

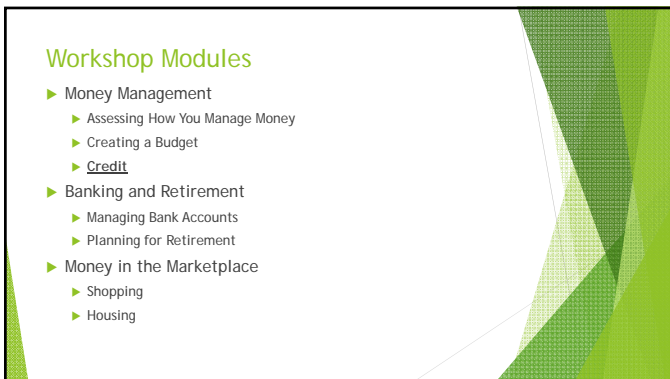
Financial Wellness
Workshop

Mental Health Association in Essex County
January 25, 2017



Learning Agreements

- ▶ Start & end on time
- ▶ Confidentiality
 - ▶ No need to share personal financial information at any point during the workshop
- ▶ Cell phone free zone
- ▶ One conversation at a time
- ▶ The "Parking Lot"
- ▶ 3 before Me
- ▶ Respect each other
- ▶ All questions welcome



Workshop Modules

- ▶ Money Management
 - ▶ Assessing How You Manage Money
 - ▶ Creating a Budget
 - ▶ Credit
- ▶ Banking and Retirement
 - ▶ Managing Bank Accounts
 - ▶ Planning for Retirement
- ▶ Money in the Marketplace
 - ▶ Shopping
 - ▶ Housing

Module 3 - Credit and Debt

- ▶ Objectives:
 - ▶ Discuss the proper and improper use of credit
 - ▶ Obtain a credit report
 - ▶ Take steps to update or correct errors in a credit report

What is credit?

- ▶ Credit is a contractual agreement that allows you to receive a loan and pay it back later. There are three types of credit accounts:
 - ▶ Credit Cards
 - ▶ Charge Cards
 - ▶ Installment Loans

Pre-Quiz

Credit Reports

You can order a free credit report from one of the three major credit reporting agencies each year:

- Equifax, www.equifax.com, (800) 685-1111
- Experian, www.experian.com, (888) 397-3742
- TransUnion, www.transunion.com, (800) 888-4213



Request a free copy of all 3 credit reports once per year:

www.annualcreditreport.com

877-322-8228

Payments and Finance Charges

- ▶ Interest & Finance Charges
- ▶ Minimum Payments
- ▶ Terms

Example

Monthly Payment	Time to Pay Off	Interest Paid	Total Cost of Loan
\$ 100.00	11 months	\$ 74.91	\$ 1074.91
\$ 50.00	1 year, 11 months	\$ 157.91	\$ 1157.91
\$ 30.00	3 years, 7 months	\$ 301.66	\$ 1301.66
\$ 20.00	6 years, 7 months	\$ 579.11	\$ 1579.11

Be Smart with your Credit

- ▶ Pay off the cards with the highest finance charges first.
- ▶ Pay more than the minimum payment required each month, if possible.
- ▶ Use cash to make purchases, if possible. Use a credit card only in emergencies or when necessary, such as for car rental.
- ▶ If you use a credit card, pay the full amount each month instead of letting finance charges accrue.
- ▶ Replace higher-rate credit cards with lower-rate ones.

Watch the Interest Rate

Monthly Payment	Interest Rate	Time to Pay Off	Interest Paid	Total Cost of Loan
\$ 30.00	20%	4 years, 1 month	\$ 471.80	\$ 1471.80
\$ 30.00	15%	3 years, 7 months	\$ 301.66	\$ 1301.66
\$ 30.00	10%	3 years, 3 months	\$ 176.40	\$ 1176.40
\$ 30.00	5%	3 years	\$ 78.87	\$ 1078.87

How to Calculate Interest

- ▶ Credit Cards
 - ▶ APR - Annual Percentage Rate 11%
 - ▶ DPR - Daily Percentage Rate = $11\% \text{ APR} / 365 \text{ days in a year} = .03\%$
 - ▶ Average Daily Balance
 - ▶ Average balance of your credit card account in the billing month
 - ▶ $\$750 \text{ average balance} * .03\% \text{ DPR} * 30 \text{ days in a month} = \6.75

Terminology

- ▶ Variable Rates
- ▶ Fixed Rates
- ▶ Annual Fee
- ▶ Grace Period
- ▶ Secured Card
- ▶ Debit Card

Reviewing your Credit Report

- ▶ Clearly explain what information should be corrected.
- ▶ Know what to expect.
- ▶ Get the results in writing.
- ▶ If you can't get information removed, consider explaining.
- ▶ Businesses that guarantee to remove negative information from your credit file cannot provide such a remedy. According to the Federal Trade Commission, these "credit-repair companies" charge anywhere from \$50 to more than \$1,000 and do little to nothing to improve your credit report. You can learn more about these scams at the FTC's website.

Questions?

Next Module: Managing Bank
Accounts

