Inclusive Financial Services for People Living in Poverty

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Abstract

This paper is intended to be a supplemental justification to an asset-building, financial literacy curriculum, which is provided as an appendix at the end of this document[1]. The following paper is the big picture framework of the lack of and apparent need for inclusive financial services for those who are poor. The scope of the problem faced by unbanked and underbanked populations throughout the world is certainly an injustice that needs to be addressed. Microfinance and inclusive financial services for people who are poor are a way to equip the unbanked and underbanked populations with added resilience. In the U.S., pairing financial education with affordable financial services can help those who are poor build their assets and become financially stable. An anecdote about the accompanying financial literacy curriculum is included at the end of the paper.

[1] A hard copy and digital copy of the asset building curriculum is available upon request.

Introduction

Based off my personal experiences of working with a local community development financial institution, Express Credit Union, in Seattle has helped me to realize the importance of providing inclusive financial services to unmet populations. I have seen first hand the injustice that exists for people who are excluded from mainstream financial institutions. This cumulative experience, along with keeping up to date on current literature from practitioners in my field, has helped me to formulate the basis for this thesis, which is a financial literacy curriculum catered to low-income, unbanked, and underbanked populations in the greater Seattle area. The following is a defense on what economic justice for people who are poor entails, how microfinance can be a tool for transformation, and how inclusive financial services are not only needed in lesser-developed countries, but in the U.S. as well. A personal anecdote about providing financial education to unbanked and underbanked populations is included as an epilogue.

First of all, I will explain the big picture of microfinance so that the reader can have a framework to appreciate the importance and need for inclusive financial services. I will start by including an explanation of asset based community development and economic justice for the poor, and then will focus in on how this is relevant to my work at the credit union. This way, the reader will have a greater understanding of my motivations for creating a financial literacy curriculum. This piece of literature and the supplemental curriculum are the culmination of my defense that inclusive financial services, including capacity building through education, supports economic justice to those who are poor by giving them the tools to increase their asset building potential.

Defining terms

In order for clarification, it is necessary to define several terms that have already been used and will be used throughout. Following is a list of key terms and definitions:

- Financial inclusion means convenient, dignified access to a broad range of high-quality financial services at a reasonable price (Massu, 2013).
- Financial services are savings and checking accounts, loans, payment and deposit means.
- Microfinance is small-scale financial services, typically to poor and underserved individuals.
- Microcredit (also known as a microloan) is a small-scale loan that is typically catered towards low-income or poor entrepreneurs to start or enhance a business or self-employment.
- Microfinance institutions (MFIs) are the institutions that distribute microfinance.
- Financial mainstream (also referred to as mainstream financial institutions) entails banks and credit unions, including some forms of MFIs.
- Unbanked populations refer to those who do not have a checking or savings account at a financial institution, and also include those who do not use MFIs.
- Underbanked populations are those who have checking or savings account, or use MFIs, but primarily rely on alternative financial services (FDIC 2009).
- Alternative financial services include loan sharks, moneylenders, check-cashing services and payday lenders, all that charge extraordinary fees and interest rates—some short-term loans can have an interest rate as high as 390% (US Department of the Treasury, 2010).

Framework for microfinance and asset based community development

The term *microfinance* has persisted as a buzzword in the field of global development since Muhammad Yunus won the Nobel Peace Prize in 2006 for his work with the Grameen Bank. By providing very small loans (known as *microcredit*) to people who are living in poverty, particularly poor women, Yunus wanted to prove to the world that those who are poor are capable of navigating their own path out of poverty (Yunus, 2009). The fact that microfinance—which includes loans, savings, and other financial services for the poor—has gained momentum throughout the world, shows a sign that a transformation is taking place in the financial industry. At the end of 2010, the Microcredit Summit Campaign reported that microfinance institutions (MFIs) reached over 200 million people, and 82.3% of the users were women (Reed, 2012).

