

Financial Literacy

What your students don't know can hurt them.

“Some people ask themselves if they really need it.
We ask ourselves if we can do without it.”

Advice from my Depression Era In-laws

but I signed up to tutor
English



- Tutors work hard to help students reach educational goals that will bring them better-paying job.
- Incorporating some basic financial literacy can help ensure that hard earned extra pay isn't wasted.
- You may be the only person in the student's life who can do this.



10 Things the Student Might Not Know

1. All the terms of a loan matter.

\$2000 borrowed for 3 years

At

15%

Simple vs. Compound Interest

Simple Interest Example

$$\begin{aligned}\text{Balance} &= \text{Principal} \times \text{Rate} \times \text{Time} \\ &= \$2000 \times .15 \times 3\text{years}\end{aligned}$$

Year 1 \$2300
Year 2 \$2600
Year 3 \$2900

Compound Interest Example

$$\text{Balance} = P(1 + .15)^3$$

Year 1 \$2300
Year 2 \$2645
Year 3 \$3042

But it gets worse!

Annual Compounding

\$2000 loan at 15% for 3 years =

\$3042

Daily Compounding

\$2000 loan at 15% for 3 years.

\$3136

And Worse

- \$2000 balance on credit card at 24% compounded daily for 3 years=

\$4108

2. Where you borrow
matters.



Payday Loans



PAYDAY LOAN PRICE DISCLOSURE CALIFORNIA

FINANCE CHARGES

You will pay \$17.65 per \$100 borrowed. The following examples show how finance charges are imposed on our loans.

ADVANCE AMOUNT (Amount Financed)	FINANCE CHARGE (Cost of Loan)	TOTAL PAYMENT	APR* (Loan Term 14 Days)
\$100.00	\$17.65	\$117.65	460.16%
\$200.00	\$35.30	\$235.30	460.16%

***ANNUAL PERCENTAGE RATE** The APR is the cost of your loan expressed as a yearly rate. The APR will increase if the actual loan term is shorter than this example, and will decrease if your loan term is longer.

Can't pay off the Pay Day loan?

- Roll it over, and over, and over.
- Or take out another to repay it.....

\$200 @ 461% for a year = \$917 interest plus principal or

\$1118



Emergency Money

Who Will Lend Me Funds?

- Bank / Credit Union
- Family member
- Friend
- Church
- Social media site like “Go Fund Me.”

NO

- PAYDAY loan / Pawn Shop

3. Having an account at a bank or credit union can save time and money.

Avoid Check Cashing Services

(\$12 to cash a check)

San Mateo Credit Union offers an account with no monthly fees.

To open an account you must deposit \$50 into checking and \$20 into savings.

There is a \$10 membership fee. Checks are about \$25 but many branches will give you some complimentary opening checks.

You will need a form of identification such as a license or consular id.

4. Credit cards can hurt.....
or help.



VISA

MasterCard

VISA

Calling Benefits:
1 800 308-6537

MasterCard

AMERICAN EXPRESS

Credit Card Types

Unsecured

Good credit

Search for best terms

Secured

Poor credit or no credit history

Deposit Required

Important to find one that reports to the credit agencies

Account Number: [REDACTED]
February 11 - March 10, 2015

Account Information:
www.bankofamerica.com

Mail Billing Inquiries to:
Bank of America
P.O. Box 952235
El Paso TX 79898-2235

Mail Payments to:
Bank of America
P.O. Box 15019
Wilmington, DE 19886-5019

Customer Service:
1.800.421.2110

(1.800.346.3178 TTY)

New Balance Total\$2,935.51
Current Payment Due\$29.00
Total Minimum Payment Due.....\$29.00
Payment Due Date.....4/7/15

Late Payment Warning: If we do not receive your Total Minimum Payment by the date listed above, you may have to pay a late fee of up to \$35.00 and your APRs may be increased up to the Penalty APR of 29.99%.

Total Minimum Payment Warning: If you make only the Total 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 Total Minimum Payment	13 years	\$5,401.00
\$99.00	36 months	\$3,564.00 (Savings = \$1,837.00)

If you would like information about credit counseling services, call 1-866-300-5238.

Previous Balance [REDACTED]
Payments and Other Credits [REDACTED]
Purchases and Adjustments2,935.51
Fees Charged0.00
Interest Charged0.00

New Balance Total\$2,935.51

Total Credit Line.....\$19,500.00
Total Credit Available\$16,564.49
Cash Credit Line\$5,900.00
Portion of Credit Available for Cash\$5,900.00
Statement Closing Date3/10/15
Days in Billing Cycle28

Transaction Date	Posting Date	Description	Reference Number	Account Number	Amount	Total
03/07	03/07	Payments and Other Credits BA ELECTRONIC PAYMENT	2387	[REDACTED]	[REDACTED]	[REDACTED]
02/16	02/18	Purchases and Adjustments RISTORANTE CARPACCIO MENLO PARK CA	9328	[REDACTED]	[REDACTED]	
02/17	02/19	RICHARD A ORR DDS SAN MATEO CA	7513	[REDACTED]	[REDACTED]	

10 [REDACTED] 000029000068554300041473410 [REDACTED]

BANK OF AMERICA
P.O. BOX 15019
WILMINGTON, DE 19886-5019

Account Number: [REDACTED]
New Balance Total\$2,935.51
Total Minimum Payment Due\$29.00
Payment Due Date..... 04/07/15

Enter payment amount \$

Check here for a change of mailing address or phone numbers.
Please provide all corrections on the reverse side.
Mail this coupon along with your check payable to: Bank of America

Credit Card Statement

- Thebalance.com

How to understand your credit card statement.

