



Financial Literacy



Financial Literacy Part I - Agenda

- Why is it important?
- Establishing a plan?
- Strategies
- Needs vs. Wants
- Planning for the future
- Credit
- Resources



Why Financial Literacy Should Be a Priority to Students

- You're enrolled in graduate or professional school.
 - It's Exciting
 - It's a privilege.
 - It can be the most important investment in your future.
- You're starting to realize a whole new set of challenges.
 - It's more work.
 - It costs a lot of money.
 - Chances of success are uncertain.
- Investing in financial literacy programs will help students face these challenges and make their efforts (and money) count.



Establishing a Financial Plan

- Identify Overall Debt
 - What is Debt?
 - Credit Cards
 - Student Loans
 - Car
 - Mortgage
 - Chronic Medical Bills, Necessary Prescriptions



Develop a Financial Plan

- Set realistic Goals for financing and completing your education.
- Make a budget and stick to it.
- Borrow only what you need.
- Constantly track expenses.



Where Does Your Money Go?

- Identify General Spending Categories.
- Identify specific spending categories
- Identify Needs versus Wants!



What Resources Can Assist You In Financing Your Education?

- Support from parents.
- Grants and Scholarships.
- Employment.
 - Part-time employment
 - Work Study
 - Internship.
 - Full Time Employment Tuition Benefits.
- Student Loans.
- Savings.



Types of Loans Available for Education

- Federal Stafford Loans
- Federal Perkins Loans
- Graduate PLUS Loans
- Alternative (Private) Loans



Potential Costs While in School

- How much do you think you'll need to pay for school?
 - Tuition and Fees
 - Books and Supplies
 - Lab Fees
 - Health Insurance
 - Library Fines
 - Campus Parking Fees
 - Computer and Related Expenses
 - Monthly Membership Dues
 - Living Expenses



Tools for the In-School Period

- Ongoing counseling for continuing students
- Counseling for students who withdraw from school.
- Academic year completion letter.
- Lender notification of borrower status change
- Exit Interview procedures
- Exit interview components
- Student loan exit



Develop Strategies for Managing your Finances

- Complete Your Education On Time
- Borrow Only What You Need.
 - How should I use my student loan money?
 - How much can I afford to borrow?
 - Are credit cards a good way to pay for school or living expenses?



Successful Budgeting Strategies

- Build Your Own Budget – “BYOB”
 - Make it a budget you can afford.
- Save on Spending – “SOS”
 - Shop with a list – buy only what’s on your list.
 - Be thrifty – look for discounts
- Borrow Minimum Needed To Achieve Your Goals
- Manage Your Loans Responsibly
- Develop and Maintain Good Credit



Budget Planning

- What Do You Need To Do?
 - Develop Your Own Affordable Budget Plan
 - In School
 - Following Graduation
 - Follow the Budget Plan and Minimize Borrowing



Budget Planning

- Purpose of a budget
 - To plan in both the short and long term how you will
 - Spend your available resources
 - Meet your wants and needs
 - Avoid spending more than you have



In-School Budget Strategies

- Borrow Less
- Live More Cheaply
- Increase Resources By Working, Etc.
- Use Cash, Not Credit Cards
- Develop Good Financial Habits



Needs Vs. Wants

- Live With Roommates.
- Take Your Own Lunch, Coffee, Snacks, etc.
- Eat at cheap places when dining out.
- Have only one phone – either cell or home.
- Avoid excess phone features that add cost.
- Have free fun.



Needs vs. Wants

- Rent/share DVD's or go to matinees.
- Dress for Less-Shop at discount stores.
- Clip & use coupons on what you need.
- Don't buy a new car, use public transport
- Shop with a list and buy only from the list
- Beware of Impulse Shopping



What is \$3.00 a day worth?

Needs vs. Wants

	2 Yrs	3 yrs	5 Yrs
Daily Cost	\$3	\$3	\$3
Days Per Week	5	5	5
Total Weekly Cost	\$15	\$15	\$15
Number of Weeks Per Year	52	52	52
Total Yearly Cost	\$780	\$780	\$780
Number of Years in School	2	2	2
Total Cost While In School	\$1,560	\$2340	\$3,120
Annual Interest	6.8%	6.8	6.8%
Repayment Period (# of mos)	120	120	120
Est. Monthly Loan Pymt	\$20	\$31	\$42
Total Paid	\$2,363	\$3,698	\$5,078
Total Interest Paid	\$833	\$1,358	\$1,958



What is \$300 a day worth?

