

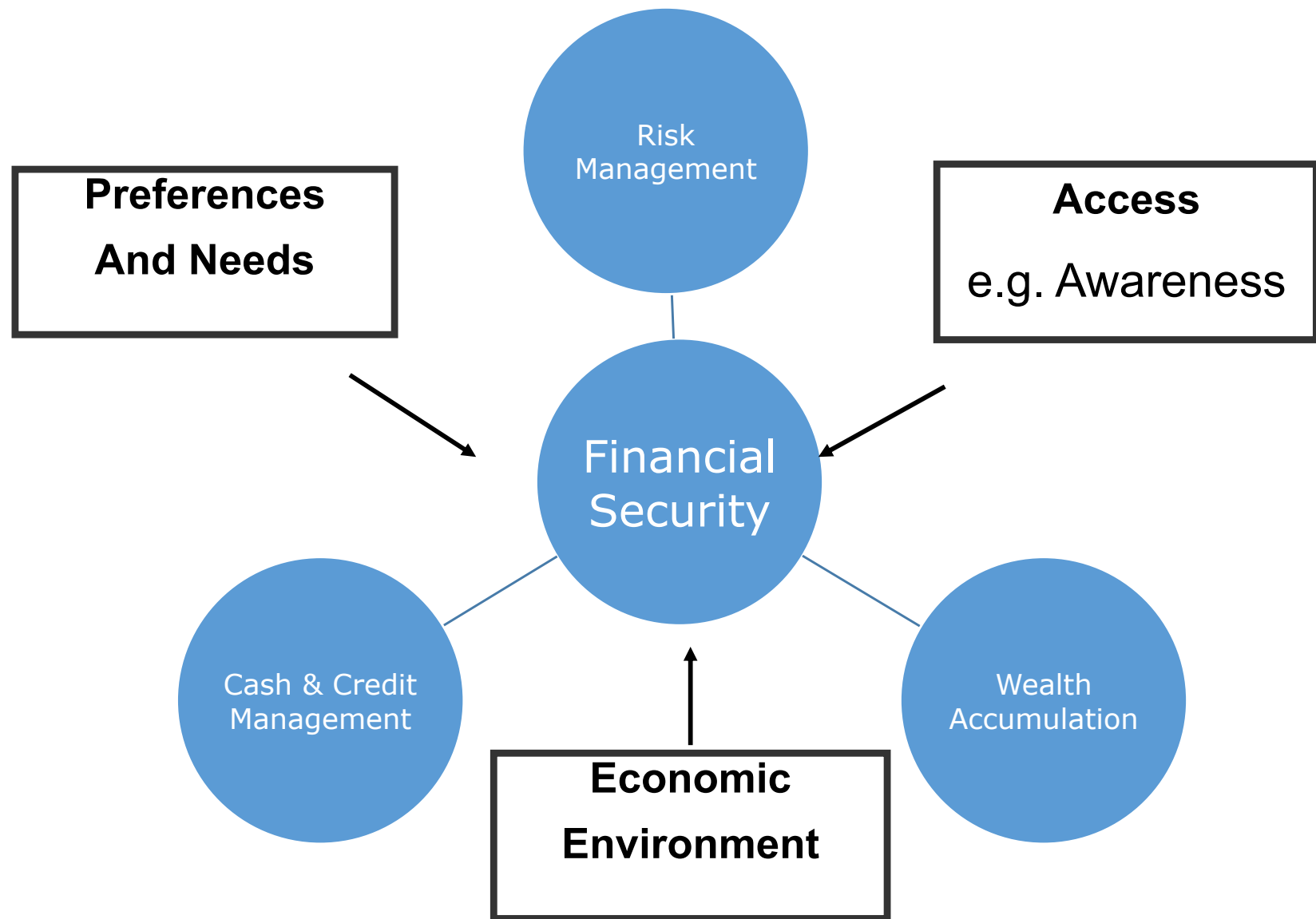
Tips, Tools, And Resources For Managing Your Finances and Making Informed Financial Decisions

FOR THE

#GATORGOOD

Dr. Martie Gillen
Accredited Financial Counselor
Certified Family Life Educator
Associate Professor and Extension Specialist
Family, Youth and Community Sciences

Financial Security



MY BEST ADVICE TO YOU....