Despite their popularity, MFIs have faced a series of backlashes in the past few years, bringing the credibility of microfinance to the forefront. Extensive studies have revealed that consumers have sought microcredit for many reasons beyond its intent of stimulating business and entrepreneurship activities (Karlan & Appel, 2011; Karlan & Zinman, 2011; Banerjee, et. al, 2009; Collins, et. al, 2009; Morduch &Johnston, 2008; Coleman, 1999). In an interview with the New York Times, Yunus explained that microfinance has become such a popular thing that everybody wanted to take part, and unfortunately a few MFIs took advantage of the popularity "and turned it around to make money for themselves" (Thirani, 22 February 2012). Yunus declared that the basic concept of microfinance, which is dedicated to helping the poor to help themselves, is not the problem; the problem is when MFIs drift away from the primary purpose of microfinance. Microfinance has proven to be a profitable service for MFIs, however to prevent exploitation of those who are poor, it is essential that MFIs offer more than lending money for the sake of profit alone; MFIs must include services beyond loans (or microcredit)—such as savings, education and training—and the clients' needs, not profit, must be at the forefront (Koku 2009; Koku & Acquaye, 2011; Kwarteng & Acquay, 2011; Mews & Abraham, 2007; Moll, 2011). When used appropriately, microfinance is a powerful tool for poverty alleviation and can help contribute to sustainable community development.

According to John Perkins (2007)—a renowned advocate for community development—simply giving money to those who are poor is not enough; instead of our money, he wrote "The poor need us—people. People with skills who will work with them and teach them how to become self-sufficient" (p. 13). Perkins reinforced the fact that sustainable community development cannot come from hand-outs, but instead must come from an active justice by walking with the poor. Unlike traditional aid and donor grants that wastefully throw money at "problems" (Moyo, 2009), microfinance puts the client at the center and empowers them to achieve stability. Makonen Getu (2006) of Opportunity International (an NGO that is involved with microfinance) wrote, "Those who earn income through the help of microfinance institutions are in turn enabled to support themselves, their children, and extended family members" (p. 152). Confronting the root causes of economic poverty and working from the ground up are both essential for the success of community development.

In fact, the most successful methods for community development first discover what a community's assets and capacities are (Kretzman & McKnight, 1993), and then the community becomes their own agents of change. With the provision of microfinance, an opportunity for a transformation is reinforced through the realization that the recipient does have the capacity and power to pursue an enhanced life (Myers, 1999). Building stronger communities through an asset based community development (ABCD) approach invites individuals in the community to see their power and worth, rather than inflicting a demeaning sense of helplessness and dependence. Therefore, when used as intended, microfinance can be an effective ABCD tool that enables a transformation for individuals to pursue their capabilities, and equips them with a resource towards self-empowerment.

By no means is microfinance a panacea for global poverty; rather it is a transformational tool that can be used by those who are poor to escape the traps of poverty. The field of microfinance is evolving from its initial movement of providing only small business loans (or microcredit) into a wider frame that encapsulates inclusive financial services—like savings, insurance, and financial education. People who are living in a state of poverty need access and usage of flexible and reliable financial services to help manage the challenges and successes of daily life.

Economic Justice for the Poor

Although there are multiple levels and opinions about the causes of poverty, many scholars agree that restricted access to affordable financial services is one of the underlying causes of economic development (Andreasen 1975; Hallock, 2004; Mews & Abraham 2007; Morduch, 2011). It is no coincidence that over half the world lives below the poverty line and over half the world also lacks access to financial services. In fact, more than half the adults in the world do not have a bank account or access to services like microfinance (Chaia, Dalal, Goland, Gonzalez, Morduch & Schiff, 2009). Unbanked and underbanked individuals are less likely to build assets to plan for a more viable future.

Mainstream financial institutions deem people who are living on a limited income with little to no assets as unbankable and a high risk, leaving them few opportunities for financial inclusion. This barrier often leaves the poor disposed to alternative financial services, where they end up paying excessive amounts for rudimentary amenities, both in the U.S. as well as in lesser developed countries (Alwitt, 1995; Goodman, 1968; Hershman, 1981; Koku, 2011;). Coming from a Christian worldview, this truly is an injustice that needs to be addressed in order to achieve economic justice for those who are poor. Can inclusive financial services function as an engine towards economic justice?

