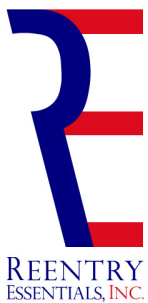
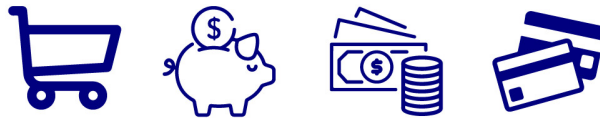


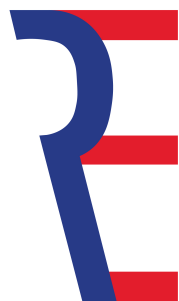
SUCCESSFUL MONEY MANAGEMENT



LIFE SKILLS SERIES: BASIC SKILLS FOR LIFELONG SUCCESS
A PROJECT OF REENTRY ESSENTIALS

**THIS PROJECT WAS MADE POSSIBLE
THROUGH THE GENEROUS SUPPORT OF
MARTY SOKOLOFF OF GOOD GROCERIES**

SUCCESSFUL MONEY MANAGEMENT



REENTRY
ESSENTIALS, INC.

Life Skills Series
Basic Skills for Lifelong Success

YOU CAN GET WHAT YOU WANT OUT OF LIFE.

Whether you're supporting yourself for the first time or you've supported a family for years, you can learn good money-management skills.

Good money-management skills are important for everyone.

They help you:

- provide for and protect yourself and your family
- plan for the future
- reach your goals

Getting started is the hardest part.

Maybe you haven't known where to start. Or, maybe you've been avoiding it. Either way, learning how to manage your money is mostly about:

- deciding what you want to do with your money
- making a plan and sticking to it

Even if you think you're doing OK, you can learn how to make your money go further.

Get everyone involved.

If you have a spouse or partner, plan your finances together. It's easier to work toward goals you both agree on. Also, it'll help him or her know how to handle expenses if you can't.

This workbook can also help you avoid common mistakes.

Some of the most common ones include:

- not having a spending plan (budget)
- thinking that you don't have enough money to save
- borrowing too much money

Start learning about money management now. Use this workbook to help take control of your money—and your future.

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SET GOALS FOR YOURSELF.

This is an important step in managing your money.
It gives you a clear direction for making a spending plan later.

What do you want out of life?

Your goals could include buying a car, getting out of debt or planning for a comfortable retirement.

Make creating an emergency fund of at least 3 months' worth of expenses a high-priority goal. (See page 27.) This will help cover you in case of unexpected expenses or income loss.

Use the worksheet on the next page to help you organize your goals.

When do you want to reach your goals?

Divide your goals into:

- short-term goals (within a year or two)
- medium-term goals (within about 5 years)
- long-term goals (5 years or longer)

How much will each goal cost?

Get as much information as you can. Write down the estimates. (Keep in mind that the costs of long-term goals may change over time.)

Make a payment plan for yourself:

- Set a deadline for each goal.
- Divide the cost by the number of months until the deadline. This is what you need to save each month.

Interest earned on savings or money made through other investments will help your savings grow faster. (See pages 29-30.) And, some investments can lose money. Adjust your plan as needed.

Don't be discouraged.

Add up the payments for all your goals. You may see that this is more than you can realistically save each month. But you've already taken the first step toward getting what you want.

Now set priorities.

You may have to rethink some of your goals. Which ones are really important? Which can wait a little longer? Look at your goals again with this in mind. Your goals may change as you learn more about managing money and as time passes. Review them regularly.

Pay yourself first.

Once you've fine-tuned your payment plan for reaching your goals, make it a regular "bill." Pay it first. Learn how to meet your other expenses with the money you have left.

GOALS WORKSHEET

Priority	Goal	Deadline	Cost	# Months to Deadline	Savings Per Month
----------	------	----------	------	----------------------	-------------------

Short-term goals (1-2 years)

# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____

Medium-term goals (within 5 years)

# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____

Long-term goals (5 years and beyond)

# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____
# _____	_____	_____	\$ _____	÷	_____	\$ _____

FIGURE YOUR NET WORTH.

Now that you know what you want to accomplish, figure out where you stand.

Your net worth equals what you own minus what you owe.

This is where you'd be if you had to pay off all your debts (everything you owe others) today.

Use the worksheet on the next page to figure your net worth.

Make a list of your assets.

These are things that belong to you. They are accounts you have and the things you could sell if you had to. Examples include your car, appliances, house and savings.

Write down how much each item is worth.

Use the amount that someone would pay for the item today, not what you paid for it.

Make a list of your liabilities.

These are the debts you owe. They could include loans for your car or education, credit card balances and mortgages. Don't leave anything out.

Add up each list.

Total the values of what you own. Do the same for what you owe.

Subtract your liabilities from your assets.

This amount is your net worth

Don't get discouraged.

If you're not happy with what you see, make a plan to improve things. Add it to your goals. Even if you're pleased with your situation, planning can help you make sure you stay on track.

Track your net worth over the years. It will help you see the progress you're making on the road to financial security.

