

Understanding Financial Literacy



For young adults



What does it mean to be financially responsible?

Living within your means



Why is it important to be financially responsible?

- You can take care of your **needs** and **wants**
- You can accomplish your **goals**
- Financial decisions you make shape and impact your **future**
- **Save yourself LOTS of trouble** in the future

Understanding your income

What you're promised and what you earn are two different things

Taxes and other deductions get taken out of every paycheck

- **Gross income**- Amount of wages *before* taxes are taken out
- **Net income**- Amount of wages that you take home *after* taxes

Creating a Budget

Budget- a “spending plan” or guide that is based off of the amount of money you make and your monthly expenses

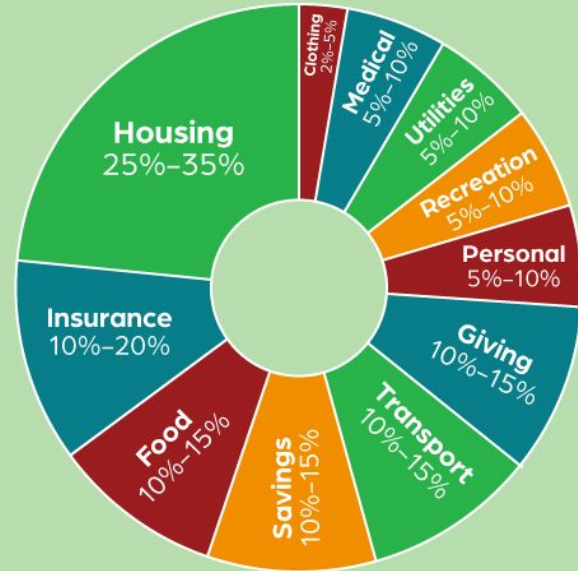
This may include:

- Mortgage/rent
- Car payment
- Car insurance
- Health Insurance
- Cell phone bill
- Groceries
- Gas



Sample Budget

Recommended budget percentages
by category



Saving and Spending Your Money

Checking Account

- Written checks and debit card purchases clear from this account
- Good place to put loose cash or use instead of cash
- Easily accessible
 - ATM
 - Debit Card
- Use to pay bills so that you can build a savings



Debit Cards

- It takes money directly from your checking account
- When you swipe your card, the money is transferred directly out of your account

Access to Funds

You can only spend as much as you have in your account, otherwise *you will be charged additional fees or your purchases will be declined.*



Savings Account

- Helps prepare for larger purchases
 - College
 - Car
 - House
- Can earn *interest* over time (extra \$\$)
- Not always readily accessible
- Can reduce temptation to spend money in account



How much should you save?

50/20/30 Split

50% income to fixed expenses (cell phone, apple music, gas, school lunch, etc.)

20% income to savings (put aside and don't touch!)

30% income to leisure (movies, outside food, clothes, treat yourself)

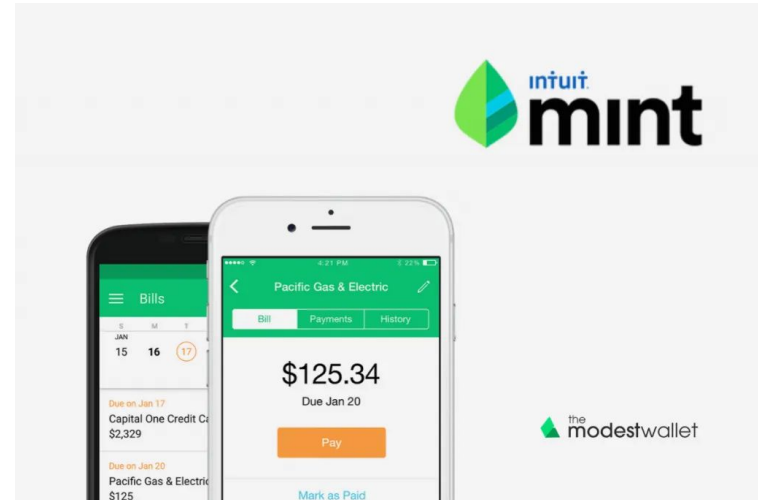
Using Technology to Help You Manage Your Money

Mint App

Mint is a **free service**

- ★ Mint.com helps you **make a budget**.
- ★ **Sync all of your financial accounts**, or at least the ones you want to utilize via Mint.
- ★ **Track your spending** and your credit score
- ★ Receive notifications on a daily, weekly, or monthly basis.