Benefit of an Added Roommate

	2 Yrs	3 yrs	5 Yrs
Monthly Savings/Housing Cost	\$300	\$300	\$300
Number of months per year	12	12	12
Total Yearly Savings	\$3600	\$3600	\$3600
Number of Yrs In School	2	2	2
Total Cost While in School	\$7200	\$10,800	\$14,400
Annual Interest Rate	6.8%	6.8%	6.8%
Repayment Period(# of mths)	120	120	120
Possible Savings in Monthly Loan Payment	\$92	\$142	\$195
Total Paid	\$11,042	\$17,070	\$23,435
Total Interest Paid	\$ 3,842	\$6,270	\$9,035



Out Of School Strategies

Be A Wise Borrower

- You Can Achieve Your Goals and Manage Your Debt If You
 - Develop A Strategy for Success
 - Spend Your Future Income Wisely
- Review Your Out-Of School Budget Plan (plan to live cheaply)
- Consider Alternative Repayment Plan
- Consolidate Eligible Federal Student Loans
- Investigate Variable Interest Rates vs. Fixed Interest Rates



Out Of School Strategies

Be A Wise Borrower *(Continued...)*

- Monitor Repayment Dates So Late Payments Will Not Adversely Affect Credit.
- Use Cash, Not Credit Cards
- Revise Future Lifestyle Expectations – Rental vs. Buyer
- Develop Good Financial Habits – Organize and Keep Good Financial Records.



Planning Your Future Budget

How Far Will Your Future Paycheck Go?

Class of 2006	Case 1	Case 2	Case 3
Annual Salary	\$40,000	\$50,000	\$62,000
Monthly Salary	\$3,333	\$5,000	\$5,167
Net Income	\$2,222	\$3,333	\$3,445
Loan Payment	\$818	\$818	\$818
Other Debt	\$100	\$100	\$100
Disposable Income	\$1,304	\$2,415	\$2,527

Will you have enough money for your other expenses each month after you graduate?



Planning Your Future Budget

Monthly Living Expenses

	Case 1	Case 2	Case 3
Housing	\$500	\$750	\$1,000
Utilities (Inc. Phone)	\$100	\$100	\$100
Food	\$400	\$500	\$500
Clothing			
Transportation	\$500	\$500	\$500
Entertainment			
Misc. Personal			
Retirement (10%)	\$333	\$500	\$617
Disposable Income	\$1,304	\$2,415	\$2,527

Will your future Budget balance? Will your future income cover all your expected future expenses including loan repayment?



Planning Your Future Budget

Monthly Balance Sheet

	Case 1	Case 2	Case 3
Disposable Income	\$,1304	\$2,415	\$2,527
Living Expenses	-\$1838	\$2,350	-\$2,617
- Subtotal	\$(529)	\$65	\$(90)
- Savings	???	???	???
Balance	Deficit	????	Deficit

Your budget must have a zero or positive balance. It cannot have a deficit in the long-term. What can you do to eliminate any deficit?



Developing And Maintaining Good Credit

- Some Useful Tips
 - Pay All Bills On Time (or early)
 - Notify Creditors of Changes
 - Limit Use of Credit Cards
 - Limit Number of Credit Card Accounts
 - Minimize Debt – Especially From Credit Cards
 - Review Credit Reports Annually



Using Credit Wisely

- Understand The Differences of Credit
 - Credit Cards
 - Debit Cards
 - Charge Cards
 - Home Equity Credit



Using Credit Wisely *(continued...)*

- Educational Resources
 - Workshops And Seminars
 - Training Session Sources Available From Lending and Professional Associations
 - Credit Score vs. Credit Report
 - www.annualcreditreport.com – A Free Copy Available Every 12 months
 - Three Major Credit Bureaus
 - www.equifax.com
 - www.experian.com
 - www.transunion.com



Helpful Tools

- On-line Budgeting Worksheets & Calculators from various sources.
 - Lenders
 - Servicers
 - Schools
 - Etc.
- Graduate & Professional Initiatives Committee Helpful Websites Listing.
 - Handout and on FASFAA website
- Handouts Available At Pre-Con Workshop



Financial Planning



Financial Literacy – Part II Agenda

Financial Planning

- Preparing for after school to:
 - Assess situation
 - Evaluate finances
 - Create a plan
- Collaborated Efforts
- Resources
- Wrap-up



Assess Situation

Identify Overall Debt

Identify Income vs. Expenses

Create a Budget

Establishing an Emergency Fund



Identify debt

- Student Loans
- Credit Card
- Mortgage
- Car
- Living expenses (i.e. food, utilities, clothing, entertainment)
- What else?



