

Understand Banking Basics



We keep our money in a bank because it's the safest and most efficient option. However, banks are not all the same—which is why it's important to understand how banks operate, and why they want you as a customer.

Which bank should you choose?

If you're looking for a bank, do some comparison shopping. Visit different banks online and in person to compare their products, services, and fees. Just be sure to choose a bank that's convenient for you to use, and one that offers free "in-network" ATMs.

You might also want to check out credit unions. A credit union offers the same services as a bank, but they can offer special benefits, such as lower interest rates and fewer eligibility requirements.

Types of bank accounts

Here are three popular types of bank accounts.

1) Checking account

If you have money in a bank and want to use it to make purchases and pay bills, you need to have a checking account.

When you have a checking account, you can write checks, use a debit card for purchases, or have money directly withdrawn from your account to pay bills. You can also use an ATM card or debit card to withdraw money from an ATM. Just make sure that you have enough money in your checking account to cover all transactions.

Know the Ways to Pay

There are many ways to spend money, and they all have advantages and disadvantages. How you pay for things can be just as important as how much you spend, and what you spend your money on. *Here are some common ways to pay.*



Debit card

When you use a debit card to make a purchase or withdraw money from an ATM, the money is automatically taken out of your checking account.

There are some definite advantages to using a debit card. There is no interest charge and no end-of-the-month bill to pay. However, debit cards do not help you build good credit.



Credit card

A credit card allows you to borrow money from a bank or business to make purchases. You are then given a period of time (usually a month)

to repay the loan. If you do not pay the balance within the designated time period, you're charged interest on the unpaid amount.

Paying your credit card balance in full and on time saves you money—and helps you build good credit.



Cash

Dollar bills and coins are the old school way to pay, but still a good payment option, especially for making small in-person purchases.

BE A SMART SPENDER

The financial decisions you make today can have a major impact (positive or negative) on your future. That's why it's important to learn how to be a smart spender.



RECOGNIZE NEEDS VS. WANTS

Needs are things that are necessary for living, such as food, clothing, and shelter. Wants are things you don't have to have—they are the things you would like to have or do (such as a larger TV, new phone, or concert tickets).

Businesses work hard to convince you that you don't just want what they're selling—you *need* it. Smart consumers are aware of these sales tactics and don't let them influence their decisions.

BE A SMART CONSUMER

Beware of hidden charges. Some companies use extravagant shipping and handling charges to hide the actual cost of their products.

Take some time. Wait a day or two before making a purchase. Waiting helps eliminate bad decisions.

Don't purchase extended warranties. Businesses love for you to buy these, but they are seldom a good deal for the customer.

Do your research. Read customer reviews, and do some comparison shopping.

PROTECT YOURSELF ONLINE

As our online financial transactions increase, so do the risks to our money and identities.

Here's what you need to know to keep yourself safe.



KNOW THE RISKS

Phishing is the fraudulent practice of trying to get people to reveal personal information, such as credit card numbers and passwords. Phishing scams often use email, sometimes appearing to come from a legitimate sender. These emails may ask you to click on a link and log in somewhere. Phishing scams also use text messages. Phishing texts usually come from an unknown number asking you to click a link.

Viruses are unauthorized pieces of computer code that can infect your computer, phone, or tablet. Viruses can do all kinds of damage, such as stealing personal information and corrupting computer software programs.

Identity theft refers to the wrongful use of someone else's personal information, such as their social security number, credit card number, or any other personal information that can be exploited for financial gain.

Identity theft can be extremely damaging to your credit score, and ultimately your entire financial future. It can take a long time to undo the damage done by identity theft.

BE A SMART BORROWER



At some point, you will likely make a purchase that requires you to borrow money—whether it's for a car, a home, or to help pay for college. When taking out a loan, make sure that you're getting the best interest rate, and that you can afford to make the payments.

Here's what you need to know about borrowing money.

THE LOAN APPLICATION PROCESS

When people need a loan, they typically go to their bank or credit union and complete a loan application, or they do it online. The bank then checks their credit report and/or credit score to determine if they are a good risk.

If the bank approves the loan application, they will go over the terms of the loan (interest rate, amount, and length of the loan) with the customer.

If the loan is rejected, the bank should provide a written explanation. If the rejection was the result of a credit search, the person requesting the loan should check their credit report for errors. *For information on how to build good credit, watch this quick video.*



VIDEO

UNDERSTAND TAXES



Anyone who works and receives a paycheck needs to have a basic understanding of how they are paid, and of the taxes they are required to pay.

When you're hired for a job, the law requires that you:

- ▶ complete IRS Form I-9 (to establish your identity and eligibility to work in the U.S.).
- ▶ complete IRS Form W-4 (Employee's Withholding Certificate).

The law also requires that your employer give you information on your pay for each pay period—and that your employer provide you with an IRS W-2 form at year's end to submit with your tax return.

WHAT IS A W-4?

When you get a new job, you must complete a W-4 to let your employer know how much money to withhold from your paycheck for federal taxes. Completing your W-4 accurately will ensure that you don't owe a lot of money at tax time—or overpay your taxes.

WHAT IS A W-2?

The IRS requires employers to provide them with your previous year's wage and salary information on Form W-2. Your employer must also send you a W-2 by January 31. You need the information on your W-2 to complete your tax return, which is usually due on or around April 15.

Build Good Credit



Just like your GPA tells others how well you did in school, your credit record lets others know how well you manage your money.

Your credit history is important.

Would you be eager to loan money to a friend who hasn't paid you back for the money you loaned him in the past? Probably not. He has shown that he isn't reliable when it comes to paying his debts. He is a bad credit risk, and he's going to have a hard time getting anyone to loan him money.