NET WORTH WORKSHEET

<u>Assets</u>	<u>Value</u>	<u>Assets</u>	<u>Value</u>
Financial		Loan balances	
Cash	\$ _____	Mortgage	\$ _____
Checking accounts	\$ _____	Auto	\$ _____
Savings accounts	\$ _____	Bank	\$ _____
Savings bonds	\$ _____	Student	\$ _____
Certificates of deposit (CDs)	\$ _____	_____	\$ _____
Stocks/Mutual Funds	\$ _____		
Pension	\$ _____	Credit care/department store balances	
Life insurance cash value	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
_____	\$ _____	_____	\$ _____
		_____	\$ _____
		_____	\$ _____
		_____	\$ _____
Personal property		_____	\$ _____
Appliances	\$ _____		
Automobile	\$ _____	Taxes due	
Home furnishings	\$ _____	Home	\$ _____
Furniture	\$ _____	Social Security	\$ _____
Jewelry	\$ _____	Federal	\$ _____
Sound system	\$ _____	State	\$ _____
TV and vide	\$ _____	Excise	\$ _____
Computer	\$ _____	Real estate	\$ _____
	\$ _____		
	\$ _____	Other debts	
Real estate		_____	\$ _____
Home	\$ _____	_____	\$ _____
_____	\$ _____		
_____	\$ _____		
		Total	\$ _____
Total	\$ _____		

Total asset - Total liabilities = Net worth

\$ _____ - \$ _____ = \$ _____

PRACTICE GOOD BOOKKEEPING.

It makes managing your money easier, and it saves you time in the long run.

Create an easy filing system.

Keep all your important records in one place and in order. For example, use different folders for different items. You might have folders for your:

- bank statements and canceled checks
- credit card receipts and statements
- income tax returns and related forms
- insurance policies
- loan statements
- personal documents (birth certificate, passport, etc.)
- receipts for major purchases
- retirement plan statements
- will and power of attorney

Use a regular bill-paying system.

Put all bills to be paid in one place. Set aside the same days each month to pay them.

If you pay your bills online, be sure to keep a record of your payments.

Also, be careful to prevent identity theft. Keep your username and password in a private and safe place.

Know what to keep and what to throw away.

In general:

- Keep tax forms and any related receipts or canceled checks for 7 years.
- Keep bank statements and canceled checks for a minimum of 1 year, longer if they support your taxes or show payment for valuable goods or property (such as real estate, vehicles or other investments) that you still own.
- Keep insurance policies, warranties, deeds, etc., until they expire or you no longer have the item.
- Keep receipts as long as needed for your tax return and warranties. For charges, keep receipts at least until you check them against the credit card statement.
- Keep credit card and loan documentation for as long as you have the account.
- Throw away bills for phone, utilities, cable, etc., after you pay them and record them in your budget (unless you'll need them later—for example, to compare phone rates).

Know how to read your pay stub

It includes information you can use to make your spending plan and balancing your checkbook:

- gross pay (this is what you earn before taxes and other deductions)
- automatic deductions that you've arranged, as well as taxes
- net pay (after taxes and other deductions)
- amounts deposited directly into bank accounts (if you've arranged for any)

MAKE A BUDGET.

A budget is a plan for spending money.
It's your plan for making sure you get exactly what you want out of life.

Start by tracking your spending.

Before you start budgeting, find out where your money's been going. Keep a diary of spending in a pocket notebook for a couple of weeks. Include everything, even money spent at vending machines— it can really add up.

Next, use the budget worksheet on pages 9-10.

Your pay stub, financial records and spending diary will help. Use whole dollar amounts (not cents) to make your math easier.

1. Budget an amount for each expense.

Expenses are divided into different types:

- Fixed expenses are those that are generally constant.
- Variable expenses are those that you may be able to change. Use the last few months' bills and spending diaries to figure average variable expenses.
- Savings expenses are your way of reaching your goals and preparing for financial emergencies. Pay yourself first!

2. List your income.

Use your pay stub, bank statements, etc. Don't forget to include other sources of income.

3. Balance your budget.

Your total expenses and income should match. If they don't, reassign the amounts budgeted for expenses until they do. For example, trim your entertainment budget or try to cut transportation costs (But don't cut savings.)

4. Track the money you actually spend.

At the end of the month, use your records to track what each expense actually costs. Use:

- bills
- checks you wrote
- receipts for cash purchases

If you're spending more than you budgeted, look for ways to cut back. Pages 11-14 can help.

5. Review your budget regularly

This will help you see how well you're meeting your goals and where you need to make changes.

Budget worksheet

Expenses	Budgeted Amount	Actual Amount Per Month (write in month)					
FIXED EXPENSES							
Rent/mortgage	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Automobile payments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Loan payments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Alimony (paid)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Child support (paid)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Child/Elder care	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Child's allowance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Credit card installments	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
VARIABLE EXPENSES							
Groceries	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Transportation	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Telephone	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Medical or dental	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Clothing	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Personal hygiene	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Pet care	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
SAVINGS							
Savings account	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Credit union	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total expenses and savings	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Income	Estimated Amount	Actual Amount Per Month (write in month)					
Job #1	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Job #2	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Government support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Spouse or partners income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Alimony (received)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Child support (received)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Interest/Dividends	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total expenses	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Compare total expenses to total income.