<https://www.thebalance.com/how-to-understand-your-credit-card-billing-statement-960246>

MINIMUM PAYMENT CALCULATOR

The True Cost Of Paying The Minimum

Input Result Table Graph

Current Balance:

\$ 3000

Interest Rate (APR)

% 17

What are the components of your minimum payment calculation?

Percentage of Balance:

% 3.5

Minimum Dollar Amount:

\$ 25.00

CALCULATE

MORE CALCULATORS

- [What will it take to pay off my current balance?](#)
- [Which is better: Cash Back or Low Interest Card?](#)
- [Which is better: Airlines or Low Interest Card?](#)
- [How much could I save by transferring my balances?](#)

5. Co-signing a loan is risky
business.

SO, never, ever co-sign a loan
(unless you'd be **happy** paying for the whole thing.)

Because:

The bank thinks of **you** as the **primary** borrower not as a reference for your friend.

6. Little things matter.

Starbucks



A muffin and a drink once a week	= \$7
50 weeks a year	= \$350
Put on a credit card @ 24% interest	= \$90
	<hr/>
One year total	=\$440
Earning minimum wage (\$11)	= 40 hours or

One whole weeks pay just for Starbucks

7. Checking your credit annually is important.

(where you check it is important too)

Checking Your Credit

<https://www.annualcreditreport.com/index.action>

If you don't have a SSN you can use an ITIN by mail.

Individual Taxpayer Identification Number

ITIN

- <https://www.irs.gov/individuals/international-taxpayers/general-itin-information>

8. There is help available.

Consumer Credit Counseling

(NOT A DEBT CONSOLIDATOR)

- For Profit
- Non Profit

How to choose:

<https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor>

Spark Point

- <https://www.canadacollege.edu/sparkpoint/about/>

9. The importance of saving.

Compounding Can Hurt or Help

Borrow



Save



The Power of COMPOUNDING



STARTING EARLY WORKS TO YOUR ADVANTAGE.

And the earlier you start saving, the more powerful that advantage can be.



AMBER → AGE 30

Starts Investing



from her biweekly paycheck

\$45,500 INVESTED OVER 35 YEARS



CARLA → AGE 45

Starts Investing



from her biweekly paycheck

\$52,000 INVESTED OVER 20 YEARS

ASSETS AT AGE 65

AMBER

\$186,169

CARLA

\$110,420



starts investing



starts investing

Assumes hypothetical 7% annual investment return, which is not representative of the performance of any investment.

\$45,500
Becomes
\$186,169

\$52,000
Becomes
\$110,420



AMBER SAVED OVER \$75,000 MORE THAN CARLA.

START EARLY • SAVE OFTEN • BE CONSISTENT
Maximize the power of compounding.

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Back to Starbucks.....

- If you took that \$350 each year beginning at age 25 and invested it at 5% APR until you were 65 years old.

\$53,199.90

10. Budgeting is the key to financial security.



Income \$ _____

- Expenses _____ = _____

MONTH _____ YEAR _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$ _____
Other income (after taxes) for example: child support	\$ _____
Total monthly income	\$ _____ 0

Income

My expenses this month

Expenses	Monthly total
HOUSING	
Rent or mortgage	\$ _____
Renter's insurance or homeowner's insurance	\$ _____
Utilities (like electricity and gas)	\$ _____
Internet, cable, and phones	\$ _____
Other housing expenses (like property taxes)	\$ _____
FOOD	
Groceries and household supplies	\$ _____
Meals out	\$ _____
Other food expenses	\$ _____
TRANSPORTATION	
Public transportation and taxis	\$ _____
Gas for car	\$ _____
Parking and tolls	\$ _____
Car maintenance (like oil changes)	\$ _____
Car insurance	\$ _____
Car loan	\$ _____
Other transportation expenses	\$ _____

Make a Budget

Expenses	Monthly total
HEALTH	
Medicine	\$ _____
Health insurance	\$ _____
Other health expenses (like doctors' appointments and eyeglasses)	\$ _____
PERSONAL AND FAMILY	
Child care	\$ _____
Child support	\$ _____
Money given or sent to family	\$ _____
Clothing and shoes	\$ _____
Laundry	\$ _____
Donations	\$ _____
Entertainment (like movies and amusement parks)	\$ _____
Other personal or family expenses (like beauty care)	\$ _____
FINANCE	
Fees for cashier's checks and money transfers	\$ _____
Prepaid cards and phone cards	\$ _____
Bank or credit card fees	\$ _____
Other fees	\$ _____
OTHER	
School costs (like supplies, tuition, student loans)	\$ _____
Other payments (like credit cards and savings)	\$ _____
Other expenses this month	\$ _____
Total monthly expenses	\$ _____ 0

Expenses

Budgeting

https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet_form.pdf

Budgeting apps

- <https://www.forbes.com/sites/samanthasharf/2016/03/02/12-free-apps-to-track-your-spending-and-how-to-pick-the-best-one-for-you/#5a8ad3bb5445>





**FINANCIAL
SECURITY**

Managing Your Money



Credit, Loans and Debt



Scams and Identity Theft



Toolbox

Consumer protection basics... plain and simple.

This is a government website that helps you:



Manage and use your money wisely



Use credit and loans carefully



Protect your identity and money

Resources

- www.consumer.gov This is my favorite resource.
- <https://www.canadacollege.edu/sparkpoint/about/>

Also:

- https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet_form.pdf
- <https://www.forbes.com/sites/samanthasharf/2016/03/02/12-free-apps-to-track-your-spending-and-how-to-pick-the-best-one-for-you/#5a8ad3bb5445>
- <https://www.irs.gov/individuals/international-taxpayers/general-itin-information>
- <https://www.investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator>



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