get Money
A Smart Guide to Finances
Managing Money for Independence

Smart Guide
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TOWNE BANK

TOGETHER WE CAN FOUNDATION
Aside from not having to obey someone else’s rules, the thing most young adults look forward to is some measure of financial independence—to live independently, earn their own money, and make their own decisions about how to spend it.

Earning money is one thing, but managing the money you make is probably the bigger challenge. While some people may want “money” as a kind of abstract idea, most people want money to do things or to buy things or to simply have more choices in life. This Smart Guide to Managing Money is designed to help you with the skills you will need to manage the money you make.

The GET MONEY Guide is divided up into 6 short sections.

1: Money for the Basics (page 6)
Introducing the skills of budgeting, tracking, and managing money. Bank cards, and online checking and savings account management.

2: Money for Dreams (page 19)
Setting and managing smart financial goals and saving for what we want.

3: Money for Independence (page 24)
Expanding upon financial skills for living independently and responsibly.

4: Money in the Bank (page 36)
How banks and banking work and how they can help you better manage your money and achieve your goals.

5: Money for Emergencies (page 44)
Savings Accounts, Credit Cards, Insurance Plans, Loans (the pros and cons of each).

6: Money for the Future (page 50)
Investing for the future and how interest works in your favor.
Can Money Make You Happy?

We’ve all heard the phrase “money can’t buy happiness,” but is that really true? Certainly not having enough money to cover our basic survival needs causes a lot of stress that interferes with being happy. There is even evidence that poverty is linked to poor health. So in one sense, not having money can make you both unhappy and sick. But can “having” money cause you to be happy?

Psychological research on happiness would indicate that it all depends on how that money is spent. There is a lot of research that suggests that money spent on consumer goods—things—only makes us happy for a very short period of time before we become unhappy and want new things or more things. This creates a spiral of unhappiness, much like addiction to a drug that requires ever stronger doses to recreate the original feeling.

On the other hand, after our basic needs are met, money spent on experiences like travel or events or money spent helping others, tends to increase our happiness far more significantly and for a much longer period of time. Money tends to increase our choices and our options in life so mastering the art of making and managing money is an important skill if you want to be happy.
Because there is stuff we want, and, usually...
Our wants and our needs exceed our income.

We all need or want: **a place to live, food, clothing, transportation, health care, communication, and entertainment.**

Sometimes we want these things for ourselves and sometimes we are already caring for others. Right now, you may not yet be worrying about these independent living needs and managing money might not seem that important, but since living independently is the goal of most adults, this guide is going to focus on the skills you need to be successful with money in your life.

You can do the exercises in this section regardless of how much money you have coming in and from what sources and whether you live independently yet or not. If you have regular access to any income and if you make decisions about how you spend that money at all, you’re ready for financial planning. Because, unless or until you have more money than you could possibly spend—you need a plan and a set of skills for managing your money.

**SMART MONEY TIP:** To paraphrase Mr. Micawber’s famous, and oft-quoted, recipe for happiness from Charles Dickens’ book *David Copperfield,* “Annual income twenty thousand, annual expenditure nineteen thousand, nine hundred and ninety nine dollars, result happiness. Annual income twenty thousand annual expenditure twenty thousand and one, result misery,” learning to live within our means makes a difference in how happy we are.
A plan for managing your money is called a budget.

A budget helps you make sure that your expenses (money you owe or have to put out) do not exceed your income (the money you earn or receive on a regular basis) and that when your bills are due aligns with when your income is available.

A budget does not need to be scary or complicated. It’s actually pretty simple. To create a budget for yourself you need to know 4 things:

- **Your Income** (how much money you make);
- **Your Paydays** (when the money you make is available to you);
- **Your Expenses** (the bills you have and expenditures to which you are committed);
- **Your Expense Due Dates** (the deadline for when you have to pay that money if you are going to avoid a late payment fee);

Your **income** is the total of what you earn in a month from all sources. It may be a full-time job, which is pretty consistent and easy to calculate, or it may be one or more part-time jobs with varying hours that is harder to calculate. Once you’ve worked at a part-time job for several months you should be able to estimate the average amount of income you earn. If you also receive an allowance or some other form of income, you can add this in to your total income figure. If you wait tables or rely on tips as part of your income, make sure that you are really averaging your income over several months.

**Smart Money Tip:** When calculating your monthly income, estimate on the low side. It’s great to find you have more money than you anticipated. The opposite is not so much fun!

**Gross vs. Net Income**

It’s also important to remember that the income that really matters to your budget is your **Net Income** which is also sometimes called your take-home pay. Your **Gross Income** if you are an hourly employee is the number of hours you work multiplied by your hourly wage. Your **Net Income** is that amount after taxes are taken out. It is what you actually see on your paycheck.

**Example:** Assuming a minimum wage of $7.25 per hour, if you work the equivalent of a full-time job that’s 40 hours a week or 80 hours every 2 weeks which equals $580.00. Federal Income Tax is 11% of that total so $63.80 comes out of your check leaving you $516.20. State Income Tax is 4% or $23.20 which leaves you at $493.00. Social Security is 6.2% or $35.96 which leaves you at $457.04. Medicare is 1.45% or $8.41 which leaves you at $448.63 every two weeks or $897.26 per month.

If you aren’t doing this already, you should be saving your pay check stubs. Just put them all in an envelope in a safe place. Reviewing your actual check stubs over several months should give you a pretty accurate estimate of your average income and when you receive it.
What things might affect the income side of your budget?

Remember that a budget is just a plan and life has a way of messing with even the best plans. These are just some of the things that can impact the income side of your plan:

**Sick days**—when you can’t work.

**Scheduling challenges**—when an employer does not give you as many work hours on the schedule as you had anticipated or your employment is seasonal.

**Child care or family responsibilities**—when your commitment to raising a child or caring for a family member interferes with your work schedule.

**Transportation issues**—when you can’t get to work.

**Employment issues**—getting fired or laid off through no fault of your own.

For a budget to work, it needs to tell you how much you can expect to have in income and when you can expect that money. But it also needs to list each of your monthly expenses and when those expenses are due.