Your budget is balanced when they match. If they don't, reassign expenses until they do. (Remember not to cut into your savings if you can avoid it!)

Amount to reassign \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____

GET YOUR SPENDING PLAN IN SHAPE.

If you're having trouble balancing your budget, take another look at your spending.

Keep your spending in line.

Your spending will depend on your needs and those of your family. But try to keep your spending within these percentages of your take-home pay:

- housing—no more than 30%
- food—15-30%
- utilities—4-7%
- transportation—6-20%
- installment loan payments— less than 20%
- savings—at least 10%

For example, if you take home \$2,500 a month, try to keep your rent or mortgage to no more than \$750 ($2,500 \times 30\% = 2,500 \times .30 = 750$).

Are your fixed expenses set too high?

These may not be as “fixed” as you think. For example, could you:

- move to a less expensive apartment or get a roommate?
- adjust the amount taken from your paycheck for federal income tax so you don't overpay?

Avoid reducing payments on your debts. Paying less now could leave you paying more in the long run.

Trim your variable expenses.

Use the tips for cutting costs on pages 13-14 to help with these.

Savings.

Try not to touch this. Cutting back here will mean having to wait longer to reach your goals.

SOME TIPS ON BUDGETING

You may not get your budget right the first time. But keep at it. Here are some ideas:

Pay yourself first.

Make your savings a regular bill. Pay it first. Plan to meet your other expenses with what's left.

Make budgeting a family affair.

Making your budget work may take the help of everyone in your family. Explain what you're doing and how each household member can help.

Plan for big expenses.

For example, set aside a small amount each month for holiday gift giving. That way, you'll avoid overspending— or overcharging— when holidays arrive.

Be flexible.

Be prepared to change your budget when needed. For example, plan what to do if you have to pay for a sudden car repair.

Use unexpected money wisely.

Use raises, bonuses, extra money, etc., to get ahead on your financial plan or invest in a necessary purchase. For example, put the extra income from a raise into savings.

Don't forget to budget "fun" money.

You don't have to deny yourself every pleasure to manage your money well. Just be sure the spending is part of your plan.

Consider using direct deposit and payments.

- If your job offers direct deposit, you can have your paycheck electronically deposited into different bank accounts. This lets you put money directly into a savings account before you get tempted to spend it.
- Some businesses, such as electric utilities, allow you to make electronic payments from your bank account so you don't have to write checks.

TRIM UNNECESSARY EXPENSES.

Here are some tips:

Shopping

- Don't shop when you're hungry or bored— you may spend more.
- Compare prices on items both within the store and at different stores. Try discount or thrift stores.
- Take advantage of sales. But don't buy things you don't need or items of poor quality.
- Use coupons and rebates for additional savings on items you need to buy.
- Don't buy on impulse. Think things over to be sure you really need the item.
- Make a list of what you need. Buy only what's on it.
- Compare unit prices to find the best deals. For example, it may be a better deal to buy an item in a larger quantity.
- Keep in mind that nonfood items may be more expensive at supermarkets.
- Rent tools and equipment you won't use often instead of buying them.
- Beware of sales gimmicks. Don't lose sight of what you need.
- Buy generic or store brands when you can. They're usually cheaper.

Food

- Plan meals so you can shop with a list.
- Use cheaper cuts of meat than a recipe calls for or substitute a less expensive type of meat.
- Buy the fruits and vegetables that are in season.
- Be careful when buying prepared foods. They may be faster, but they're usually more expensive.
- Pack your lunches and snacks instead of buying them.
- Eat out less.

Clothing

- Take advantage of offseason sales.
- Avoid dry cleaning bills by buying only machine-washable clothes.
- Consider buying from used-clothing stores.

Transportation

- Use public transportation when possible. Ask if reduced fares are available. For example, you may be able to buy a pass for several trips instead of paying for each trip separately.
- Consider buying a used vehicle that's in good shape instead of a new one to keep monthly payments lower.
- Have regular maintenance done on your vehicle to avoid costly repairs.
- Use the lowest octane gas recommended by your car manufacturer.
- Compare fares on different airlines before purchasing tickets.

Entertainment

- Look into free events for adults and children offered around town. Your local chamber of commerce may have more information.
- Rent a movie or go to a matinee—instead of paying full price.
- Visit your local library. It may sponsor events for adults and children. And, you can check out books—and in some cases videos and other materials for free.

Phone service

- Shop for the best long-distance calling plan. Look into using prepaid discount phone cards, too.
- Get rid of phone services you don't use often, such as call waiting, if there's an extra charge for them.
- Limit your long-distance calls, and call when rates are lowest.

Housing

- In warm weather, raise the thermostats of air conditioners when no one's home and at night when it's cooler.
- In cold weather, lower the heat when no one's home.
- Look into energy-saving devices, such as energy-saving light bulbs and temperature control devices that will automatically turn your heat or air conditioning on and off at specific times.
- Learn to make repairs yourself to save money. Follow all safety recommendations and local building codes.
- Lower your water heater temperature to 120°F. (If you have a dishwasher, check the owner's manual to ensure that this is adequate.)