Many Christian development practitioners claim to be working for justice, but what does that actually mean? There are many connotations that come to mind with the word justice, as it is used in different contexts with different meanings. Nicholas Wolterstorf (2010) a significant Christian thinker, explained in his latest book, *Justice in Love* that contrary to much theological debate, justice and love are not incompatible, but rather work together in a harmonious relationship. According to Wolterstorff (2010) justice can only prevail when it is also seen as a form of love. He claimed that a model of "love as care" is best because it enhances a person's well being and secures that a person's rights are honored (p. 7). Understanding justice as being underlined with love is necessary when defining economic justice for the poor. In light of inclusive financial services for those who are poor, economic justice can be achieved by providing affordable services that do not exploit, but rather enhance opportunities for people living in poverty.

Evolving microfinance

Ever since the practice of lending to people who are poor started, the field of microfinance has been evolving into a more holistic movement for inclusive financial services. With a recent backlash in the microfinance industry, MFIs have made important and necessary changes, such as added regulations and impact assessments. By making an effort for additional research, evaluation, and development of social performance indicators, microfinance can be an effective tool for poverty alleviation. If MFIs are mission-driven—meaning they operate with the intent of empowering people who are poor, not exploiting them—and offer other services beyond loans, such as mobile banking, savings, insurance, and financial education—microfinance can indeed be an inclusive and effective tool that is more than just a good intention.

In order for the field of microfinance to evolve, it is first necessary to recognize the shortfalls. The recent backlash against MFIs started in South Asia because of accusations of malpractice against Muhammad Yunus and the Grameen Bank (Polgreen, 2011) as well as collection practices by loan officers in India. Even though the accusations against Yunus and the Grameen Bank were eventually lifted, the view of MFIs was widely considered "as doing more harm than good" (Oliver, 2010). Similarly, in *More Than Good Intentions,* Dean Karlan and Jacob Appel (2011) made a point to show the failures of microfinance programs and inefficiencies within the industry. Karlan and Appel gave numerous examples and provided case studies about programs and instances where microfinance had been unsuccessful. They argued that, "The problem with microfinance is that it is not a one-size-fits all solution to poverty that can be adopted effectively even without important impact evaluations, and as something that every poor person should want" (p. 82). Microfinance should not be viewed as the perfect solution to global poverty; rather, it is a tool among other models of asset based community development to improve the lives of those who are poor.

Nicolas Kristoff (2009), a columnist for the New York Times wrote, "microcredit is undoubtedly the most visible innovation in anti-poverty policy in the last half century." In fact, microfinance has gained the support from many well intentioned, globally minded thinkers, such as the Gates Foundation and the United Nations Development Program. All the hype about microfinance has revealed that it is not the only answer for poverty, but when used as intended, microfinance works as an effective tool to empower people who are living in a state of poverty.

MFIs hold the potential to alleviate economic poverty because they provide those who are poor with an option for inclusive financial services. It is important, however, that MFIs and inclusive service providers keep the needs of those who they are serving at the forefront. Vijayalakshmi Das (2013), managing director of Ananya Finance for Inclusive Growth Pvt. Ltd. in India explained the future of microfinance well when she told the Microfinance Summit Campaign, "The crisis [in India's microfinance sector] has told us that it is time for us to invest more time in understanding our clients and their needs and then respond accordingly. That is very important." Similarly, Larry Reed (2012), head of The Microfinance Summit Campaign reported:

> At a time like this, it is important that we listen to clients and the people who work most closely with them and know them best. We need to approach the field from the clients' vantage point—asking what it is that they are looking for when they utilize financial services—and redouble our efforts to ensure that the tools we provide will enable them to achieve what they most desire for themselves and their families (State of the Microfinance Summit Campaign Report).