You need to know these things because if you are actually getting paid $448.63 on the first Friday of the month but have $788.67 in bills and expenses that will come due before your next paycheck on the third Friday of the month, you have a problem. You are either going to regularly incur late fees (which means you are paying way more than you need to for services and expenses) or you are going to have to have carefully saved money from last month’s third Friday paycheck. A budget will make this all clear.

Next we’re going to talk about kinds of expenses, but before we move on, take a few minutes to write down what your monthly income is. If you are only working part time or not working yet but receiving an allowance of some sort, this will still work and it’s good practice. Do you receive this income or allowance on a regular date? When is that? Do you have regular bills and expenses? How much are your bills and when is each one due?

So what do you do if income is down and you aren’t going to be able to pay your bills?

1. Find a way to supplement your income (another job).
2. Borrow money.
3. Charge expenses on a credit card.
4. Sell something of value.
5. Cut back on expenses.

We’ll talk more about emergencies and unplanned expenses in section 5.
4 Types of Expenses

Not all of your expenses will be the same type. Some will be very predictable, while others will be more random. Some you will have a great deal of control over and others not so much. Here’s an easy way to think about your expenses.

**Fixed Recurring:** These are bills like your rent or your car payment or your car insurance payment. They occur regularly (usually monthly) for the same amount and are usually due at the same time every month. They are easy to plan around and budget for because they are consistent and predictable.

**Variable Recurring:** These are bills that usually occur at the same time of the month but may vary depending on how much of a particular service or resource you consumed (gas, electricity, groceries, movie rentals). They are predictable but sometimes harder to plan for. If you’ve lived a year in the same house or apartment, you should be able to estimate or average what these expenses will be.

**Variable Non-Recurring:** These are the trickiest of expenses because you don’t know when they are going to occur or how much they will be for. These expenses include car repairs, doctor or dentist visits, or pretty much anything that you have to spend money on but don’t know when or how much.

**Discretionary:** This is the category for all the things that you simply choose to spend money on. You have the most control here but it’s also where most people tend to deviate from their budgets.

In general, as you create a working budget for yourself, you will build it around a set of expenses in the following order. Your fixed recurring expenses will be very predictable and very consistent and will probably reflect some of your highest priorities in spending (shelter, transportation, communication, and health care). You also won’t stumble into these expenses accidentally. You will sign agreements and contracts to be accountable for these expenses so they shouldn’t be a surprise.

Your variable recurring expenses will also be consistent but harder to predict. You may drive a lot one month and a little the next month, so your gas costs can vary. You may decide to have a party and so your grocery bill goes up one month. Your variable recurring expenses are one easy place to look if you need to cut expenses because you have some control. You can use less gas or buy cheaper groceries.

Your variable non-recurring expenses are inconsistent and unpredictable by definition. The only thing you know for certain is that these expenses will pop up. For that reason you can’t really plan for the specifics of any of them, but you can plan for them by having money in savings or a line of credit available.

After ensuring that your income covers your fixed and variable recurring expenses, you may have money left over. That money will likely be spent on things you have a choice over or directed into savings. These are your discretionary expenses.
Creating Your Budget: 1

Creating a budget may seem like work the first time you do it, but you are building a skill that will serve you well for the rest of your adult life. Once you know how to create a budget you will have a tool for managing your money for independent living.

To create a budget, you will need:

A small pocket notebook and pen for tracking your spending. You could also do this using a “notes” app on your phone.

An app or program or a printed budget sheet for drafting your budget. There are plenty of templates available online. Google personal budget forms and you should find one that feels good to you.

A calendar to stay clear about when income is coming in and expenses going out so you avoid late charges.

A calculator, because do you really want to trust your basic math skills?

Step 1: Track Your Spending

Before beginning a budget you need to give yourself a couple of months of tracking how much you spend and on what.

This is where your pocket notebook or app will be helpful. Carry it with you and whenever you spend money on anything write down how much and what it was for, and whether you used cash, a check, or a debit card. No need to control your spending or judge your spending habits. It’s best to spend as you normally would. If you cut back on spending just while you are tracking it, you won’t come up with a realistic budget.

Step 2: Assess Your Spending

Now go back through your notebook and put an “N” next to each expense that was a real need or necessary and a “W” next to each expense that was a want—you didn’t need to spend that money but you wanted to.

No one is judging you. This is just information, so be honest with yourself. If you can’t distinguish between things you need and things you just really, really want, it will be hard to stick to any kind of budget. How would you rate these expenses:

- Starbucks Caramel Latte—$4.98 WANT
- Skidproof shoes for work—$48.67 NEED
- Student Loan Payment—$156.80 NEED
- My share of the rent for our apartment—$398.60 NEED
- HBO Subscription—$15.00 WANT
- Contact Lenses—$38.50 WANT
- Gas for Car—$22.58 NEED
- Laundry detergent and toilet paper—$17.54 NEED

Sometimes this process is clear and easy, but sometimes expenditures can be difficult to assess. You have to pay your rent but you don’t need that latte from Starbucks. You may need that gas for the car if it is what gets you back and forth to work or to school, but not if it is just for cruising around.
## Creating Your Budget: 2

### Step 3: Creating Your Budget

You should already have a record of your income from various sources from page 9. Your income goes at the top in the “expected” column based on the week in which you expect it to come in. When it actually comes in, you write what you received in the “actual” column. The expected column helps you plan, the “actual” column helps you track.

Under expenses, list the expenditures you plan to make in the weeks in which they will occur. This will be easy for your **fixed recurring expenses** because you will know exactly what amount to list. For your **variable recurring** bills, you will have to estimate, but if you have been tracking your spending, you can average those expenses over the last three months (add them all together and divide by the number of months you tracked your spending).

There is no way to plan for variable non-recurring expenses. They simply happen when they happen, but they are going to happen, which is why you want to have some money in a savings account.

It will also be difficult to plan for your discretionary expenses. However, if you add up the discretionary expenditures you made tracking your spending, it should give you an idea of how much you generally spend on non-essential purchases. It’s never a good idea to eliminate all discretionary expenses (unless you are in an emergency situation where your planned income is reduced). Not allowing yourself some discretionary spending will usually feel too restrictive and cause you to blow your budget as an emotional reaction against not being able to spend your money.