COMPLETE THE FOLLOWING SENTENCE...

**If I had a lot more money, I
would _____.**

I OFTEN HEAR PEOPLE SAY...

- “If only I made more money, I would be happier and life would be better; I would be able to get the things I want out of life.”
- This same statement, in one form or another, comes from people who make less than \$20,000 a year as well as people who make more than \$100,000 annually.
- This leads me to believe that since this same sentiment is conveyed by people at all income levels, there must be more than money getting in the way of people’s wants and dreams.

EMOTIONS

- Emotions can be a major roadblock to reaching our goals.
- Emotions often cause us to spend money on things we really don't need or want long-term.
- Emotions can also prevent us from doing what we need and want long-term.

EMOTIONS

- Emotions that impact our financial decisions include
 - depression, anger and retaliation;
 - boredom or the need for recreation;
 - fear;
 - envy or unrealistic expectations;
 - the need to use money to control other family members;
 - and emotions related to attitudes and values we acquired during our youth and from our life experiences.

SELF-ESTEEM

- Emotion is linked to self-esteem.
- Self-esteem can have great impact on spending and financial decisions.
- If we feel something is missing from our lives, or that we don't measure up to the expectations of ourselves or others, we might buy something to prove ourselves or to fill the void, at least temporarily.

LET'S TALK ABOUT MONEY

- We first learn about money at a very early age
- Our saving and spending habits are influenced by our experiences and our FEELINGS
- Often, our money habits are derived from parents, friends, culture, religion, etc.

LET'S THINK ABOUT MONEY

- Do you usually spend or save?
- Do your friends (or parents) spend or save their money?
- How do you feel about their spending habits?
- Who pays the bills in your family?
- What do you (or your parents) do when you disagree about money?

LET'S THINK ABOUT MONEY

- How do money disagreements affect you?
- What has been your biggest purchase so far and how did you pay for it?
- What is your biggest fear when it comes to money?

INFLUENCES TO YOUR SPENDING

- People
 - Usually conservative but around certain friends or people become unusually generous or intimidated
- Emotion
 - Usually handle money one way when life is good and completely differently when stressed
- Situation
 - Typically save but can blow it all on vacation or for the holidays

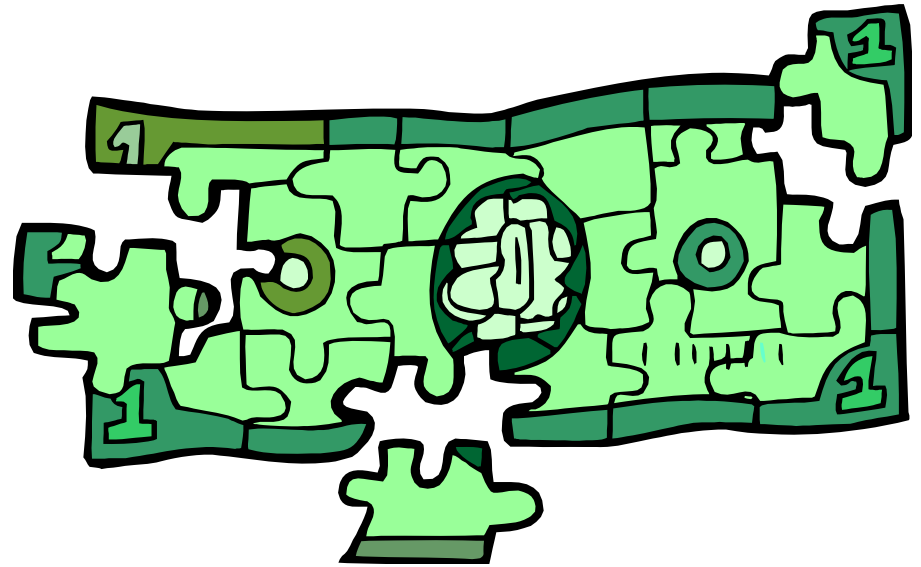
MANAGING OUR PERSONAL FINANCES

- Rational and logical process on the outside
 - Budgeting and saving
 - Income and expenses
 - Insuring against risk
- Emotional process on the inside
 - Decisions are influenced by the
 - Attitudes about money we learned growing up
 - Experiences have made us more cautious or more confident