One of the challenges in the industry is how to measure outcomes, to see if financial products are actually appropriate for people who are living under the poverty line, and whether or not the institutions are effectively providing the services. The Microfinance Summit Campaign is developing a 'Pro-Poor Seal of Excellence' for MFIs that are striving to reach people living in poverty to create a positive transformation in their lives (*The pro-poor seal of excellence*, 2013). According to the campaign, "This puts a lens of poverty on these initiatives, and by collecting and sharing rigorous, objective, and concrete evidence of success, reinvigorates the role of financial services as a powerful tool and platform in the fight against poverty" (*The pro-poor seal of excellence*, 2013). While there are certainly challenges in providing inclusive financial services for those who are poor, the rise of its popularity throughout the world and the innovations in the industry have made it clear that it is a worthwhile service.

In the Financial Inclusion 2020 webinar, key players in the industry came together to share where the microfinance industry is headed. Despite the downfalls that have been recognized, the meeting revealed hope for the future in providing financial services as an opportunity for people who are living under the poverty line (Cheston, 2013). With a clearer understanding of microfinance as an inclusive service, unity among key players, increased cooperation, and a client focus, the microfinance industry can and will continue to expand into a greater financial inclusion playing field.

Is microfinance relevant to people who are living in poverty in the US?

When the term microfinance is heard, it is usually automatically assumed that it is something that is only applicable to lesser-developed countries. However, the need for inclusive financial services is apparent in the U.S. and other developed countries as well.

Many people do not realize that even in the U.S. 25% of the population is unbanked or underbanked (CGAP, 2008) and the majority of whom are living below the poverty line. This means that a quarter of the population in the U.S. do not have access to or do not use a mainstream financial institution, so they are turning to pay-day loan and check-cashing services. This is only increasing debt and financial troubles among those who are poor, and is restricting their ability to build financial assets. There is a market failure because of the lack of affordable and accessible financial services; but with modified and inclusive services—including financial literacy campaigns—the poor in the U.S. can gain the appropriate means to increase their financial capacity.

There are well over 50,000 households in the Seattle metropolitan area alone that do not have checking accounts (Iannicola, 2007). The majority of the unbanked population is comprised of low-income individuals and ethnic minorities. Many of these people have either never used a mainstream financial institution before, have had negative banking experiences in the past, or do not see the need for a bank account. In any case, they have to pay more for rudimentary services, such as cashing a check or making a payment. In fact, it is estimated that on average, low-income households that do not have access to a mainstream financial institution pay on average $800 per year on unnecessary fees at check cashing outlets (U.S. Department of Treasury, 2011). According to a study by the Brookings Institution, this means that an unbanked worker will pay $40,000 throughout his or her life just to cash paychecks (FDIC, 2009). Additionally, unbanked populations are disposed to use payday lenders, which are similar to loan sharks in developing countries, where they often become trapped in endless cycles of debt.

Those who are poor have arguably always been exploited, and much research has shown that the people living in poverty are not given equal opportunities for financial services (Levy and Kennedy, 2011). Without any other options, with a lack of understanding, and with a lack of easy-access to banking, the poor in the U.S. are often drawn to payday lenders, check-cashing outlets, and other exploitive, alternative financial services that come at an exorbitant cost. However, similar to microfinance services in developing countries, with the provision of inclusive financial services and an emphasis on financial education, unbanked and underbanked populations in the U.S. can be transformed to build their financial capabilities.

Evidence of many underbanked populations that opt in use exploitive financial services gives heed to the importance of increasing access to financial literacy. An advocate for the Microfinance Gateway wrote, "Greater investments should be made at the national level to expand access to financial literacy (Massu, 2013). Various case studies have revealed that, "effective delivery of financial education is critical to promote sound use of financial products and services" and that "both financial access and education can and should be delivered in diverse venues" (U.S. Department of the Treasury, 2010). In a regional conference on reaching the unbanked, one speaker stated, "nearly one in five American households owe more that it owns, [and] it is not just that we live paycheck to paycheck, we spend more than we have. So, financial education—learning how to manage our resources more effectively—is critical" (Iannicola, 2007). By offering financial literacy programs, underbanked populations can learn how to avoid high-cost alternative financial services (like predatory lenders and check cashing outlets) and learn how increase their financial resilience.