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### Sample monthly budget for independent living.

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What does this budget tell you about this person’s spending?
Your Money Personality Type

Tracking your spending and building a budget may reveal your primary money personality type. There are 5 major profiles.

1. **Big Spenders:** Big spenders love the latest and the most stylish and they don’t care what it costs. They are not bargain shoppers. They are fashionable and always looking to make a statement. Sometimes big spenders inherit this tendency from wealthy families but struggle when they have to support that lifestyle on their own.

2. **Savers:** Savers are the opposite of big spenders. They shop only when necessary and seldom make purchases using credit cards. They tend not to have debts and derive more satisfaction from seeing the money they have in the bank grow than from buying new things.

3. **Shoppers:** Shoppers get great emotional satisfaction from shopping and often use shopping to change their mood. They are often aware of what can become an addiction to shopping and concerned about their debt but still can’t resist shopping, especially if they convince themselves something is a bargain.

4. **Debtors:** Debtors just tend not to think about their money very much. They don’t shop to entertain themselves or to make themselves happy but they also don’t track their spending or have much commitment to saving and often end up deeply in debt.

5. **Investors:** Investors are kind of the opposite of debtors. They are consciously aware of their money. They understand their financial situation and they save and invest money. They are careful and cautious in financial decision making.

Once you have a sense of your profile you can take some simple balancing steps.

1. If you’re a big spender, try shopping less and saving more. Look for long-term value rather than short-term satisfaction.
2. If you’re a saver, use moderation. Don’t let the fun parts of life pass you by just to save a few pennies.
3. If you’re a shopper, get control of your credit cards. The credit card interest debt is going to sink you. Look for other ways of changing your mood.
4. If you’re a debtor, you might need to get some help getting your finances under control and setting up a savings and investing plan.
5. If you’re an investor, keep up the good work.

**SMART MONEY TIP:** Saving money is what’s called a positive habit. If you build that habit while you are young it will serve you well for the rest of your life.
Saving For The Things We Want

Some of the things we want are easy to acquire and require little planning, but other things like a car, a new iPhone, college tuition, or a significant travel experience require planning and saving.

Budgeting is about managing money for independent living and the situations, needs, and desires that arise regularly.

A savings plan doesn’t have to be for a specific thing. As we mentioned previously when talking about budgeting, the things that are non-recurring, variable expenses like doctor visits and car repairs are going to happen. You just don’t know when or for how much, so having money saved up is smart.

But sometimes bigger desires do arise that we cannot satisfy instantly or by using short-term budget management. For these things a simple savings plan is a good thing to know how to create.

A Simple Savings Plan

Even if your current income is limited to an allowance or occasional work like babysitting, lawncare or part-time work, you can still practice creating a savings plan.

1. Identify something you would like to purchase that will require more money than you currently have. Be specific about what it is and how much it is going to cost.
   ______________________________________________________ $_________

2. Now identify how much of whatever income you have that you can set aside for this goal and how often you can set it aside (Example: $3.00 per week or $20.00 per month) $___________________ per __________________

3. Now establish how you are physically going to set aside or save that money (Examples: a piggy bank, a jar, an envelope, a bank savings account, giving it to a someone you trust to hold for you). In making this choice you need to consider the following:

   A. Is your money safe from theft?

   B. Is it difficult enough to access that it will slow you down when you are tempted to spend it?

4. Now divide the total cost of the thing you are saving for by the amount you can set aside each week or month. That’s how many weeks or months it will take you to have that thing.
One of the first and biggest expenses a young person encounters is transportation. Whether you are planning to purchase a used car outright (with no ongoing payments) or a down payment on a new or used car (with ongoing payments). A S.M.A.R.T. Goal would look like this:

I want to purchase a late model used car (not more than 10 years old) in good condition. I want a 2- or 4-door black or gray sedan with good gas mileage. (Specific)

I want to make a down payment of $3,000 plus I know I will need extra for title and taxes and will need to make an initial insurance payment so I should plan for $4,000. (Measurable)

I have $500 in savings right now and I make enough money after my bills are paid to set aside $200 each month so I feel this is possible and doable for me. (Attainable)

Having reliable transportation of my own will allow me more flexibility to look for work and earn a higher salary. It will also allow me to drive back and forth to my evening college classes efficiently. (Relevant)

At $200 per month into savings in addition to what I have now, I should be able to begin car shopping in 18 months. (Time-Bound)
3. Money for Independence
Managing Finances for Independent Living

Thinking about independent living.

Living on our own in a nice home is a goal for most of us. Sometimes when we are starting out or due to circumstances beyond our control, we need help with affording our basic survival needs. There is no shame in this, but it is seldom something we look forward to.

Most young people find the process and expenses of independent living a challenge. If you are not already faced with those challenges, you’re lucky because you can do some actual planning and preparation in advance. But even if you already are struggling with living independently, managing your money effectively will make a huge difference.

Let’s begin by imagining that you have graduated from high school or earned a GED and have managed to find the equivalent of a full-time job at the current minimum wage (and if you have managed both of these things, congratulations—they were not easy to do).

Using the example on page 7, that would make your net income (A.K.A. your take-home pay) $897.26 per month.

Smart Money Tip: Moving into a new apartment can be more expensive than you think. You usually need your first month’s rent in advance plus a month’s rent as a security deposit and if you don’t have established good credit, it can cost even more with security deposits for utilities. Start saving early!
Average Expenses

The first thing you are going to want to think about are what your significant recurring expenses will be. Remember your monthly income is $897.26.

These are sample monthly averages.

Rent = $1,200.00
Car Payment = $200.00
Car Insurance = $250.00
Electricity = $42.00
Cell Phone = $48.00
WiFi/Internet = $56.00

Total = $1,796.00

What’s the first thing you notice? Your expenses for these basics are nearly twice what you earn in a month. So, what if you shared that apartment with two other friends? Then your expenses would look like this.