CHECKING ACCOUNT BASICS

Find the best checking account for you, and manage it well.

Know your checking patterns.

This can help you comparison shop for the best checking account. Review your bank statements, or estimate your needs if you don't have a checking account.

- How many checks do you normally write each month?

- How many times do you use an ATM each month?

- How much money do you normally keep in your account?
\$_____

Know your checking account fees.

Read each bank's fee disclosure statement. It tells you the fees and conditions of the account.

Common ones include:

- a monthly fee
- a per-check fee
- ATM fees
- a "bounced check" fee (for writing checks you don't have enough money to cover)
- a fee for falling below a minimum balance

Which fees are you charged each month? How much do they amount to?

\$_____

Match your patterns to a checking account.

Look for a checking account that charges the least for the services you use the most. Shop around for the best deal. Ask if you can get a better deal by also opening a savings account.

For example, Bank A charges you a \$3 monthly fee, but there's no charge for the checks you write. Bank B has no monthly fee but charges you \$.15 per check. If you usually write 25 checks each month, it would cost you \$3.75 a month to have an account with Bank B (25 checks x \$.15 = \$3.75).

Read the fine print on "free" checking accounts.

There may be hidden fees or restrictions. For example, you may be required to keep a minimum balance, or there may be fees for using your ATM card.

Consider joining a credit union, if you can.

Credit unions often offer good deals on many different types of banking services.

Find out how the daily balance is calculated.

If possible:

- Choose an account that uses the average daily balance formula. (This computes the average balance of all days in the statement period.)
- Avoid accounts that use a minimum daily balance formula. If you fall below the minimum even one day, you could be charged fees.

Choose a bank that offers direct deposit.

This allows your paycheck to be deposited into your account electronically.

ABOUT ATM AND DEBIT CARDS:

Know what it costs to use your ATM card.

Some banks have fees for using ATM cards. For example, there may be a fee for:

- each time you use your card
- each time you use your card at another bank's ATM
- each different transaction you make (for example, checking your balance, withdrawing money, etc.)

Beat ATM fees.

For example:

- If you can avoid the temptation to spend money in your wallet try making only 1 large withdrawal instead of several small ones if your bank charges you each time you use your ATM card.
- Use only your bank's ATMs if you get charged for using other banks' ATMs.

Know that a debit card isn't a credit card.

Some banks offer debit cards that may double as ATM cards. They look like credit cards and can be used where credit cards are accepted. But, like traditional ATM cards, they deduct money directly from bank accounts. Debit cards do not give credit. Ask about any debit card fees at the bank.

KEEP YOUR ACCOUNT IN CHECK.

Balance your checking account regularly.
This is an important part of keeping your financial affairs in order.

Keep track of your account.

Record:

- the check number and amount on your register or stub before you write the check
- every ATM/debit card withdrawal, purchase or fee as it happens
- all automatic deductions
- all deposits

Keep a running balance so you'll know at a glance how much money you have.

Check your balance against your bank statement.

- Go through your bank statement and make sure all cleared checks, deposits, ATM/debit card usage and fees, etc., match your register. Put a checkmark in your register by the checks that have cleared.
- Add or subtract any charges, fees or interest you didn't already record in your register.

Use the worksheet on the next page to check your balance against your bank's. If they don't match, check your math. Also, check that you recorded the correct amounts for your charges and deposits.

Report mistakes right away.

If your statement has an error, contact your bank.

Other checking tips:

- When endorsing a check for deposit by mail, write "For deposit only" above your signature on the back of the check. Nobody else can cash it if you do that.
- Be careful not to "bounce" checks. You'll be charged high fees, it could hurt your credit record, and it's illegal!
- Find out if your bank offers overdraft protection.
- Give checks you deposit time to clear before trying to use that money. Read your bank's policies on how long that takes.
- Before closing a checking account make sure that all the checks written against it have cleared.

Keep track of your savings account, too!

BALANCED CHECKBOOK WORKSHEET

This worksheet will help you match your balance to your bank's records.
 Make sure that you've properly recorded every charge and credit to your account.

Part I:

- 1. Enter the balance from your checkbook register: \$ _____
- 2. Subtract any fees from your statement not already recorded in your register: - \$ _____
-
- 3. Add any Interest reported In the statement: \$ _____
- 4. Your checkbook balance is: \$ _____

Part II:

- 5. The ending balance on your statement is: \$ _____
- 6. Subtract the sum of all the checks and ATM/debit card transactions that haven't cleared yet:

Check/Transaction	Amount
	\$ _____
	\$ _____
	\$ _____
	\$ _____
Total	\$ _____

- \$ _____

\$ _____

Add deposits not credited on statement: + \$ _____

This amount should match #4: \$ _____

GIVE YOURSELF CREDIT.

Using credit has its advantages. But if you're not careful, buying now and paying later can leave you paying for a long time and paying more for your purchases.

Credit is very convenient.

It comes in many forms, including credit cards, bank installment loans and store charge accounts.