Conclusion

People who are living in poverty have the capacity to improve their financial situation, but have restricted access to the financial mainstream, lack incentive and means to save and build assets, and need increased opportunities for financial literacy. MFIs need to change their focus to one that understands the issue of unbanked and underbanked populations in entirety to take a holistic approach in serving those who are poor. In the Vision for Financial Inclusion 2020 webinar, key players in the industry were widely optimistic because the past several years have revealed a better understanding of microfinance in the financial industry. There are starting to be technological innovations, a greater focus on the clients, building relationships to promote cooperation, and a common platform (Cheston, 2013). As the undertaking of financial inclusion moves past microfinance, a wider range of quality services and functions will continue to have dramatic impacts in serving those who are poor. Furthermore, new innovations in microfinance and new understandings show that MFIs can work in developing nations as well as where there are underbanked populations, such as in the Seattle area. With increased financial capabilities, people who are living in poverty will be able to build their assets by using appropriate financial services and making sound financial decisions.

Epilogue: A vision for financial literacy

As mentioned in the introductions, I have worked with a local credit union joint non-profit venture that provides financial services and education to the unbanked and underbanked populations in the greater Seattle area. The experiences that I have gained through working with Express Credit Union (ECU)[2] have enhanced my education in community development. Since the spring of 2012, I had the unique opportunity to expand my work with the credit union to tie in with my coursework at Northwest University. For my practicum, I was involved with a pilot project that provided low-income, aspiring entrepreneurs with basic financially literacy and small business training. This way, I was able to apply my day job with my personal vocational interest of providing underserved populations with adequate financial services.

The majority of the members at ECU are low-income, immigrants, refugees, people who have never had a bank account before, people who are not qualified to use any other financial institution, and also people who intentionally choose us over other financial institutions. What makes ECU different is that it operates hand-in-hand with a non-profit affiliate, Express Advantage, where partnerships are formed to provide mobile banking services at various community based organizations throughout King County. Many of the people who fall into the category of unbanked or underbanked are already utilizing the various social services that ECU's community based partners provide (such as food banks and employment assistance). My position falls directly between the credit union and the non-profit—I provide basic banking services as well as a variety of community outreach activities, including financial education.

After operating for several years, it has been discovered that ECU's model offers a better way to reach the unbanked and underbanked populations. Alice Coday of the Seattle

[2] Express Credit Union (ECU) is a not-for profit, low-income, community development credit union that operated throughout King County. I am only an employee at ECU, and do not fully represent the organization. Any information shared in this work is strictly from my personal experiences and should not be held accountable to ECU.

King-County Asset-Building Collaborative mentioned the importance that ECU has in the greater Seattle area by promoting unbanked and underbanked individuals into the financial mainstream. She told me that accessing financial services is a proven step towards helping individuals and families build their assets (A. Coday, Personal Communication, June 7, 2012). Similarly, Maggie McKenna with Burst for Prosperity noted that access to bank accounts and offering opportunities to access financial education is crucial to attain financial security (M. McKenna, Personal Communication, August 14, 2013). Over the past several years, ECU has been a part of a wider coalition that is aiming to increase individuals' use of the mainstream financial system.

Through my work with ECU, I have had a lot of interactions with the various people that make up the unbanked and underbanked populations in the greater Seattle area. Part of my outreach work entails delivering basic financial education to our members and community partners, ranging from raising awareness about predatory financial services to improving saving habits. When I first started, I had little experience teaching others about sound financial practices. Fortunately, I found that there are quite a few financial education curriculums available for free (such as the government sponsored FDIC MoneySmart series). I initially relied mainly on these resources for my outreach work. However, as I became more familiar with teaching and developed a more holistic understanding of unbanked and underbanked populations, I started to realize that most of the available financial literacy curriculum was actually not very useful for the audiences I taught.