Your Share of the Rent = $400.00
Car Payment = $200.00
Car Insurance = $250.00
Electricity = $42.00
Cell Phone = $48.00
WiFi/Internet = $56.00

Total = $931.00

That’s getting better, but you are still spending more than you earn. So what if you shared the apartment and bought your car outright and had no car payments?

Then your expenses would look like this.

Your Share of the Rent = $400.00
Car Payment = $0.00
Car Insurance = $250.00
Electricity = $42.00
Cell Phone = $48.00
WiFi/Internet = $56.00

Total = $731.00

That’s better. With a monthly income of $897.26 and monthly expenses of $731.00 you should have $166.26 left after paying your bills.

But what about the things that aren’t on your list of significant recurring expenses?

Food
Clothes
Personal Items
Laundry and Cleaning Supplies
Gas
Dining Out
Entertainment
Dating
Health Insurance
Health care costs
Repaying loans
Car Repairs
Child Care Costs

Feeling stressed yet?
And, we haven’t even factored in the expenses involved in moving into a new apartment:

- First Months Rent
- Security Deposit
- Renter’s Insurance
- Utility Security Deposits
- Basic Furniture
- Pots, Pans, Utensils
- Dishware
- Mattress and Bedding
- Towels

So what would make a real difference in this scenario?

There are only three kinds of solutions here.

**The first is reducing costs:**
- Not owning a car (no car insurance or repair bills).
- Already having a car paid for.
- Acquiring apartment furnishings from family and friends—over time.

**The second is increasing transition savings:**
- Several thousand dollars saved up.
- Living rent-free as long as possible while you save money and acquire apartment furnishings.

**The third solution is increasing income:**
- Developing skills that allow you to earn better than minimum wage. The sad truth is that the current minimum wage is not a living wage, meaning you can work full-time and still not survive on that income.

College is a great investment in your future. Annual income level for people who do not complete a high school education averages $20,241. For those who complete high school, income jumps to $30,627. Those who complete an associate’s degree increase their income to $39,771 on average. For those who complete a bachelor’s degree (4 years), annual income increases to $56,665. An advanced degree such as a master’s degree boosts income to $73,738. Ph.D.’s come in at $103,054, while those with professional degrees such as doctors and lawyers average $127,803 annual income.

But college isn’t for everyone. Trades (plumbing, electrical, carpentry, HVAC, welding, auto repair, etc.) and technical skills (nursing, computer programming, cosmetology, chef, dental hygienist, etc.) can significantly increase your income well beyond minimum wage. If you’re still in school your high school may offer career training in the trades and technical skills. If you’re out of school check out programs at your local community college or workforce development center.
Contracts

Sometimes the challenges of independent living are not just financial. They can also be legal. To move into an apartment you will have to sign a lease agreement. The agreement protects you and the landlord. If you are not on the lease, you have no rights as far as the landlord and the law are concerned even if you’ve been paying rent regularly. So how well can you read a contract?

Sample Rental Agreement:
This agreement is entered into this ___day of ______ in the year _______, by and between Jim Cook “Owner” (Landlord) and _____________ “Resident” (Tenant), hereafter referred to as “the parties.”

In consideration of their mutual promises the parties agree as follows:
1. Owner rents to Resident(s) and Resident(s) rents from Owner, for residential use only, the following “premises” known as: 325 Shady Lane, Virginia Beach, Virginia.
2. Rent is due in advance of the first day of each and every month, at $1,100.00 per month, beginning on the ___ day of ______, ____. If any rent shall be due and unpaid five (5) or more days after the due date, or if default shall be made by Resident(s) in any of the other covenants herein contained, then Owner, at his option, may terminate the tenancy by law.
3. If any rent is due and unpaid after five (5) days, the landlord may accept full rent payment plus an additional $100.00 late charge in lieu of terminating the lease.
4. Owner is given the right to enter and/or inspect the apartment for the following purposes:
   • (a) In case of emergency.
   • (b) To make necessary repairs or improvements, supply necessary services, or exhibit the dwelling unit to prospective or actual purchasers, tenants, or contractors.
   • (c) Except in cases of emergency, or if it is impractical to do so, Owner shall give Resident(s) reasonable notice of his intent to enter. Twenty-four hours shall be presumed to be reasonable notice.
5. No pets, barbecues, or dangerous items shall be kept or allowed in or about the premises without Owner’s written permission.
6. No alterations or decorations shall be made by Resident(s) without Owner’s prior written consent. Any improvements to the premises shall become property of Owner at the end of the tenancy.
7. Resident(s) shall pay for any damage or injury to any portion of the premises, common areas, furnishings, fixtures, or appliances, or for personal injury caused by Resident(s).
8. Resident(s) shall pay for all utilities, services, and charges, if any, made payable by or predicated upon occupancy of Resident(s), except monthly water and garbage bills.
9. Resident(s) shall deposit with Owner, as a security deposit, the sum of $1,100.00. Owner may claim and withhold from the security deposit only such amounts as are reasonably necessary to remedy Resident’s defaults as follows:
   • (a) in the payment of rent; or
   • (b) to repair damages to the premises, if necessary, upon termination of the tenancy. No later than two weeks after Resident(s) has vacated the premises, Owner shall furnish Resident(s) with an itemized written statement of the basis and the amount of any security and shall return any remaining portion of such security to Resident(s).
10. Resident(s) shall neither assign nor sublet these premises or any part thereof or otherwise permit others to occupy the apartment without written consent of Owner. This clause is a special consideration for this contract and its violation shall result in termination of this contract.
11. The undersigned Resident(s), whether or not in actual possession of the premises, are jointly and individually liable for all obligations under this rental agreement.
12. Notice of intent to vacate the apartment must be provided in writing not less than 30 days in advance of departure and must coincide for payment purposes with a full month’s rent.

The undersigned Resident(s) acknowledges having read and understood the foregoing.

To see how well you understand your rental agreement, see if you can answer these questions:
1. Except in an emergency, how much notice must the landlord give you before entering your apartment?
2. What must you do if you want to alter the apartment in any way?
3. For what 2 reasons may the landlord withhold your security deposit?