Info from
<https://www.investopedia.com/personal-finance/how-use-mint-app/>





Building your Credit Score

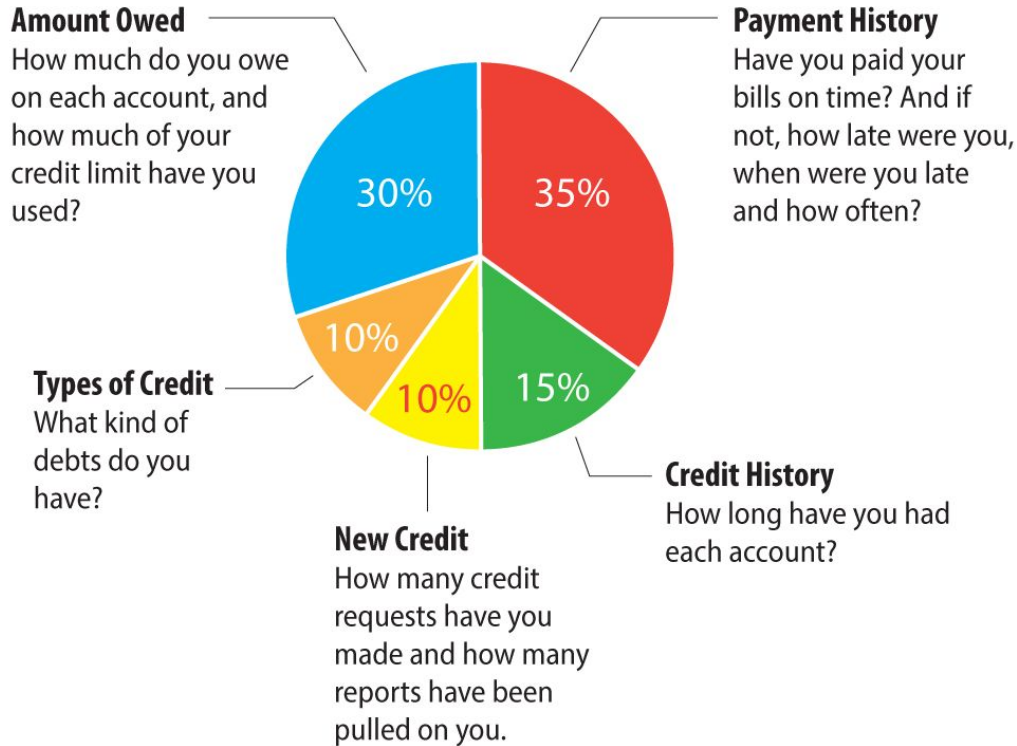
Why do you need credit?

Lenders look at credit scores to decide whether or not you are a trustworthy person to lend money to

You will need credit to:

- Buy a house
- Buy a car
- Open unsecured credit cards
- Get any other type of loan

How your credit score is calculated



Credit Cards

- You borrow money from a lending institution and pay back some or all of it each month
- When your card is swiped, the credit card company pays the vendor for that purchase

Access to Funds

You have a limited amount you can **borrow** based on your credit score



Types of Credit Explained

“Good” debt

- Car loan
- Mortgage
- Student loans

Seen as investment that will grow in value to lender

“Bad” debt

- Credit card debt (revolving debt)
- Personal loans
- Debt with high interest rate

Credit Score

- Making monthly payments on time
- Paying more than minimum payment due
- Borrowing below credit limit
- Have a good mix between types of credit
 - Good debt & some credit cards



- Making monthly payments late or missing payments
- Only paying minimum amount due
- Opening multiple accounts at once
- Closing too many accounts
- Borrowing above credit limit



Scenario #1

You want to purchase a new vehicle and you have your heart set on a brand new SUV.

You take out a loan to pay for the car, but after 6 months you begin to fall behind on payments and incur late fees.

- Does your score go up or down?
 - Why does it go up or down?
 - If your score goes up or down, what can you do to fix it?
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Scenario #2

You've been eager to buy a new cell phone for months, and now you're ready to make it happen.

You use your credit card to purchase the phone and you set up automatic billing to pay the monthly expense.

At the end of each month, you pay the credit card bill in full.

- Does your credit score go up or down?
 - If so, why does it go up or down?
 - If your score goes down, what can you do to fix it?
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Financial Literacy Books for Teens + Young Adults

“The Motley Fool Investment Guide for Teens: 8 Steps to Having More Money Than Your Parents Ever Dreamed Of”

by David and Tom Gardner, with Selena Marajian

“O.M.G.: Official Money Guide for Teenagers” by Susan Beacham and Michael Beacham

“The Richest Kids in America: How They Earn It, How They Spend It, How You Can Too” by Mark Victor Hansen

“Financial Basics: A Money Management Guide for Students” by Susan Knox

“Why Didn’t They Teach Me This in School? 99 Personal Money Management Principles to Live By” by Cary Siegel

“The Complete Guide to Personal Finance: For Teenagers” by Tamsen Butler

“The Wealthy Barber” by David Chilton

<http://playspent.org/>





Thanks + Happy Saving!