In 2012, our credit union joined forces with Start Zone[3] in a pilot project to offer a financial literacy and small business training series to a group of low-income entrepreneurs. With my interest of wanting to improve financial literacy material for unbanked and underbanked populations, I became involved in the process of creating the material as well as teaching some of the classes. After the pilot ran its five-month course, it became apparent to me that the financial literary material I initially prepared needed a lot of work if we were to use it again—the material was confusing for the instructor, and the organization of the lessons definitely needed improvement. I started asking questions to the students and instructors whenever a class was taught, and I invited the students and instructors to give me feedback. In an interview with one of my students, she told me "all these curriculums are the same—and I am not getting anything out of them because they are not intended for someone who is living on a limited income, with nothing left at the end of the month to 'budget' or 'save'. Where can I even start?" (Personal Communication, Indigo Martinez,[4] July 18th, 2012). I started to wonder, could I craft educational material to be more applicable to the people that I interact with?

I also started to ask the other instructors who used the curriculum for feedback to see if it was easy for them to follow and instruct the class. I discovered that the other instructors found the layout and presentation confusing. One instructor suggested, "it would have been helpful if there were separate instructions for the student and instructor, because it was confusing to tell what I was supposed to teach" (H. Haag, Personal Communication, May 17th, 2012). ECU also had an outside contractor from Burst for

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[3] Start Zone is a program based out of Highline Community College that offers training, education, and support services to small business owners.
[4] Name has been changed by request for privacy from interviewee

Prosperity to analyze the effectiveness of the instruction and classes on the students through a participatory focus group after the completion of the pilot project. The focus group revealed that the participants are interested in further opportunities for financial literacy, but they wanted the material to have a real-life and personable application (M. McKenna, Personal Communication, October 18, 2012).

From my cumulative experiences of instructing and feedback, I saw an opportunity to compose a coherent financial literacy curriculum for our credit union—one that could be used to teach individual classes, or be used in partnership with other community based organizations. After talking with one of my managers, we agreed that I could compile lessons that were more catered to the unbanked and underbanked populations, and compose them in such a manner that anyone could use the material to instruct a class (M. Vallen, Personal Communication, July 30, 2012). This way, the curriculum would be self-explanatory and easy to follow and use—both for the instructor and the participants. Furthermore, I was inspired to create something useful. By providing underserved people with the necessary resources—such as financial literacy—is helping them discover how to build a financially stable future.

From my cumulative experiences in teaching, with the help from my coworkers, and based off of the observations, conversations, and interviews collected form students, I created a seven-part asset-building curriculum (See Appendix A for complete curriculum). The finished product includes a participant guide with handouts, activities, worksheets, tools, and resources that can be used alongside the various modules. Each module also includes an instructor's guide, with directions for activities, queues for discussion, and talking points, as well as a PowerPoint presentation for each lesson. This way, anyone can become familiar with the curriculum and will be able to present it. The modules cover the following topics:

1. Introduction to Banking and Money Basics
2. Maximizing Income
3. Managing Debt
4. Fixing and Rebuilding Credit
5. Loan Readiness
6. Managing Money
7. Importance of Saving and Investing

The modules are intended to be taught as a series, but are compiled in a way so that they can each be taught as their own topic as well. It is my hope that the credit union and our community partners will be able to use this financial literacy curriculum as a starting point to be a catalyst for helping our members and larger community build and grow their financial capacity.

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ASSET BUILDING MODULES

Growing Financial Resiliance

This financial literacy curriculum was created by Rachel Warren in 2013 as a thesis project for Northwest University's International Care and Community Development MA program. The material in this curriculum was used for Express Credit Union's Entrepreneurship Incubator Project in 2011, and afterwards for varying financial literacy classes. Express Credit Union is a designated low-income community development credit union serving underbanked and unbanked populations in the greater Seattle area. The mission of Express Credit Union is to provide affordable financial services to help build assets and achieve financial stability. Visit www.expresscu.org for more information.

The content for these modules has been compressed into one document for the sake of completion. Individual modules or worksheets can be made available upon request, as well as accompanying PowerPoint presentations for each module.

Please contact Rachel Warren rachel.lynn.warren@gmail.com with any question about the curriculum.

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Each module contains an instructor's guide as well as a participant's guide. The content for the modules has been compressed into one document for the sake of completion. Individual modules or worksheets can be made available upon request.

Please contact Rachel Warren rachel.lynn.warren@gmail.com with any question about the curriculum.