4. One of your roommates comes home with a kitten, can you keep it?

5. Can you barbecue food on the grill on your balcony?

6. If one of your roommates can’t come up with their share of the rent until the 6th of the month, what is the total you will owe if you pay your rent on the 6th?

7. You rent the apartment with a friend, and you both sign the rental agreement. Then, you decide to move out but do not notify the landlord. At a later date, your former roommate defaults on the rent. Can the landlord hold you legally responsible?

8. If you break any provision of the lease, what recourse does the landlord have?

9. If you want to let the landlord know you are moving out, what must you do?

10. Can you operate a Meth Lab out of your apartment?

11. If you rent this apartment by yourself and are going to be away from your apartment for 3 months because of a summer job and you want to let someone else live there and pay the rent for three months, what do you need to do?

12. Your roommate’s friend gets drunk and decides to prove how tough he is by punching a hole in your wall. Who is legally responsible for the repair?

**Answers**
1. Contract line 4-c: 24 hours
2. Contract line 6: Get written permission from owner
3. Contract line 9-a & b: failure to pay rent and to repair damages
4. Contract line 5: Not without written permission from the owner
5. Contract line 5: Probably not, but at least you will need permission
6. Contract line 3: $1,200.00
7. Contract line 11: Yes
8. Contract line 2: terminate the tenancy or evict you
9. Contract line 12: give 30 days notice in writing
10. Contract line 1: Well aside from the illegal part that would also be in violation of the “residential” usage
11. Contract line 10: Get written consent of the owner

Because when you start out, you will need a roommate and you and your roommate(s) are going to be bound by contract and financially, consider having your roommates take this compatibility test to avoid surprises.

**SHARING/EXPENSES**
- When do you pay bills?
  - Pay immediately
  - Pay by due date
  - Pay when we get around to them

- How should we pay utilities?
  - Split costs evenly
  - Separate utility expenses (e.g. One pays for electric, one pays for internet)

- What are your thoughts on sharing and borrowing?
  - I share everything - no need to ask
  - You can probably borrow my stuff - just ask first
  - I won’t say no in an emergency, but I prefer to not share
  - I don’t ever lend my stuff to others

- How should we share common-use items?
  - Take turns buying
  - Split costs evenly
  - Buy our own items separately

- How should we share common food items?
  - Take turns buying
  - Split costs evenly
  - Buy our own items separately

**CLEANLINESS/UPKEEP:**
- How tidy are you?
  - Could eat off the floor
  - Everything is put away
  - A little messy
  - Where’s the floor?

- What’s your kitchen like?
  - Always sparkling clean
  - Clean and mostly tidy
  - Good luck finding stuff
  - Salmonella’s best friend
What's your bathroom like?
- Spotlessly clean - daily tidy
- Pretty good - weekly clean
- Not bad - monthly clean
- Not sure - no cleaning products

How do you handle dishes?
- Washed/put away daily
- Washed/dry over night
- Wash in morning after overnight soak
- Wash only when everything else is dirty

How will we handle cleaning?
- Rotate cleaning assignment
- Permanent cleaning assignment
- Decide when need for cleaning arises

How often will you do your share of cleaning?
- Daily
- Weekly
- Bi-weekly
- Once a month
- When I feel like it

LIFESTYLE:
Do you smoke or vape?
- Yes
- No

Does smoking bother you?
- Yes
- No

How do you feel about alcohol or pot?
- I'm game for drinks or getting high during the week
- I save it for the weekends
- I drink or get high a few times a month
- I don't drink or get high, but I don't mind if you do
- I don't drink or get high, and I'd like an alcohol and pot-free home
- If it's not legal, I don't want it in my home

Do you mind pets?
- Dogs are fine
- Cats are fine
- Other furry critters are okay
- Fur-les critters are okay
- I don't want pets around

Do you have pets?
- I have a dog
- I have a cat
- I have other furry critters
- I have fur-less critters
- I don't have any pets

What's your internet use like?
- Bandwidth hog
- Moderate use
- Once in a while
- Almost never

What do you do?
- I'm a student
- I'm a working professional
- I'm a stay-at-home parent
- Other: ____________________

NOISE LEVELS/QUIET HOURS
When is noise acceptable?
- Any time of day or night
- During the day and evening, but not at night
- During the daytime only please
- I need the silence of a library

How often do you have music on?
- Always!
- Often
- Rarely
- Never

What's the volume like?
- Shakes the floor
- Comfortable listening level
- Quiet, background level
- I use headphones

When do you go to bed during the week?
- Early: between 8pm - 11pm
- Moderate: between 11pm - 1am
- Late: between 1am - 4am
- During daylight hours

Study habits?
- Must be completely quiet
- Some distractions are ok
- Usually study elsewhere
- Who needs to study?

How often will you be coming and going?
- I'll be home 24/7
- Once or twice per day
- Constantly

SOCIALIZING
What's your guest policy?
- Guests all the time
- Not a problem, just ask for a heads up
- A guest or 2 is okay occasionally
- On a rare occasion guests are fine
- I prefer no guests coming over

How do you feel about guests spending the night?
- Doesn't bother me
- Occasionally is fine, but not multiple nights
- I'm not comfortable with guests staying over

How do you feel about parties?
- Love them, I'd host every week
- They're fine, just provide notice ahead of time
- An occasional dinner/small gathering is fine
- I don't want to have any parties at my home

What is your relationship status?
- I have a partner who will stay over frequently (3+)
- I have a partner who will stay over occasionally (<3)
- I have a partner who will not stay over
- I do not have a partner

FOOD/EATING/COOKING
Anything about food I should know?
- I'm vegetarian/vegan & meat can be in the house
- I'm vegetarian/vegan & meat can't be in the house
- I'm Kosher
- I'm Halal
- I have food allergies

How often do you cook?
- All three meals, most days
- Usually only dinners
- One or two big meals a week
- Pretty much never

ROOMIES
What are you hoping for from me as a roommate?
- Someone to split the bills and chores
- Someone friendly, but don't have to be best friends
- Someone who wants to hang out and do stuff together
Why put your money in a bank?