Managed wisely, credit can help you:

- make large purchases by letting you pay for them over time
- handle emergencies
- buy things over the phone or online

You pay for the convenience of credit.

When you use credit you commit to paying back what you've borrowed—usually plus interest and fees. Those are the costs of credit, and they can add up quickly.

Can you afford credit?

Credit isn't a way to live beyond your means. Overestimating the amount you can pay back is a quick way to get into money trouble. Before you apply for credit, check your budget. Can you balance your budget after including another payment?

Build a good credit history.

A possible lender will want to know how you've handled credit in the past. To build a credit history:

- Open checking and savings accounts.
- Get a secured credit card. (You keep a certain amount of money on deposit with a bank in exchange for credit.)

Manage all your accounts responsibly.

LEARN THE LANGUAGE OF CREDIT.

Know how to talk the talk. Here are the basics:

Credit history

This is your record of credit use. It can include personal information about you, your payment history, the amount of credit you have, etc.

Credit bureau

This is a company that puts together reports on your credit history. There are 3 main credit bureaus. (See page 30.)

Interest

This is the cost of borrowed money. It's figured as a percentage of the amount borrowed and added to what's owed.

Annual Percentage Rate (APR)

This is the percentage of yearly interest charged for the money you borrow. Divide your APR by 12 to find out the monthly interest charged.

Finance charge

This is what the money you borrow actually costs each month. It's based on the APR and your balance. But balances can be calculated different ways. The way your creditor does it can make a big difference in what you end up paying.

Grace period

This is the time you have to pay your balance in full before getting charged interest. If there's no grace period, you can be charged from the moment you use your credit card.

Annual fee

This is like a membership fee for having a credit card. Some cards charge fees, some don't.

Other fees

A credit card may have other fees for things like late payments, going over your credit limit, getting a cash advance, etc.

FIGURE OUT FINANCE CHANGES.

The amount of interest you owe is figured using your balance. But a creditor can calculate your balance in any one of these ways:

Adjusted balance method

This is usually the cheapest method. It takes the balance you owe from the last billing period and subtracts any payments you make during the current period. The amount left over is your balance.

Average daily balance method

This is the most common method. It totals up each day's balance, minus any payments you make. That total is then divided by the number of days in the billing period to get an average.

For example:

Your billing period is 30 days. For half the month, you carry a balance each day of \$200 (\$200 x 15 days = \$3,000).

Then you send in a payment of \$100. So for the second half of the month, your balance is only \$100 each day (\$100 x 15 days = \$1,500).

So, your average daily balance would be: $\$3,000 + \$1,500 = \$4,500 \div 30 \text{ days} = \150 .

Previous balance method

This is usually the most expensive method. It uses the balance owed from the last billing period without subtracting the payments you made this period.

The interest equals your balance multiplied by the monthly interest rate.

For example, if your APR is 18%, that would mean you'll be charged interest at a rate of: $18\% \div 12 \text{ months} = 1.5\%$ each month.

On a balance of \$150, the interest charged would be: $\$150 \times .015 = \2.25

So, your new balance, not including any other fees, would be: $\$150 + \$2.25 = \$152.25$.

MASTER THE CREDIT CARD GAME.

Find the best credit. Once you get it, keep it clean.

Review your credit reports before applying.

Lenders use credit reports to decide when to extend credit. Review the reports on your credit history. Get reports from the 3 credit bureaus (see page 30) through www.annualcreditreport.com.

The reports may not all contain the same information. Notify the credit bureau in writing immediately if you find any mistakes. You have the right to receive one free report per credit bureau per year. You also have the right to a free report if:

- you've been denied credit in the past 60 days
- you are unemployed and looking for work or you are on welfare
- you believe your credit is inaccurate due to fraud

Shop for the best deal.

Compare and understand the terms of different credit cards before you accept one. For example, shop for the lowest:

- annual fee—especially important if you'll be paying the entire balance regularly, since the annual fee may be as much as the interest you avoid by paying in full (some cards don't have a fee)
- APR—especially important if you plan to pay only a part of your balance each month since it tells you how much interest you will pay on the balance each month

Remember—paying off the entire balance is best.

Don't get more credit than you need.

Limit yourself to 1 credit card, if possible. And try not to use your entire credit limit. (Make sure you cancel and properly dispose of credit cards you won't be using.)

Here are some tips:

- If you don't have the cash, don't charge it. Charge only items you can pay for in full when the bill comes due.
- Always pay on time. This will keep finance charges down. Plus, it will help keep your credit history spotless.
- Avoid cash advances. These may carry higher interest rates and fees.
- Compare your statements to your charge receipts. Be sure you know how many days you have to point out mistakes. Put everything in writing and save copies for yourself.
- Report address changes promptly. You're responsible for making payments even if you don't get a bill.

MORE ON MANAGING CREDIT.

Know when to use credit.

Try to limit using credit to:

- purchases of items that may increase in value
- large, necessary purchases
- emergencies
- purchases that can be made only with credit cards

Mind the 20% limit.

Keep your debt payments (not including mortgage or rent) below 20% of your take-home pay.