Introduction to Banking & Money Basics

Banking for Success

Instructor's Guide

TABLE OF CONTENTS

SESSION OVERVIEW

Theme

The theme of this module is responsibility and safekeeping of money

Purpose and Goals

The goal of this session is that participants will have self-realization of the importance of handling personal finances responsibly. The purpose of this session is to have participants understand how to effectively use a financial institution and provide them with the tools to fix negative ChexSystems.

Skills Developed

After this session, participants will have the knowledge and confidence to effectively use a financial institution and the services it offers. They will also have the ability to repair a negative ChexSystems report.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	10
Section 1	Banking for Success	120 (2 hrs)
Learn	Guest Speaker from ECU	15
Break	Allow participants a short break between sections	10
Section 2	Understanding & Fixing your ChexSystems Report	60 (1 hr)
Closing	Summary, session quiz, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Track I: Intro to Banking and Money Basics where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Many of the materials we use were adapted from other sources. For this session we are particularly indebted to the Hopelink Keys to Success, FDIC Money Smart, and American Financial Solutions' Check it Out curriculum. We would like to thank Hopelink and American Financial Solutions for sharing their educational materials with us.

This module is based on Hopelink's Banking for Success module and an additional module created by Express Credit Union/Express Advantage and American Financial Solutions focused on fixing your ChexSystems report.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. The first step is to understand the basics of banking and money.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since this is our first time meeting together, I would like us to get to know each other. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

Now that we are familiar with each other's names, please turn to the person next to you and share a couple of sentences about the first time you started earning your own money. You will each have only 2 minutes to talk, so keep your stories short.

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Track 1: Intro to Banking & Money Basics.

This class session is focused on money and banking basics. It is broken up into two sections, with a short break in between. Our first section is about banking and our second session is about ChexSystems reports. On page one of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

PART I: BANKING FOR SUCCESS

Try to get a feel for how much banking experience participants have and make adjustments where needed.

Clarify the term 'bank.'

In this course we will use the word 'bank' to also include credit unions and thrifts.

When you hear the word 'bank' what comes to mind?

Record answers on the board. Most likely, the answers will reflect participants' perceptions of banks. Continue to probe for what banks do.

A bank is business that offers you a safe place to keep your money and uses your deposits to make loans. It is also called a financial institution.

Follow-up with two more questions for discussion and record answers on the board to gather participants' experiences with financial institutions:

What has been your experience with a bank? Where do you typically keep your money?

Draw from experiences of participants who utilize financial institutions to transition into brief discussion of reasons to keep money in a bank – ask participants first, then complete the list:

- Safety – money is safe from theft, loss, and fire or flooding
- Convenience – you can get money quickly and easily; for example, you can have your paycheck directly deposited into your account and not pay any fees to cash it
- Cost – probably cheaper than using other businesses to cash checks (we will look at that in a minute)
- Security – the Federal Deposit Insurance Corporation (FDCI) and the National Credit Union Administration (NCUA) insure your deposits; if anything happens to the bank, these organizations will pay you your money back
- Financial future – building a relationship with a bank establishes a record of paying bills, saves money, and is necessary for getting loans later on

Transition to next topic: Different types of financial institutions

Ask participants if they know the difference between a bank and a credit union, record answers on board, and complete list if necessary.

Who here has ever had a bank account? Who here has ever had a credit union account? Who know what the difference is?

- Common features:

- Federal and state rules apply to protect consumers
- Offer checking and savings accounts
- Accept deposits (describe deposit accounts – accounts you can add money to, like a checking or savings account; depending on group, explain checking & savings accounts separately)
- Make loans
- Offer other financial services

- Main differences:
  - Bank – business; usually more branches if a nation-wide company
  - Credit Union – non-profit organization owned by members (the people who have accounts there); usually better interest rates

*Refer students to **Bank vs. Credit Union** in workbook*

Banks and credit unions usually offer very similar services, just sometimes at different prices; for this session, the term bank or financial institution both mean banks and credit unions.

