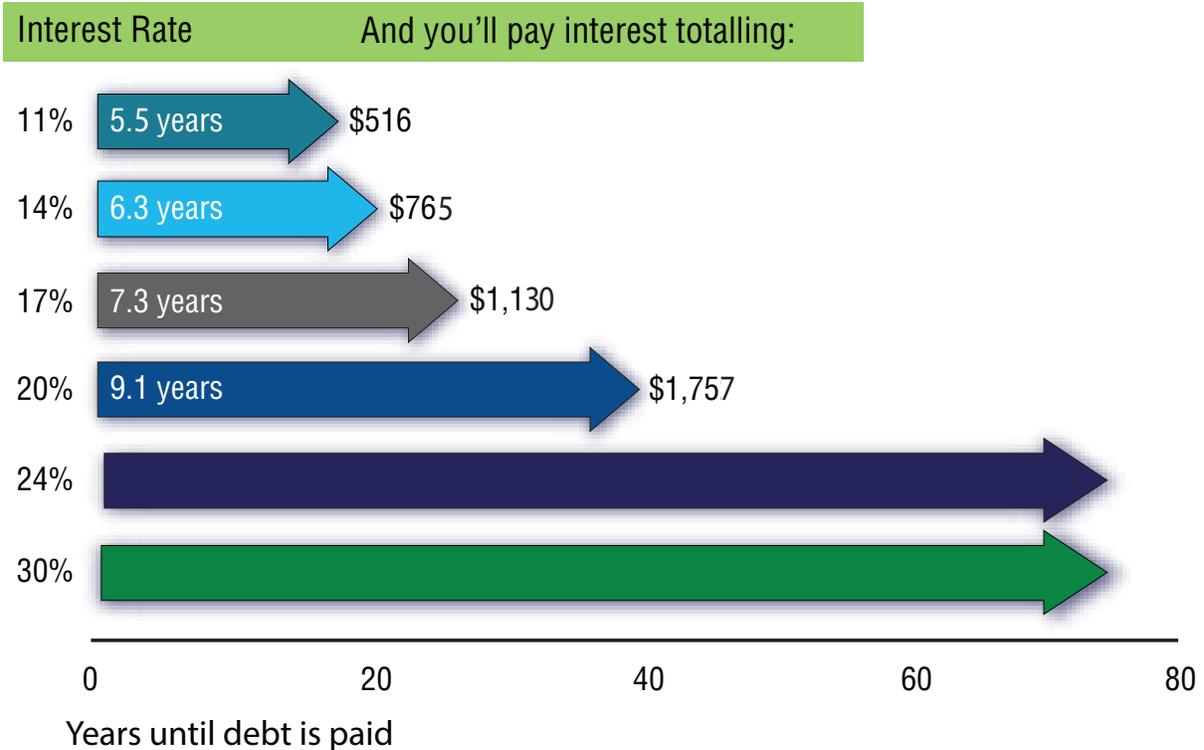
You can order a free report every four months, rotating through the three companies. You'll have to pay for extra reports. The Big Three credit bureaus created www.annualcreditreport.com as a central source to provide consumers with secure means to check their credit.

Some people think you have to have a credit card to build a credit score. But if you open utility accounts in your name, as a rental lease or borrow and repay student loans, you can build a respectable credit score in six months.

Some banks even offer credit builder loans for this purpose. (based on a term of 3 years)

How long does it take to pay off a \$1,500 credit card?

If you charge \$1,500 and only make a minimum 2% payment each month WITHOUT charging anything else, it can take **YEARS** to pay off. At 24% and 30% interest rates, making only the minimum payment is not enough to pay off your account.



College Money

Show Me!

If you earn a bachelor's degree, you can typically earn over \$18,000 more a year — that's more than half a million bucks during a 40-year career — than someone with only a high school diploma.

But college costs money, so find as much free scholarship and grant aid as you can. Your best source of information will be the college financial aid office.

A typical financial aid package may include grants, scholarships and student loans. You may want to work part-time to reduce the amount you have to borrow (and pay back later).

To find out what state and federal aid you qualify for, you and your parents must fill out the Free Application for Federal Student Aid (FAFSA) at fafsa.gov. **Make sure you go to the .gov website.** There are similar-sounding sites that will charge you a fee for something that's free.