Know the results of bad credit.

Late payments or accounts turned over for collection can stay on your record for 7 years. That can affect your chances of getting loans or even employment and housing. And, payment for unpaid debts may be taken straight from your paycheck (garnished).

“Beat the interest” is the name of the game.

This is why staying ahead is important:

Say you saved \$50 by shopping around for a sound system that was on sale. You charged \$500 for it. But you decide to make only the minimum payment of \$25 each month to spread out the cost. Good idea? Maybe not. Here are the hard facts:

- You’ll end up paying a total of \$588 for that system. That means \$88 in finance charges (with an 18% APR—1.5% a month— using the adjusted balance method, the cheapest one).
- It’ll take you 2 years to pay it off.

So much for the sale. And remember—this is just 1 purchase!

Pay more than the minimum due.

Interest can really add up.

Paying more than the minimum helps you stay ahead of it and avoid penalty charges. For example, by paying just \$50 each month, you could have paid off that system in 11 months and saved \$51 in interest.

STAY OUT OF THE HOLE.

The best way to avoid debt and credit problems is to take control of the situation now. Know your limits. And know what to do if you run into trouble.

Get away from high-interest debt.

If you have high-interest debt, consider:

- paying this debt off first (then paying the next highest and so on)
- transferring this debt to a credit card or loan with a lower interest rate
- asking your creditor for a better rate

Know the warning signs.

These are some signs that you could be in debt trouble:

- You don't know how much you owe.
- You're skipping paying some bills so you can pay others.
- You're using cash advances from credit cards to pay off other bills.
- Your accounts have been turned over to collection agencies.
- You're having to borrow so you can pay off old debts.
- You have no money for emergencies.
- You're over the 20% limit (see page 23).

If you're having problems, you should:

Talk to your creditors.

Let them know if your payment will be late or if you need to make payment arrangements. They may be able to help.

Get help.

There may be local nonprofit consumer credit help in your area. (See page 30 for details.)

Consider using your savings to pay off your debt.

Keeping your credit healthy may be worth a setback in savings. But avoid using your emergency fund, if possible.

Avoid services that claim to fix your credit for you.

They charge for a service that offers little or no help.

Make sure your bad credit history is erased.

Don't assume that the credit bureaus will erase your bad credit after its time has expired. Check your report to make sure.

Look into a secured credit card.

This is a good option if you can't qualify for a credit card because of past problems and you're not overspending anymore. It may also help you rebuild your credit history. (See page 19.)

LEARN ABOUT LOANS.

Knowing what lenders look for can help you get the loan you need.

Loans can help you reach some of your goals.

But make sure the reason you're borrowing is worth the extra drain on your finances.

- Is the item a "need" or just a "want"?
- Can you afford the extra payment?
- Will the new payment put you over the 20% debt limit?

Check your budget to find out.

Know what lenders look for.

Most lenders will consider:

- stability—the amount of time you've been at the same residence and job
- your credit history—the amount of credit you can afford based on your income and current expenses

Consider low-cost borrowing options.

Before you go to a lender, think about borrowing from yourself.

- Savings: Using your savings might make more sense if you really can't afford more debt. Or you could use your savings as collateral for a loan.
- Insurance policy: You may be able to borrow against your life insurance. If you don't finish paying this back, the loan is subtracted from the policy value.
- Retirement plan: You may be able to borrow against your retirement plan. There may be fees involved. You'll have to pay the loan back to avoid penalties.

Keep in mind that while interest rates on loans from your retirement plan or insurance policy may be low, you're using money that could be earning money for your future.

Be prepared.

Before you apply for a loan, gather your information. It will help you answer questions. It also shows that you've really thought about your request.

- Make a list of all your debt. Include the amounts, account numbers, balances and amounts of your payments.
- Take a list of credit references with you.
- Know how much you can afford to pay in installments for a new loan.
- Know how long it will take to pay it back.
- Detail how much you need and what you need it for.
- Don't withhold information on your application.

Shop for the best loan terms.

Have the loan officer explain them, especially how the interest will be calculated.

TIPS ON BUYING

There are many things to consider when making a major purchase. But keep these tips in mind when financing and buying:

A car

- Try to avoid dealer financing—unless they're offering a very low rate. Get a pre-approved loan from a credit union, bank, etc.
- Credit unions may offer the best rates on car loans.
- A bigger down payment may mean a lower interest rate.
- Make payments into savings starting several months before you buy. This helps you save for a down payment and see if you can afford the car.
- Make the biggest monthly payments you can afford. Extending your payments only means that the car will cost more in the long run.
- Comparison shop for the best deal.
- Choose a car that's economical and fits your needs.
- Consider special options carefully. Don't get talked into added expenses, such as extended warranties that aren't worth the cost.
- Sell your old car yourself, if possible.
- Negotiate the lowest price before telling the salesperson you have a trade-in.