THE MONEY PUZZLE

Puzzle pieces

1. How much money do you have?
2. What do you do with your money?



CHOICES

- No matter how much money you have, or how little money you have, every day you must make choices about what to do with your money
- Choices
 - A. Spend it
 - B. Save it
 - C. Invest it
- On a daily basis you have the opportunity to change how you interact with your money

CHOICES

- When you choose to spend your money you spend it on:
 - Things you need (required)
 - Things you want (things you would like to have but which aren't necessities)
- Money choices are personal
- What you consider a need may be different from what someone else considers a need

CHANGE

- If you want to create a more stable financial future for yourself you must do it through increased self-awareness and financial awareness
- Change begins when you recognize and acknowledge the need for it
- Next you must acquire the knowledge for change
 - Self-knowledge
 - Financial knowledge

MANAGING CASH AND CREDIT

- Managing cash and credit is crucial
- Need to know how much is left over at the end of the month to reduce debt or invest for your future!
- Knowing how much should be leftover at the end of a month (surplus) to be available for debt reduction or to **Invest for Your Future!**
- **Pay Yourself First** through proper **budgeting**
- Small change adds up...
- Avoid using credit as much as possible (not referring to student loans)

OPPORTUNITY COST

- **Opportunity cost:** what you give up as a result of a decision
- Every spending decision has an opportunity cost

CREDIT

- Trading future consumption for consumption today
- Why does what you do now matter?



CREDIT REPORT

Who can view your credit report?