Your college may require an additional application for its grants and scholarships — check with the financial aid office before submitting your application.

Even if you're already in college, you'll still have to file a FAFSA as soon as possible **starting October 1** to reapply for financial aid each year.



TEXTBOOKS

Textbooks are a great practice run for budgeting. You need them, but there's no law saying you have to buy them from the most expensive place. Most books will run you \$100 (or more!) per class, so a few dollars shaved is good indeed.

Tips include buying used, either at the campus bookstore or online.

If you use an online bookseller, make sure you're getting the right edition

and that you factor in delivery time and any charges to your final cost.

You may also rent textbooks. Some colleges now include textbook rental in their tuition and fees. You can also borrow or buy it from someone who's had the class before.

You can also check one out at the library, but you'll have to turn it in before the end of the semester and can't make notes in it like your own books.

Don't Borrow Trouble

One major financial goal should be to finish college owing as little money as you can. A college education increases your earning potential and opens doors of opportunity. But when you take out a student loan, you're borrowing against your future earnings.

The money you borrow for school must be paid back, and you can't erase the debt because you didn't graduate, you can't get a job in your field or you declare bankruptcy. Your monthly payment should be **no more than 10%** of your monthly gross salary.

Check with the career services or placement office at your school to get an idea of your expected salary based on your major and the year you'll graduate.

The most common student loan is the Federal Direct Loan from the U.S. Department of Education. If you can't borrow enough in Direct Loans to pay your college costs, you might want to consider a private student loan. KHEAA offers the low, fixed-rate Advantage Education Loan. Find out more at AdvantageEducationLoan.com.

How Much Will I Pay?

Your student loan payments will depend on the interest rate, the amount you borrow and the payment plan you choose. Here's what payments on Federal Direct Loans will look like at 5.05% interest.

Estimated Payments at 5.05%

Initial Debt at Repayment	Monthly Payments	Total Repaid
\$ 5,000	\$ 53	\$ 6,379
\$ 10,000	\$ 106	\$ 12,757
\$ 20,000	\$ 213	\$ 25,514
\$ 25,000	\$ 266	\$ 31,893
\$ 30,000	\$ 319	\$ 38,272
\$ 40,000	\$ 425	\$ 51,029
\$ 50,000	\$ 532	\$ 63,786
\$ 75,000	\$ 797	\$ 95,679
\$100,000	\$1,063	\$127,572

* Federal financial aid eligibility requirements and award amounts are subject to change. For the most up-to-date information, including interest rates, visit studentaid.ed.gov.

Learn more

Visit the Paying for College section of kheaa.com to find out the real cost of college, get an in-depth overview of state and federal financial aid programs, learn how to apply for aid and search for scholarships.



Fraud

Buy Now, Pay Later?

Want to pay more for everything you buy? Easy. Open a bunch of credit card accounts, charge your credit cards to the limit, miss payments or pay late.

Any late payment stays on your credit report for seven years, even if you've completely paid off the creditor. It's better to start off on the right foot by establishing checking and savings accounts, pay all your bills on time, use your credit cards (if you HAVE to have them) sparingly and pay the bill off every month. Also, open new credit accounts only as needed. Don't open accounts just to have a better credit "mix." It probably won't raise your score.

Protect Your Identity

Identity theft occurs when someone acquires and uses your personal information, usually for financial gain. Sadly, most identity theft comes from those closest to you. They're in the best position to find and use confidential information.

Never provide personal information (like your Social Security number, bank account or credit card number or PINS) in response to a phone call, a letter or email, no matter how friendly or official it seems. Be suspicious of people asking for your personal data. Some scammers attempt to bully you (especially by phone) to provide or verify personal information. Hang up, or ask for the offer in writing by mail so you can review the deal on your own time.

Review bank and credit card statements carefully. Report unauthorized transactions immediately to limit your losses. Often thieves will try making a small purchase on a stolen credit card (they don't even need the card if they have the number) as a test, so keep a close eye on your accounts.

Tear up or shred credit offers, bank statements, insurance forms and other papers with personal information on them. Pick up your mail as soon as possible after delivery or use a locked mailbox. Put outgoing mail in a blue Postal Service mailbox, hand it to a mail carrier or take it to the post office.