Just like you, banks and businesses don't want to loan money or give credit to people who don't repay their debts. They would rather work with people whose past behavior has shown them to be financially responsible. *They want to work with people who have a good credit record.*

How do you build good credit?

- ▶ Make all payments (credit card, rent, utilities, cell phone, car loan) in full and on time.
- ▶ If you have a credit card, use it regularly, but use less than half of your available limit.
- ▶ Don't apply for numerous credit cards or loans.

The best way to build good credit is to *always* pay your bills on time. Being late with just one or two payments can adversely affect your credit report. While a number of things are taken into consideration when creating and updating your credit report, paying your bills on time is the most important.

PAY YOUR BILLS

Knowing what you owe and paying your bills on time are crucial to your financial success.



UNDERSTANDING LIVING COSTS

Living on your own is a big transition, and it often costs more than you think it will. So that you always have enough money to pay all your bills, it's important to understand and keep track of your living expenses.

In addition to the monthly rent or house payment, living expenses often include the following:

- ▶ utilities (electricity, water, gas)
- ▶ internet access
- ▶ food and groceries
- ▶ cable or streaming services
- ▶ household items, such as appliances, furniture, and kitchen utensils
- ▶ transportation to and from college and/or a job

If you rent an apartment, it's important that you understand your leasing contract, including the security deposit (which is sometimes kept by the landlord to cover clean-up costs).

The best way to ensure that you have enough money to pay your bills is to have a budget. Creating and maintaining a budget involves managing your money by tracking your income and your spending, and living within your means. For information on how to build a budget, watch this quick video!



VIDEO

Understand Insurance

Having insurance provides peace of mind. If you have the proper insurance coverage, and you have an accident, illness, or loss of property, your insurance will cover some or all of the costs (minus your deductible).

There are many different kinds of insurance (health, property, auto, and flood). While auto and health insurance are the ones most often purchased, auto liability is the only kind of insurance people are required by law to have.

What's a deductible?

A deductible is the amount you must pay before your insurance kicks in. For example, if your car insurance policy has a \$500 deductible and you have an accident that costs \$4,000, you pay the first \$500. Your insurance company then covers the remaining \$3,500. *The higher the deductible, the lower the insurance payments.*

Auto insurance

- ▶ Auto Liability Coverage is mandatory in virtually every state. It has two components. *Bodily Injury Liability* helps pay the costs for a person's injuries if you cause an accident. *Property Damage Liability* helps pay for the damage you cause to someone else's car or property while driving.
- ▶ Collision Insurance helps pay to repair or replace your car if it's damaged in an accident.
- ▶ Comprehensive Coverage protects your car against damage not resulting from a collision (such as vandalism, fire, and theft).

Build a Budget

Many people today are unaware of how much they spend, what they can afford, and what they owe. Not being aware of these things often leads to overspending and debt. *This situation can be avoided by having a budget.*

Steps for Building a Budget

A budget is a plan that helps you decide how you're going to spend your money over a designated period of time. To create a budget, follow these steps.

- ▶ **Select a time period.** Choose a time period that works for you (such as one week or one month).
- ▶ **Enter your income.** Figure out your total income for that time period.
- ▶ **Categorize your expenses.** Think about what you spend your money on and create a list of expense categories that makes sense to you (for example, Eating Out, Car Loan, Cell Phone, Clothes, Entertainment).
- ▶ **Determine if each expense is fixed or flexible.** Fixed expenses are the same every time period, such as a car loan. Flexible expenses, such as dining out, usually change each time period.
- ▶ **Take each category and budget a dollar amount for that time period.** Put your fixed expenses into your budget first. This will help you determine how much money you have for flexible expenses.
- ▶ **Keep track of your spending.** Enter all of your expenses into a spreadsheet or budgeting app.
- ▶ **Review and balance your budget.** At the end of your budget period, compare your income with your expenses. If your income exceeds your expenses, you have money to save. A "negative balance" reveals that you are spending more money than you're taking in.

Grow Your Money

Investing Basics

When you invest money, your investments can make money for you while you sleep. That's the way to really get ahead financially.



Here are some info and tips to get you started.

Investing Your Money

Many people find the idea of investing overwhelming and complicated—which is often why they don't bother with investments. However, learning how you can grow your money by investing it is well worth the time and effort.

Investing also takes self-discipline. When you get a paycheck, the first thing you need to do is take a set amount of money (maybe it's only \$10) and "pay yourself first." *Put this money into a savings account or invest it.*

Start early. Someone who spends every paycheck is not going to have anything extra when he/she retires. On the other hand, someone who starts investing \$50 every month as a young adult is likely to have hundreds of thousands of dollars when it's time to retire.

To begin investing, you just need a small sum of money, an interest in growing your money, and the willingness to do a little research.

Be smart. There is a saying, "*If it sounds too good to be true, it probably is.*" Don't fall for "get rich quick" schemes or proposals. They never work.

BE UP ON CRYPTO



Cryptocurrency (or "crypto") is digital money that can be used in a variety of ways (e.g., investing, online payments)—all without the use of a third-party, such as a bank or mobile payment service.

HOW CRYPTO WORKS

Many kinds of currency, like the American dollar and euro, derive their value from all their users simply agreeing that they have value.

The value of cryptocurrency, however, is maintained by a **blockchain**, which is essentially a comprehensive digital ledger that keeps track of every single transaction using that crypto.

The blockchain keeps track of the supply and demand of the currency in real time. This is how cryptos gain and lose value.

COMMON CRYPTOCURRENCIES

Bitcoin was the first and is the most recognizable type of cryptocurrency, but there are many cryptos now, all with different values and uses. The following are some of the most used cryptocurrencies:

- ▶ Bitcoin
- ▶ Ethereum
- ▶ Solana
- ▶ Cardano
- ▶ Tether
- ▶ Binance Coin