- Lenders
- Landlords
- Insurance
- Some employers

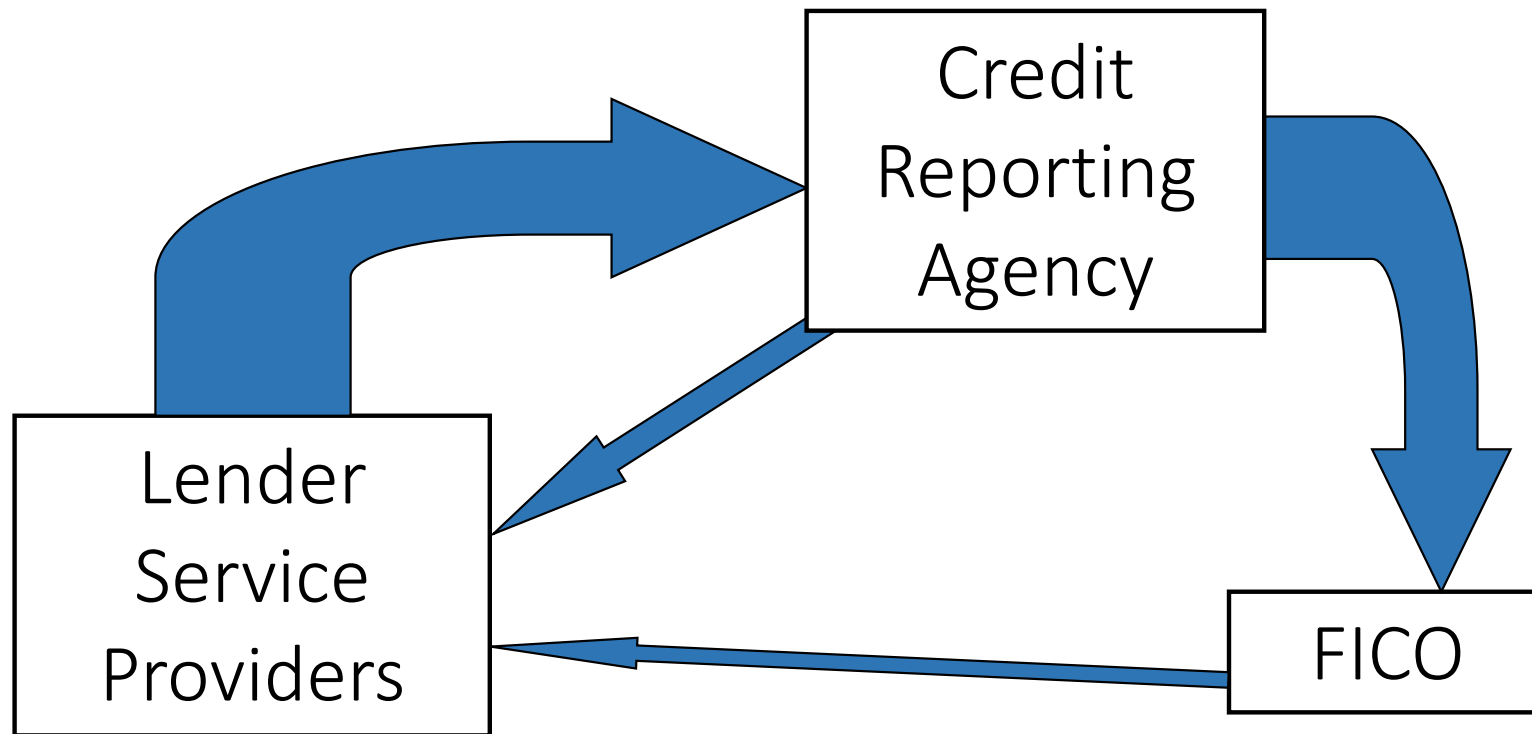


FUN QUESTION....

- **What is the highest possible FICO score?**
- Between 700 and 850 – Very good or excellent credit score.
- Between 680 and 699 – Good credit score.
- Between 620 and 679 – Average or OK score.
- Between 580 and 619 – Low credit score.
- Between 500 and 579 – Poor credit score.
- Between 300 and 499 – Bad credit score.



CREDIT REPORTING



30 YEAR MORTGAGE (AVG) OCT. 2, 2020

FICO® score	APR	Mortgage	Payment (principal & interest)	Interest paid
760-850	2.388%	\$200,000	\$779	\$80,440
700-759	2.610%		\$802	\$88,720
680-699	2.787%		\$820	\$95,200
660-679	3.001%		\$843	\$103,480
640-659	3.431%		\$890	\$120,400
620-639	3.977%		\$952	\$142,720