A home

- Start cleaning up your credit at least 6 months before applying for a loan. Check your credit reports, pay your debt down as much as possible and don't apply for any new credit.
- Get pre-qualified for a loan. A lender can help you figure out all the costs, what you can afford, etc.
- Shop for the best mortgage deal you can find. You may get a better deal at a bank where you're known.
- An adjustable-rate mortgage (ARM) may be a good deal if you don't have the money for a big down payment or closing costs and you don't plan to have the home for more than a few years. But be sure you understand all the loan terms before deciding.
- The Federal Housing Administration (FHA) may help you get a mortgage with a low or no down payment. If you are a veteran, the Veterans Administration (VA) may also offer benefits.
- Renting may be the better deal for you if you can't come up with a big down payment or you don't have the money for upkeep.

Consider the complete cost of ownership before you buy—insurance, maintenance, taxes, etc.

FINANCIAL SECURITY

Are you ready for your retirement? For your child's college tuition?

Being financially secure means being able to handle your expenses now. It means planning for your future expenses, too.

Make sure you have an emergency fund.

This should be your first step for savings. Have at least 3 months' worth of expenses ready for emergencies. You should keep this money in an account that's easy to get at such as a savings account.

Create a savings system that works for you.

If you don't see the money, you'll be less tempted to spend it. For example, consider having money put automatically into a savings account, retirement account etc., each month. You can do that with direct deposit.

Aim to save at least 10% of what you earn.

This includes all savings for retirement, other goals, etc. Save more if you can. It may seem hard, but putting aside even a little bit every month can add up.

For example, if you save \$100 a month, you'll have \$2,400 in only 2 years. You'll have \$36,000 in 30 years—and thousands more in interest. Your money could earn even more if you invest wisely in a retirement account.

Make sure you're well insured.

Comparison shop for the best insurance deals, too.

- The amount of life, health and disability insurance you need depends on the needs of your family. Review your policies often.
- In general, term life insurance should meet your needs and be a better buy than whole life insurance.
- You should get auto and renter's or homeowner's insurance if you don't have it already.

Do you have health insurance?

It's easy to put off worrying about health care. But without insurance, a serious illness could push you into serious debt. Insurance also makes regular checkups more affordable so you can prevent problems or catch them early, when they're easier—and cheaper—to treat.

Invest in health insurance for yourself and your family. If you can't get health insurance through your employer and you can't afford it on your own, see if you or your children qualify for Medicaid.

Are you planning for retirement?

You need to plan to make sure that your retirement years are taken care of. Social Security may not be enough to let you live comfortably. Putting away retirement money in a savings account now is one thing you could do.

Creating a retirement account is another option. It lets you invest pre-tax income. (See page 29.)

The earlier you start planning, the easier it will be to reach financial security.

MAKE MONEY ON YOUR MONEY.

When investing, consider your goals, the risk and when you'll need the money. Talk to a reputable financial planner for advice.

Savings accounts

Savings accounts are reliable and safe, your money is easy to get at and they don't usually require a big deposit. But interest rates are low. That means your money will grow very slowly.

Money Market Accounts (MMAs)

These are like savings accounts. But, they require you to keep a high minimum balance, you can write a limited number of checks on them, and they may pay slightly higher interest rates.

Don't confuse MMAs with money market funds. Those are types of mutual funds, and you can lose money on them. (See Stocks, bonds and mutual funds.)

Certificates of Deposit (CDs)

CDs pay higher interest rates than bank accounts and are generally safe and reliable. But you can't withdraw your money for a certain amount of time (a "term"). Terms can be several months or years long. There's a penalty for withdrawing your money early. When shopping for a CD:

- Ask the bank to explain what a CD will earn in actual money, not percentages.
- Find the best CD term by comparing annual percentage yields (APYs). The APY is the amount you earn on your money in a year.
- Check CD rates at credit unions, too.

Stocks, bonds and mutual funds

These investments can give you a bigger return on your money. But they're riskier. Talk to a financial planner for advice.

Retirement accounts

Consider investing as much as you can in a traditional Individual Retirement Account (IRA) or a Roth IRA. Or invest in a 401(k) plan or pension plan, if these are available to you or your spouse.

Many accounts offer investment options that may include CDs, stocks, bonds or mutual funds. Different types of retirement accounts have different features and advantages—ask a financial planner to discuss the options with you.

But in general, the money you invest in retirement accounts isn't taxed until you start drawing money off them—neither is the interest. That means that you earn much more in interest. The sooner you start, the better.

Remember—always shop around to make sure you're getting the best deal. And make sure you understand all the details before committing.

SOURCES OF HELP AND INFORMATION.

Make note of the local phone numbers for the resources listed below for your future reference.

Local consumer services

Call the National Foundation for Credit Counseling at 1-800-388-2227. You'll get the number of a local nonprofit office that can help you budget and negotiate a payment plan with your creditors. There is little or no fee for this service.

Employee Assistance Programs (EAPs)

Some employers have EAPs that may offer financial counseling. Check with your job's human resources department to find out if your job offers one.

Government and community services

Look under the Community Services section of your phone book for listings of government and community organizations that may be able to help.