There are four good reasons for establishing a relationship with and keeping your money in a financial institution:

**Safety and Security:** While it may feel good to carry around your hard-earned cash in a wallet or purse or keep it in a secret box in your apartment, wallets and purses get lost or stolen and apartments get broken into or flood or catch fire. Money in a bank is safe and secure.

**Convenience:** Having your money in a bank means you can pay for things in a variety of ways. You can use a bank or debit card to access the funds in your account and pay for services in stores and online. You can write a check to pay bills for things like your rent. You can also use an ATM machine to get cash from your account. You have access to online banking, online bill payment, and digital wallet services.

**Services:** If you have an account at a bank, they will cash your paycheck. Banks issue cashier’s checks and money orders and offer a variety of other financial services.

**Money Management and Financial Discipline:** Having your money in a bank can help with your self-discipline around savings and can give you online tools for managing and tracking your money.

SMART MONEY TIP: Open both a checking and a savings account at your bank. You can usually link the two so that if you overdraft your checking account you won’t get hit with fees.
Technically, there are several types of financial institutions, but your big choice will probably be between: a **Bank** and a **Credit Union** but even then, the differences are not huge and either would be a positive step.

**THE BIG DIFFERENCE IS OWNERSHIP**
Banks and Savings and Loans are privately or publicly owned for-profit businesses. Credit Unions are non-profits owned by members (when you open an account you become a member).

**Bank advantages:**
Banks offer you the opportunity to begin a relationship with a financial professional who can help you now and into your future. They can advise you on types of accounts and the benefits of each. As you continue your career, they can assist you with mortgages, investments, and more. Because they are larger, Banks also generally have better online banking services, more locations and more account management services. This includes transferring between your checking and savings accounts, checking balances with mobile apps, and managing automatic payments and deposits.

**Credit Union advantages:**
Credit Unions are almost exclusively local, and the credit union relies on the deposits to stay in business, and so they often have a reputation for excellent customer service. Since they are smaller with less management costs, Credit Unions will often have better savings account rates than a bank, and you are more likely to find free checking accounts.
Debit Cards
Vs.
Credit Cards

Debit Card
AKA
Bank Card
Check Card

Credit Card

A debit card is tied to how much money you have in your bank checking account.
A debit card can be used like a credit card for online purchases, but only for as much as you have in your account.
You generally can’t spend more than is in your bank account so you are less likely to get into serious debt.
A debit card does not build your credit score.
For emergencies, a debit card is only as useful as your ability to save.
The main risk with debit cards is over-drafting your account and the fees that are charged along with that.

A credit card is a line of credit the institution allows you to borrow against.
You can spend up to the amount of your line of credit then the card will be denied until you pay off some or all of it.
A credit card does build your credit score—assuming you make scheduled payments and don’t get behind.
A credit card can be an emergency insurance policy for unexpected expenses.
Many credit cards have high interest rates and low minimum payments, which can lead to paying much more for something in the long run.

You can use a debit card as a credit card (up to the amount you have in your account). When someone asks you “debit or credit?” you have to decide

Debit: You are asked to put in a personal identification number (pin).
Credit: You are asked to sign for your transaction, creating a signature verification.
Debit: The funds are removed from your bank account right away
Credit: Depending on how the merchant processes credit transactions, usually by a batch system when all credit transactions for the day are processed together, it may take a couple of days for the transaction to show up in your bank account. Don’t always count on that though. Make sure you have the funds available to cover the expense before you charge it.
Debit: You can request cash back. This is a great service and can eliminate the extra chore of running to the bank to get cash. It is also a great money saver if you are out of town and there are no branches of your bank around. Instead of using your bank card at another bank’s ATM and getting charged a service fee, you can just use it at a local retailer as a debit transaction and get cash back.
Credit: You cannot get cash back, though some credit cards allow you to borrow some money in cash.
Debit: Most banks offer a free debit card and free ATM cash withdrawals from your bank’s ATM. Be careful using your ATM card at another bank because the other bank will charge you a fee.
Credit: Credit cards do not allow you access to your account at ATM machines.
Debit: You have less protection on a stolen card than you do when you run it as a credit. Government regulations require debit card issuers to set a maximum liability of $50 if the debit card is reported lost or stolen within two days of discovery. Liability increases to $500 if the lost or stolen debit card is reported within 60 days. If you fail to notify the bank of the theft within 60 days after a bank statement is sent, you could lose everything in your checking and overdraft accounts.
Credit: You are protected from liability by the same laws which protect credit card users. If someone steals your card and you report it, you will not be liable for their credit transactions.
Debit: There is usually a daily limit applied to debit transactions so if you are making a large purchase, your card may be declined, even though you have the funds in the bank.
Credit: There is usually no daily limit.
With the popularity of debit and bank cards and systems for online bill payment, it might seem like checks are a thing of the past. But, for some things they are still useful. When you open a checking account you will probably get issued a bank or debit card linked to your checking account and you can choose to order personalized checks. These are the critical aspects of a check:

- Your name and address
- The date
- Check number
- Amount of check (written out in words)
- Your signature
- The person or company to whom you are writing the check
- Bank routing number
- Bank account number
- What the check is for

Now practice writing a check for $32.89 to Food Lion for groceries.

Again, with the popularity of debit and bank cards and online banking, keeping an expense register on paper probably feels outdated. After all, can’t I just log onto my bank online and check my balance? Well, maybe, but here are three good reasons to keep a check register and update it as you make purchases.

1. If you write checks for anything (like rent or loan payments) they won’t show up on your online account register until they have been cashed and processed by the person you wrote them to. If they don’t cash your check promptly it can make it seem like you have more money available than you do.

2. If you run your debit card as a credit card at a business, what you spent might not get debited from your account until the vendor processes your payment. Again, making it seem like you have more money available than you actually do.