30 YEAR MORTGAGE (AVG) OCT 4, 2022

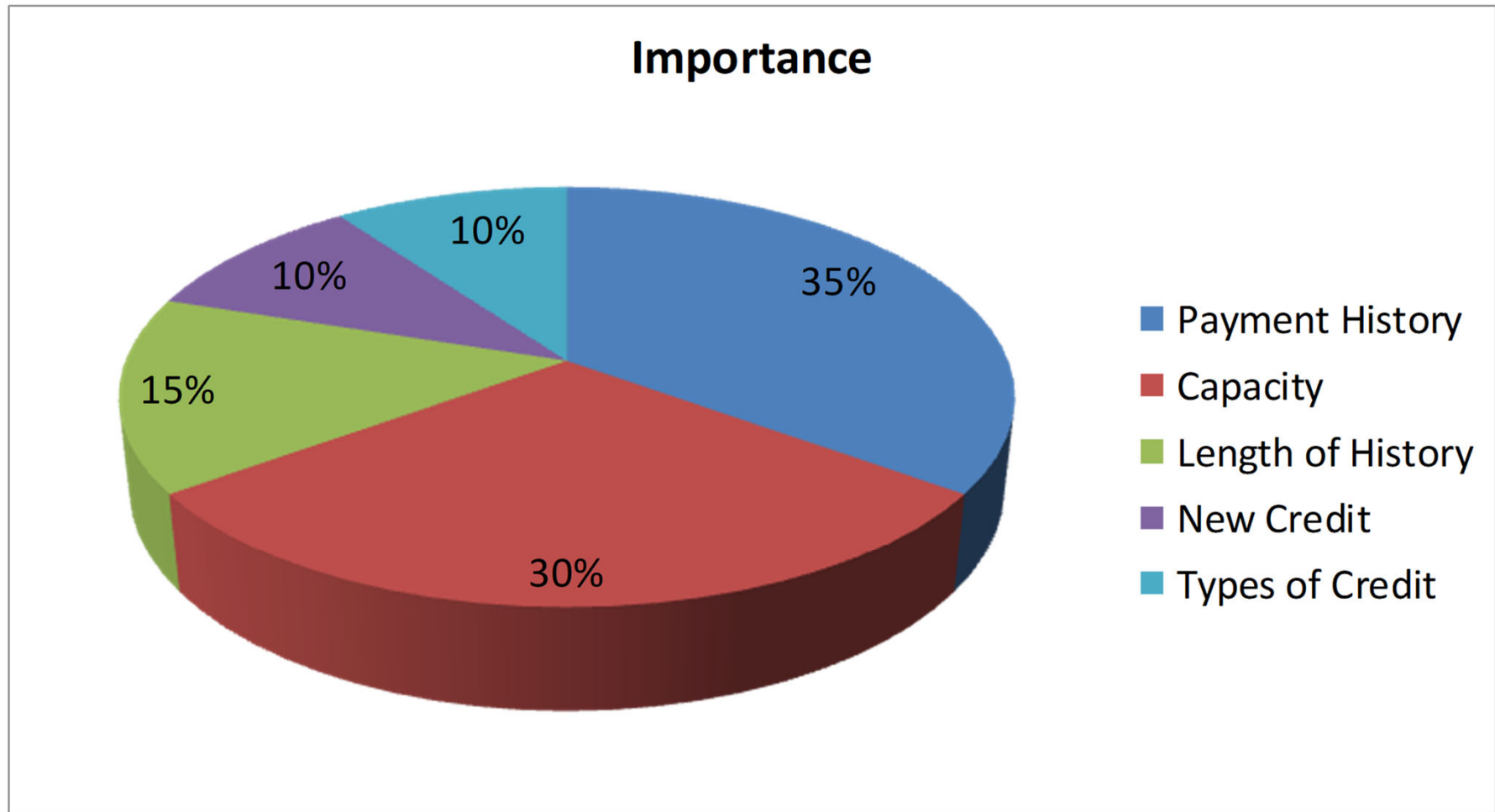
FICO® score	APR	Mortgage	Payment (principal & interest)	Interest paid
760-850	6.300%	\$200,000	\$1,238	\$245,000
700-759	6.522%		\$1,267	\$256,120
680-699	6.699%		\$1,290	\$264,400
660-679	6.913%		\$1,319	\$103,480
640-659	7.343%		\$1,377	\$274,840
620-639	7.889%		\$1,452	\$322,720



FREE CREDIT REPORT

- www.annualcreditreport.com
- 1-877-322-8228
- PO Box 105281
- Atlanta, GA 30348-5281
- You will need some sort of history to verify. If you have credit cards, several of these work. Otherwise, previous addresses will also work.

FICO SCORE





WHAT WILL HELP IMPROVE THE SCORE?