Credit reports

To get free copies of your credit reports, contact:

- www.annualcreditreport.com
1-877-322-8228

You can buy extra copies, if needed, by contacting each credit bureau separately:

- Experian
www.experian.com
1-888-397-3742
- Equifax
www.equifax.com
1-800-685-1111
- TransUnion
www.transunion.com
1-800-916-8800

Don't wait until you're in money trouble to ask for help.

Make note of financial phone numbers.

Bank/Credit Union:

Local Consumer Service:

EAP:

Other:

Other:

SELF-ASSESSMENT

Use the information you've put together in your worksheets and your records to complete these sections.

After completing them, review your answers. They can help you see the big picture—where you stand financially and where you're going. If you're not satisfied with what you see, use the skills you've learned in this workbook to make changes.

Record keeping

Are your record keeping skills helping you or slowing you down? Put a check mark by, or write the answer for, the items that apply to you.

1. I know how to read my pay statement.
2. I've created automatic pay deductions to pay these people or organizations each month:

3. I never bounce checks—I always know what my checkbook balance is.
4. I record every ATM and debit card withdrawal and deposit in my checkbook register.
5. My checkbook balance is currently \$ _____
6. My checkbook balance regularly matches my bank's records.
7. I have a regular system for paying my bills.
8. I regularly record the bills I've paid in my budget so I can see if I'm on track.
9. My system for filing important records works like this:

10. My spouse understands and can handle our finances if I'm not able to.

BUDGETING

How good are your budgeting skills?

Will your budget help you reach your goals? Fill out the following items.

1. These are my short-term goals: _____
I need to save a total of \$_____ to reach them.

2. These are my medium-term goals: _____
I need to save a total of \$_____ to reach them.

3. These are my long-term goals: _____
I need to save a total of \$_____ to reach them.

4. My net worth is \$_____ I plan to improve it by:

5. My total yearly income is \$_____

6. I've budgeted a total of \$_____ a month to reach my goals. I will pay myself first.

7. My total monthly expenses are now \$_____

8. I plan to cut my expenses further by doing these things:

9. I've budgeted \$_____ for fun money.

10. I plan to improve these areas of my budgeting:

DEBT MANAGEMENT

Are you headed for debt trouble?
Use this form to see how close your debt is to the 20% limit.

1. List the totals you owe each month on credit cards, store charge cards, etc.:

Card #1 \$ _____
 Card #2 \$ _____
 Card #3 \$ _____
 _____ \$ _____
 _____ \$ _____
 _____ \$ _____

Total: \$ _____

\$ _____	Total monthly CREDIT payments
\$ _____	Total monthly loan payments
\$ _____	Total monthly debt payments

2. List the monthly payment for every loan you have (not including mortgage):

Auto loan \$ _____
 Student loan \$ _____
 \$ _____
 \$ _____

Total: \$ _____

3. Total monthly debt payments \$ _____

4. List your monthly income (after taxes) \$ _____

5. Total monthly debt payments ÷ monthly income (after taxes) = Debt as a percentage of income

\$ _____ ÷ \$ _____ = \$ _____

This figure should be less than .20 (20%).

Take steps immediately to reduce your debt if it's close to or over 20%.

FINANCIAL SECURITY

How prepared are you?

Take a look into tomorrow by completing these items.

I'm saving \$ _____ each month. This is _____ % of my paycheck.

I have an emergency fund of \$ _____ right now.

I plan to create a fund of \$ _____ by _____ / _____ (month/year).

My life insurance pays \$ _____ .

Based on current expenses, this should cover my family for _____ years.

Yes/No I'm fully enrolled and understand my health-care and disability benefits.

Yes/No I have complete auto and renter's or homeowner's insurance.

When I retire, my Social Security, military retirement, other retirement etc., will give me an income of \$ _____ a year.

I plan to save a total of \$ _____ for my child's education.

I am saving \$ _____ each month.

Remember:

- Save at least 10% of your paycheck each month.
- Create an emergency fund of at least 3 months' worth of expenses.
- Have enough insurance to provide for you and/or your family in case of illness, disability, disaster or death.
- Look into an Individual Retirement Account (IRA), for example, if you're not satisfied with your retirement income.
- Get qualified financial advice if you have questions about your insurance needs, retirement needs, etc.

Life Skills Series: Basic Skills For Lifelong Success a project of Reentry Essentials

This series of interactive workbooks is designed to provide readers with real-world guidance and support overcoming some of the most common challenges faced by returning citizens and their families. Developed for a wide-variety of age groups, reading levels and cultural backgrounds, each interactive workbook contains straightforward text to ensure readability. Fill-in sections, worksheets, and other interactive features make workbooks perfect for continued reference.

Titles Currently Available:

- Active Parenting Pre and Post Release
- Anger Management and You
- Being a Successful Employee
- Better Self-Esteem
- Community Reentry: Tools for Success
- How to Manage Stress
- Managing Anger and Conflict
- Managing Credit Wisely
- Parenting and Anger Management
- Managing Family Conflict
- Relaxation for Your Health
- Successful Money Management
- You and Your Health
- Your Resume and You

Individuals and organizations interested in purchasing single or bulk quantities of workbooks are encouraged to contact us directly for purchasing instructions. Individual titles are available for \$6.00 each. Customized price quotes available upon request.



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