3. Tracking your spending is always wise, as we learned in section one. Writing down your expenditures makes you more conscious of how you are spending.
5. Money for Emergencies

Getting Through Tough Times

It doesn’t matter how well you plan or how good you are at budgeting your money, financial emergencies are going to arise. That car accident or unexpected auto repair happens to everyone. Your computer dies or your cell phone gets stolen. You break a leg or injure yourself. You are out of work due to illness or you get laid off or you simply aren’t getting scheduled for enough hours. You may have to take care of a sick child or a sick pet or cover for a sick partner. You may need to relocate for work by moving and finding a new place to live. Whatever it is, there will come a time when expenses will exceed income.

There are four ways to address or be prepared for life’s inevitable financial emergencies: savings, credit, insurance, and loans.

SAVINGS: In chapter 2 we learned about savings for things we wanted, but saving for emergencies is also important. A savings account can provide peace of mind in an emergency and keep you from making bad choices that can cripple you with debt.

While this may sound impossible at this moment, the rule of thumb is to calculate what you need to survive (paying all your essential bills) for one month and then build a savings account with 3 to 6 months worth of expenses covered. So, if you spend an average of $1,100 per month without any luxury discretionary purchases, you would want to have between $3,300 and $6,600 in a savings account. Don’t worry if you don’t have that much now. Just start building toward it. And if you have to touch your savings for a small emergency, replenish it as soon as you can.

SMART MONEY TIP: Don’t use your checking account for emergency savings. Open a separate savings account. Do whatever it takes to avoid dipping into your savings account. Also, start by auto-transferring a small amount of money every week or every month. You will be surprised at how quickly $10 or $20 a week adds up.
Credit Cards for Emergencies

There is something about getting your first credit card that feels like a rite of passage for adult life. Young people who enroll in college often start getting offers for credit cards in their freshman year. The reason for this is that credit card companies figure college students will be future customers and they want to hook them early.

A credit card is a virtual loan. A lender (credit card company) offers to loan you up to a certain amount of money at a certain interest rate (usually based on your credit score). With an excellent credit score you may have an interest rate of around 14%. But with only a fair credit score, you can pay up to 24% interest. Your interest rate determines how much it costs you every time you use the card (see example on page 47).

While a lot of people get into debt with credit cards, they are not necessarily a bad thing, especially for emergencies. Used carefully, they can be a lifesaver. Many of the things you will want in life (an apartment, a house of your own, a car, expensive appliances and technology, a loan to start or upgrade your own business, etc.) require a good credit score and, since the only way you build a credit score is by having credit and managing it well (low balances on your card and timely payments), it’s probably time to start thinking about that first credit card.

If you have a credit card with a credit line of $1,500 and you only charge small occasional items on it that you pay back in the same month (which is what builds good credit scores) you have an emergency fund available to you for those unexpected things that arise.

Alexus got a new credit card with a $1500.00 line of credit. She went to the mall and started shopping and got carried away. Within a month she had bought $1500.00 worth of clothes. Her first credit card statement came and she was relieved to find out that all she had to pay was $30.00. That didn’t seem too bad. But she went online and found a credit card payoff calculator. She entered her balance ($1500.00) and her interest rate (18%) and how long it would take to repay her debt if she paid $30.00 per month. The answer she got was 90 months. So if she only makes the minimum payment each month, that’s seven and a half years to pay off her shopping spree.

But it gets worse. Guess how much she will have spent at the end of those seven and a half years to pay off that $1,500 shopping spree? The answer is $2,700. (90 payments of $30.00).

That means her loan for the shopping spree will have cost her $1,200. If Alexus could afford to pay off her credit card debt at $100.00 per month, it would take her 18 months to pay it back. And, at $100.00 a month, her repayment would have been $1,800 and her loan would have cost her $300.

The bottom line is that using a credit card wisely would be to use it for convenience. Don’t charge more than you can repay in a month or two. That builds your credit score and gives you a cushion of credit for emergencies.

Also, be careful of store credit cards. They may be easier to get but carry really high interest payments.
What if I have no credit or bad credit?

Before we leave credit cards completely, we should mention “secured” credit cards. A secured credit card requires a deposit—usually $200 or more, which is also your credit limit. This helps protect the lender because if you fail to make your payments they take it out of your deposit. If your account is in good standing at the end of a certain period, the lender will refund your deposit. Some secured credit cards even place your deposit in an interest earning account, so as long as you make your payments, your deposit is actually earning money. If you are repairing bad credit or establishing credit, you use this card to pay small expenses and then pay off the balance as soon as it comes due. This builds a payment history for you and a positive credit score.

Don’t confuse a secured credit card with a pre-paid credit card. Pre-paid credit cards may make paying for certain things easier, but they do nothing to build your credit score.

LOANS: The reality here is that if you have to borrow money in an emergency because you have no savings and no credit history or credit card, you aren’t going to be able to get a traditional loan. If you can borrow from family or friends, that might get you through the emergency but do your best to avoid payday lenders. The annual percentage rate for these loans is about 520% annually, but they require payment in short time periods like 14 days. At this interest rate, a $500 loan will cost $600 to repay in 2 weeks. Paying $100 to borrow $500 for 2 weeks only makes sense to the very desperate, which is exactly who payday lenders target. Don’t go there!

INSURANCE: When you’re young, insurance never seems to make sense or be much of a priority, but it is one of the ways adults protect themselves from the kind of emergencies that can be financially devastating. Here is a short menu of types of insurance. Most of us don’t have all of them. Do any of these make sense for you?

- Automobile Liability Insurance (covers damages to someone else if the accident is your fault).
- Automobile Collision, Insurance (covers the cost of repairing your car regardless of whose fault it is).
- Automobile Comprehensive Insurance (covers damage to the car in case of something other than an accident such as weather damage, theft, animal impact, etc.).
- Life Insurance (pays your beneficiaries if you die.)
- Disability Insurance (pays you if you can’t work).
- Health Insurance (medical bills, usually after a deductible).
- Dental Insurance (teeth—usually not covered by health insurance).
- Vision Insurance (eyes and glasses—usually not covered by health insurance).
- Prescription Insurance (covers the cost of prescription medicine if you don’t have health insurance).
- Personal Property Insurance (protects valuable personal property).
- Malpractice Insurance (protects you in case someone sues you for doing your job badly).
- Travel Insurance (covers you in case something happens on a trip).
- Homeowners Insurance (covers the house you are making payments on or own outright).
- Flood Insurance (covers your house in case of flood).
- Renters Insurance (protects your property if you are renting a house or apartment).
- Pet Health Insurance (covers your pet’s vet bills).
- Car Repair Insurance (covers your general car repair bills).
- Cell Phone Insurance (repair or replace your cell phone).
- Extended Warranty Insurance (repair or replace expensive equipment if it malfunctions).
While insurance protects you from loss, investments help you to build wealth. Who wouldn’t want to be wealthy? As crazy as it sounds right now, that could be you if you start young and stay consistent—through investing.

