## 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**

Balance = Principal x Rate x Time

 $= $2000 \times .15 \times 3$  years

**Compound Interest Example** 

Balance =  $P(1 \times .15)^3$ 

Year 1 \$2300 Year 2 \$2600 Year 3 \$2900 Year 1 \$2300 Year 2 \$2645 Year 3 \$3042

### But it gets worse!

**Annual Compounding** 

\$2000 loan at 15% for 3 years =

Daily Compounding \$2000 loan at 15% for 3 years.

\$3042

\$3136

### And Worse

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

\$4108

# 2. Where you borrow matters.



## Payday Loans





#### **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%

<sup>\*</sup>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.



## 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: February 11 - March 10, 2015

Account Information: www.bankofamerica.com

Mail billing inquiries to: Bank of America P.O. Box 982235 El Paso TX 79008-2235

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

(1.800.346.3178 TTY)

1.800.421.2110

New Balance Total	\$2,935.5
Current Payment Due	\$29.0
Total Minimum Payment Due	\$29.0
Payment Due Date	4/7/1

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 architorial charges daing this card	You will payoff the beaute shown on this statement in shoul	And you will criti up paying an eathmet 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.

70,00		
Previous	Balance	
Payment	s and Other Credits	
	es and Adjustments	
	rged	
	Charged	
New Bal	ance Total	\$2,935.51
Total Cre	edit Line	\$19.500.00
	edit Available	
Cash Cre	edit Line	\$5,900.00
Portion o	of Credit Available	
for Cash		\$5,900.00
Stateme	nt Closing Date	3/10/15
Days in I	Billing Cycle	28
	OK 9	7

Transaction Date	Posting Date	Description	Reference Number	Account Number	Amount	Total
03/07	03/07	Payments and Other Credits BA ELECTRONIC PAYMENT	2387		-	_
02/16 02/17	02/18 02/19	Purchases and Adjustments RISTORANTE CARPACCIO MENLO PARK CA RICHARD A ORR DDS SAN MATEO CA continued on next page	9328 7513	=	\$	

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



Account Number:

 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



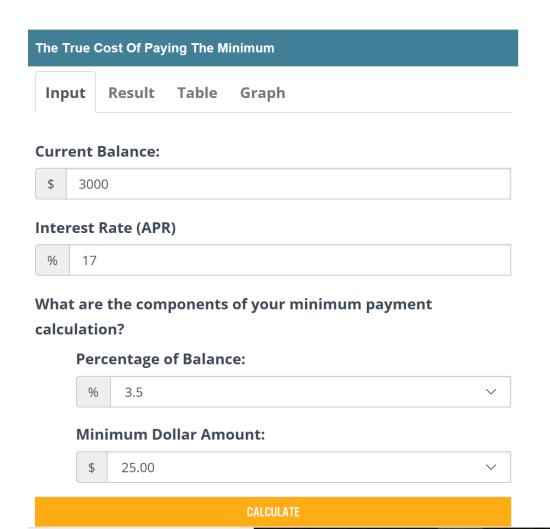
### Credit Card Statement

• 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



#### 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

50 weeks a year = \$350

Put on a credit card @ 24% interest = \$90

One year total =\$440

Earning minimum wage (\$11) = 40 hours or

## One whole weeks pay just for Starbucks

= \$7

# 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

• <a href="https://www.irs.gov/individuals/international-taxpayers/general-itin-information">https://www.irs.gov/individuals/international-taxpayers/general-itin-information</a>

## 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

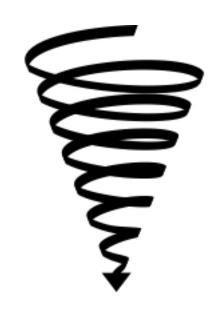
## Spark Point

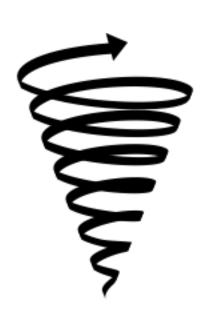
https://www.canadacollege.edu/sparkpoint/about/

## 9. The importance of saving.

### Compounding Can Hurt or Help

Borrow Save



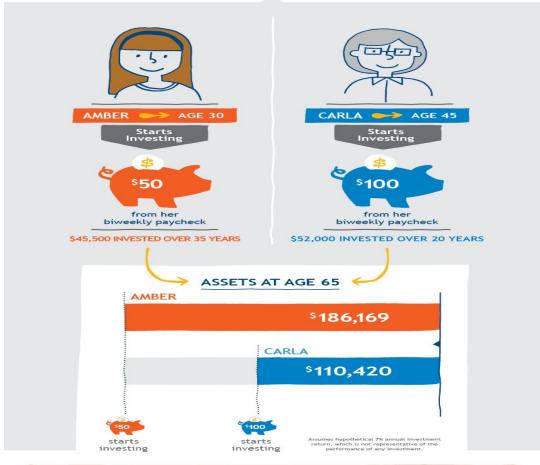


#### The Power of COMPOUNDING



#### STARTING EARLY WORKS TO YOUR ADVANTAGE.

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



\$52,000 Becomes \$110,420

\$45,500 Becomes \$186,169

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

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

This article is general in nature and does not constitute legal, tax, or investment advice. SunTrust makes no warranties as to accuracy or completeness of this information, does not endorse any companies, products, or services described here, and takes no liability for your use of this information.

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.

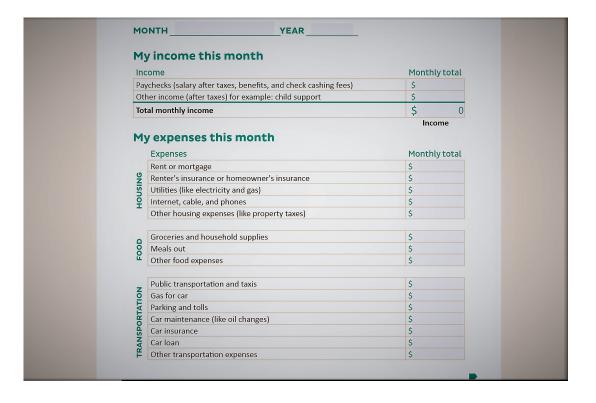
\$53,199.90

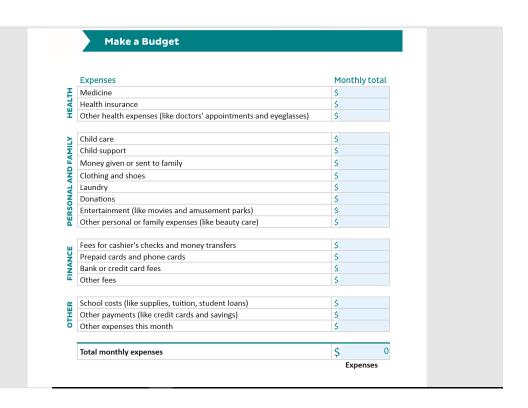
# 10. Budgeting is the key to financial security.



## Income \$\_

### - Expenses





# Budgeting

https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet\_form.pdf

Budgeting apps

• <a href="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.forbes.com/sites/samanthasharf/2016/03/02/12-free-apps-to-track-your-spending-and-how-to-pick-the-best-one-for-you/#5a8ad3bb5445</a>





Enter a search term...

search

Español

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

## Resourses

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

#### Also:

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



#### **Contact Information**

Susan Speicher Community Volunteer

susan@thespeichers.com

650-851-7147