Understanding Student Loans

- How do we help students understand their Student Loan Portfolio?
 - Entrance/Exit Counseling Workshops and Tools
 - Assist with identifying all loans
 - Review of repayment options



Entrance Counseling Tools

- Conducting an initial loan-counseling session
- Entrance Interview components
- Supplemental data sheet
- Rights and responsibilities summary checklist
- Federal Stafford Loan test
- How much can you afford to pay?



Tools for In-School

- Ongoing counseling for continuing students
- Counseling for students who withdraw from school.
- Academic year completion letter.
- Lender notification of borrower status change
- Exit Interview procedures
- Exit interview components
- Student loan exit



Managing Loans Responsibly

- Meet All Your Borrower Responsibilities
- Defer Prior Student Loans (as needed while in school)
- Understand Loan Terms and Conditions
- Promptly Report Changes to Loan Holders/Service(s)
- Request Deferments/Forbearance (as needed)
- Keep accurate, well-organized records



Managing Your Loans

Keeping Accurate Records

- Create Master Listing of All Loans
 - National Student Loan Data System (NSLDS)
- Arrange by Loan Holders/Servicer and Loan Type
- Records to Retain
 - Applications
 - Promissory Notes
 - Disclosure Statements
 - Correspondence/Contact Log



Tools for Repayment Period

- Standard Repayment
- Loan Repayment Options
- Deferments
- Delinquency
- Default
- Deferment Letter



Evaluating Finances

- Budgeting
 - Identify Income (net income) vs. Expenses
 - Identify Needs vs. Wants
- Net Worth (assets minus liabilities)
 - Assets
 - Cash/Savings
 - Investments
 - Real Property
 - Retirement Accounts
 - Liabilities
 - Student Loan Debt
 - Car Loan
 - Credit Card Debt
 - Taxes Owed
 - Other Debt



Establish an Emergency Fund

- Savings
- Investments
 - Roth IRA
 - 529 College savings Plans
 - Stock Investments
 - Money market Accounts
 - Certificate of Deposit (CD)
- Retirement



Prioritize Debt

- Monitor Repayment dates so late payments will not adversely affect credit
- Organize and keep good financial records
- Renting vs. Buying
- Variable interest vs. Fixed Interest



Collaborations

- **Working with your colleagues on campus**
 - Student Affairs/Services
 - Alumni office
 - Business office
 - Career Services
 - Collections office
 - Academics
 - Faculty support
 - Deans support
 - Credit Union



Collaborations

- **Working with your students**
 - Student Government
 - Student Organizations
 - Finance, accounting or economics clubs
 - Minority or cultural centers
 - Other (fraternity/sorority, etc.)



On-Line Resources

- The American Institute of Certified Public Accountants: <http://360financialliteracy.org>
- Mapping Your Future - Financial Fitness: <http://mapping-your-future.org/features/dmtensteps.htm>
- Certified Financial Planners (information for savings, investments and retirement): <http://www.fpanet.org/index.cfm>
- Local banks, credit unions for auto loans, home loans, personal finance (savings & checking) and budgeting
- Lenders and guarantors for student loans



On-Line Resources (cont'd)

- Internal Revenue Service: www.irs.gov
- National Foundation for Credit Counseling: www.nfcc.org
- Ameriprise Financial: www.ameriprise.com
- Financial Literacy Month: www.financialliteracymonth.com
- U.S. Financial Literacy & Education Commission: www.mymoney.gov
- Personal Finance Information: www.bankrate.com
- Consumer Credit Counseling Network: www.creditcounselingnetwork.org
- Federal Trade Commission: <http://ftc.gov/bcp/consumer.shtm>
- Credit Education Cetner: www.myfico.com
- Identity Theft Resource Center: <http://idtheftcenter.org>



On-Line Resources (cont'd)

- Better Budgeting: www.betterbudgeting.com
- CNN Money (Money 101 found under Personal Finance): www.cnnmoney.com
- FinAid Calculators: www.finaid.org/calculators
- Financial Planning: www.msnmoeny.com
- Retirement Planning (AARP): www.aarp.org