**What is an investment?**

An investment is the purchase of an interest in something that appreciates in value (becomes more valuable over time). You can own all or a part of the investment and still make money. The keys to investing are the increase in value and time. You are investing your money to make more money over time.

**What kind of investments are there?**

What are some things you can think of that increase or appreciate in value over time? Potential answers might include: gold, coins, real estate, businesses, collectibles, antiques, stocks, bonds, savings accounts, CDs, mutual funds, etc. In some respects money you spend on your own training and education now is an investment. You are investing in YOU, Inc. You are hoping that investment in increasing and improving your skills is going to pay off in higher salaries and more opportunities in the future. And statistically the evidence suggests it will. You may think investing is only for the wealthy but if you had invested $100 in Apple stock when it was first offered that would have bought you 4.54 shares. After the stock splits you would now have 254 shares of Apple with a current value of $67,564.

**SMART MONEY TIP:** Take the Pizza Challenge. Let’s say a large pizza costs $15. That’s about $1.88 per slice. How many slices of pizza do you usually eat? Could you commit to putting the cost of that number of slices of pizza into savings each week?
Sources of Return (Ways your money can make money)

What are some ways investments can pay us money (or a return on our investment)?

**Interest:** a payment made for the loan of money. When you deposit money in your savings account you are loaning the bank your money and they pay you interest in return. Other investments that take the form of a loan and might pay interest are: bonds, installment loans, personal loans, CDs, Money Market Accounts, etc.

**Dividends:** If you invest in a company you become a part owner of the company. As the company makes money they pay their investors dividends or a portion of the profits they make each year.

**Appreciation:** This is the growth in value of an investment. If I buy something today, let’s say I buy a house, I expect it to increase in value over time and I plan to sell it later for more than what it cost for me to buy today. Some people buy new toys or comic books not to play with but in the hopes that they will one day be valuable as collectibles.

**Rents:** Someone pays me to use my asset. People rent all kinds of things, like boats, apartments, cars, etc.

**Royalties:** Royalties are like dividends, it is a portion of the sales made that are returned to you. If you write a book and the publisher sells the book, you would receive royalties from the sales. If you owned land that had oil on it, you might allow a company to drill on your land and pay you royalties in exchange for the sale of the oil.

Protecting Your Money

With all the convenience that credit cards and debit cards and online banking offers us, there are also risks. People don’t need to physically break into a bank to steal our money, all they need to steal is your account security information.

**PIN Numbers:** Your debit card (or debit card number) in conjunction with your unique Personal Identification Number (PIN) is what gives you or anyone else access to your money. Here’s how to keep your accounts safe:

1. Do not give your PIN to anyone else to use your card. Do not ever do this, even for good friends. Your friends may have no intention of ripping you off, but you have no control over how careful they will be.

2. Always be careful about who is watching as you enter your PIN when making a transaction. If you feel crowded or if someone is standing too close to you during a transaction, ask if they could give you a little more space or walk away from the transaction.

3. Do not use a PIN number that is too easy to guess—like a birthday or a PIN that you have used in the past on other cards. Or, worse, don’t write your PIN on your debit card so you won’t forget it.

4. You get a fake phone call or email from someone pretending to be the bank or the IRS or a credit fraud protection agency and are asked to provide your PIN. No bank employee or IRS person will ever ask you for your PIN number online or on the phone.
About The Together We Can Foundation

We believe all young people deserve the chance to successfully transition to independent adult life and the workforce. We choose to focus our efforts on Smart Transitions for young adults.

Together We Can Foundation is dedicated to improving outcomes for at-risk youth in transition to independent adult life and the workforce by ensuring that they are better prepared, more connected, and have a greater sense of optimism about their future.

We partner with regional referring organizations who work with youth to provide success skills classes for youth in areas like adult transition, personal presentation, career planning, money management, and relationship management. Youth who have graduated from our programs have a significantly higher rate of high school graduation, the pursuit of post-secondary education or training, and finding employment.

SCAMS: Have you ever heard the saying “If it’s too good to be true, it probably is?” Well, if someone calls you or emails you with an offer to make money that sounds too good to be true, it is a scam.

There are all kinds of scams out there. One current one is the offer to be a secret shopper. You may get a check in the mail made out to you from a real bank. You will be asked to take it to your bank and cash it and take your $400 payment out and use the remaining $1,600 in cash to purchase high value gift cards at a store in your area. They will then ask you to scratch off the numbers on the back of the cards and email them back to the “secret shopper” company so that they can investigate suspected fraud by store employees. What the scammers know is that banks have to release funds into your account within 24 hours but that it can take a week or longer to identify a fraudulent check. So after you’ve sent the scammers $1,600 in gift card numbers, when the bank calls you to tell you that the check you deposited was fake, who do you think is going to be on the hook for $2000? Yep! You.

Tips to help you avoid fraud:

1. It’s okay to let calls go to voicemail first, especially if you don’t recognize the phone number or area code
2. Never let someone pressure you into sending money or providing personal information about your accounts. Your bank knows what your account number and PIN are. They don’t need you to tell them.
3. Block numbers you don’t recognize, especially if you recognize them as being fraudulent.
4. Check the actual email address of the person writing to you. Real representatives of companies don’t have gmail or yahoo addresses.
Independence

It’s what we all want—the freedom to make choices. Independence doesn’t require a lot of money, but it does depend on how well you manage the money you have.

Learn how to take charge of your finances and take charge of your life.

Get Money: A Smart Guide to Finances
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