Tips It's a Ripoff

👉 If you see ads or receive calls offering "guaranteed" loans, scholarships or grants, be careful. You may be charged a fee and receive nothing in return.

👉 If you're approached by someone offering a high rate of return on an investment or an investment "without risk," beware. You may be investing in a bogus venture!

👉 If you receive emails or letters from an unknown source claiming that you're the heir to a foreign estate, ignore them. You'll be asked to send money for fees but will receive nothing in return.

👉 If a caller or sales person uses high-pressure sales tactics to get an immediate decision, be careful. It's a gimmick for you to spend

your money fast without researching the offer.

👉 If a charity can't provide you information about how the money will be spent or what percentage of your dollar goes to the cause, beware.

— Adapted from the Kentucky Attorney General's website

Tips for preventing identity loss:

- 👉 **Protect your PIN. Never write a PIN on a credit/debit card or on a slip of paper kept in your wallet or at your desk.**
- 👉 **Watch out for “shoulder surfers.” Use a free hand to shield the keypad when using an ATM.**
- 👉 **Collect mail promptly. Ask the post office to put your mail on hold when you’re away from home for more than a day or two.**
- 👉 **Pay attention to your billing cycles. If bills or financial statements are late, contact the sender.**
- 👉 **Keep your receipts. Ask for incorrect charge slips as well. Promptly compare receipts with account statements. Watch for unauthorized transactions.**



- 👉 **Check your credit report at least once a year. Check it more frequently if you suspect someone has gained access to your account information.**

The Federal Trade Commission (FTC) offers *Take Charge: Fighting Back Against Identity Theft*, which includes the ID Theft Affidavit. You can use the affidavit to report the theft to most of the parties involved. All three credit bureaus and many major creditors have agreed to accept the affidavit.

Request a copy of the publication by calling toll free 1.877.438.4338 or visit www.ftc.gov/idtheft. You can also use this website to file a complaint with the FTC.

The FTC also publishes a series of publications about the importance of personal information privacy. To download, go to www.ftc.gov or request free copies of brochures by calling 1.877.382.4357.



Reporting IDENTITY THEFT

If you've become a victim of identity theft, follow these steps:

- 1 Report it to your financial institution. Call the phone number on your account statement or on the back of your credit or debit card.**
- 2 Report the fraud to your local police. Keep a copy of the police report, which will make it easier to prove your case to creditors and retailers.**
- 3 Contact the credit-reporting bureaus and ask them to flag your account with a fraud alert, which asks merchants not to grant new credit without your approval.**

Social Networking

With billions of social media users around the world, it is important to protect your privacy on these sites. Increasingly, potential employers and admissions counselors use the content on social networking sites to make employment and college admission decisions. And, unfortunately, unscrupulous people will try to steal your posted personal information (or hack your credit card info if you've bought something online). Here are some tips to protect yourself in the social media age by using your privacy settings:

-  **Make your contact information private. Never post your phone number, address or email address. Scammers can easily piece together your identity with this information.**
-  **Don't list your exact date and place of birth. That's gold to identity thieves. Don't answer these questions in quizzes!**
-  **Limit who can search for your profile on Internet search engines.**
-  **Don't announce you're going on a trip ahead of time on social media. That's an invitation for a burglar.**
-  **Watch out when you take quizzes, especially the information you're asked to give. If the quiz includes the name of the street you were born on or a favorite place to travel, that could give scammers a clue to your password.**

-  **Change your passwords every few months.**
-  **Manage who can view images of you — untag photos if necessary.**
-  **Create several "friends" lists to manage who sees particular information about you.**
-  **Be careful about who can see your status updates. And don't swear or post inappropriate pictures!**
-  **Don't tell people where you are every waking moment.**



Kheaa.com Resources



Need more resources for learning how to manage your money? Check out the “Money Management” tab on kheaa.com. On that page you can find:

-  **Budget tools**
-  **Financial calculators**
-  **Games for ages 4–12 that teach about money management**
-  **Other online resources about money skills for youth**

REMEMBER, IT'S YOUR MONEY, BABY!



Text
OUTREACH to
800.928.8926
to stay updated.



Kentucky Higher Education Assistance Authority