- **No real quick fixes**
 - Most measures are longitudinal
- **Consider the components of the FICO score for possible actions**
 - Consider their weightings
 - Consider how these are actually measured
- **For example – putting utilities in your name does not build credit**
 - Most common myth I hear from college students



Credit Cards

Avoid the Minimum Payment Trap

True Cost of the Minimum Payment

A. Average Daily Balance	\$2,000	Maxed-Out Credit Card!
B. Annual Percentage Rate	18% APR	Or 1.5% per month
C. Minimum Payment Percentage	2% of balance	2% x \$2000 = \$40
E. Finance Charge	\$30.00	1.5% x \$2000

(For all details, see credit card disclosures)

EXAMPLE

\$2,000 X 2% (minimum monthly payment %) = \$40.00

\$40.00		\$2,000.00
- <u>30.00</u> Finance Charge	Amt to Principal	- <u>10.00</u>
\$10.00 Amt to Principal	New Balance	\$1,990.00

True Cost of the Minimum Payment

Paying the **minimum** payment every month, it will take you **370 (30 years)** months to be rid of your debt. In that time, you will pay **\$4,931.15** in interest.

Payment Schedule

Month	Minimum Payment	Interest Paid	Principal Paid	Remaining Balance
1	\$40.00	\$30.00	\$10.00	\$1,990.00
2	\$39.80	\$29.85	\$9.95	\$1,980.05
3	\$39.60	\$29.70	\$9.90	\$1,970.15
4	\$39.40	\$29.55	\$9.85	\$1,960.30
5	\$39.21	\$29.40	\$9.80	\$1,950.50
6	\$39.01	\$29.26	\$9.75	\$1,940.75
7	\$38.81	\$29.11	\$9.70	\$1,931.04

An Expensive Spring Break Trip



Sean charges \$2,500 for a trip to the Bahamas.

He pays the minimum payment (18% APR) each month.

27 YEARS (334 months) LATER this trip has cost Sean about \$8,400, and all he has left are faded photos.

Rainy Days & the Real World



Life is full of surprises, and they're usually expensive!

The surprise is only in the timing...So it IS possible to plan for a lot of these surprises!

Purchase “peace of mind” by building a cushion...Make this a regular and mandatory expense!

PRIORITIZE AND SET GOALS

- **Most goals can be stated as Objective Statements**
 - Financial Objective/Goal
 - Horizon (timeline) and Dollar amount

Specific
Measurable
Attainable
Realistic
Timely



STRATEGIES

- **That starting early is always to your advantage**
 - More time for compounding
- **Use payroll deduction if you have access to an employer provided plan**
- **Pay yourself first**
- **Tax advantaged savings**
 - ROTH IRA makes the most sense for average student and young employee

ROTH IRA

- Contribute to Roth IRA accounts to supplement your employer-sponsored plans.
- Withdrawals are tax free if taken at age 59.5 or later or if you are disabled
- Earlier for...
 - Qualifying first time homebuyer costs
 - Medical expenses
 - Educational expenses
 - Can pass on to heirs free of estate taxes

OK SO WE ARE BUILDING WEALTH, BUT HOW DO WE PROTECT IT?

◎Protection from what?

- Injury
- Illness
- Death

◎Each of these is a shock to financial resources

- Can disrupt income
- Can require using investments or other assets to meet spending needs in the short run

PROTECTING WEALTH

- **Importance of risk management planning**
 - Protect income sources
 - Health, Disability and Life insurance
 - Protects wealth that has been accumulated
 - Home owners/Renter's, Auto, Liability, etc.

FUN QUESTION....

- If you go home and you find that your house is robbed, you probably have insurance for that.....? If so, what insurance?



**We can pay someone else to
assume these risks.**

CONSIDERATIONS OVER TIME

- **Single – no dependents**
 - Protect your stuff – Home owners/renters/auto
 - Health insurance
 - Protect your income – disability insurance
- **Single parent**
 - Add life insurance and a will
- **Cohabiting with/without children**
 - Same as above
- **Married with/without children**
 - Same as above

WHAT DO YOU DO?

- **Check with your employer**
 - If you have a job, you may be eligible for some benefits
- **Financial services**
 - Any of these can be found working with various service providers.
 - Do your homework if you pursue this avenue.

IN CLOSING

- Have a plan; knowing it will change as your life does (marriage, divorce, kids)
- Have some form of a spending plan
- Use credit wisely
- Start saving early
- Protect your financial resources
- Have money conversations

Questions or Comments



Dr. Martie Gillen
mgillen@ufl.edu