Ask participants who do not have a bank account to share how they cash checks and pay bills to transition into an introduction to check cashing outlets (CCOs)

Who has ever used a check cashing outlet before? What is the difference between a CCO and a bank?

- Examples include MoneyTree, Check Into Cash, Check X-Change etc.
- NOT regulated by the federal government, no need to have accounts
- Businesses who make lots of money from fees

*Have volunteers share their check-cashing outlet experiences, and see if anyone will volunteer what it costs him or her to cash their checks. Use **Banks vs. Check Cashing Outlets** in workbook to have participants explore the differences in the cost structure between financial institutions and CCOs.*

Write the numbers and calculations on the white board, while you walk the class through the comparison

Let's look in your workbook at the **Banks vs. Check Cashing Outlets** worksheet.

Walk through scenarios 1 and 2 with participants and write out calculations on board. You can have participants work individually, with a partner, or go over together as a class. Ask participants for answers and provide answers when needed.

In Scenario 1, Renee cashes 2 paychecks a month of $500 each

- ANY Bank - $7 monthly account fee, check cashing free with account -> $7 monthly or $84 per year
- Cash-A-Check – 2.9% fee of $500 = $14.5 plus $.99 fee -> $15.49 per pay check, two checks per month => $30.98 monthly or $ 371.76 per year
- Calculate the difference as how much money you lose by using cash-a-check: $30.98 - $7 = $23.98 per month and $371.76 - $84 = $287.76 per year (which is more than half a paycheck!)

Scenario 2 – Ravi gets social security of $600 every month

- ANY Bank – same as for pay check
- Cash-A-Check – 5.9% fee for government check -> $35.4 plus $.99 fee = $36.39 per month or $436.68 per year
- Difference – how much money you lose -> $29.39 per month or $352.68 per year (again, much more than half a check!)

Stress that you can set up direct deposit with a bank account

When you have ANY Bank account, you can enroll for direct deposit, where the government or your employer sends your money directly into your account for no fee to you. It is really fast, you don't have to wait for the check to come in the mail or pick it up at work, and the funds will be in your account on payday.

*Ask participants some of the benefits they see in using banks and credit union vs. a CCO. Use handout **Alternatives to Check Cashing Outlets** to help participants generate ideas.*

Some banks offer free checking accounts, where you don't lose any money to cash checks. What do you think you would tell your friends or family members who are using check-cashing outlets? Why should their friends think about getting a bank account?

*Handout the **FTC Consumer Alert Payday Lenders** and **Payday Lending-Borrower rights and Responsibilities** documents (also available in Spanish). Encourage participants to read them over in their spare time. Expand on the point that payday loans are an expensive form of credit (up to $15 for every $100 borrowed in just a few weeks. That's an APR of 390%!). Suggest that participants look over the consumer alert to learn about some of the alternatives to payday lending. Refer them to **Payday Lending Information** in their guide.*

Transition to next topic: Choosing a bank
We talked about the fact that there are many options when it comes to choosing a bank or a credit union. So, how do you decide which bank is best for you? Who said they already have a bank account? How did you decide which bank to choose?

Gather answers and record them on the board

Now let's ask ourselves, what would my ideal bank be like? To find the right bank for you, you first have to think about what you need from a bank. Then you will be able to make weigh the pros and cons to make a decision.

*To guide participants in deciding what their needs are, refer to **What do you need from a bank?** Give participants a few minutes to write down ideas or have them reflect on the answers from other participants.*

After participants had some time to go over the worksheet, explain that the next page is organized in a table format, which can be used in the future to help them make a decision.

Earlier we talked about how some banks have fees; before you open an account, it is important to find out about the fees a bank charges for different services to make sure you do not lose money.

*Hand out **Bank Comparison** sheet to show an example of different products, services, and fees different banks have.*

Fees differ from bank to bank, so always ask first about the fees and have a representative explain any fees that you don't understand. Remember that you are their customer and they exist to serve you, so you should feel free to ask about anything that is unclear.

The most expensive fees happen when you write a check or use your debit card for money that is not in your account; we will look at strategies of how to avoid those fees next. Remember, it never hurts to ask your bank if they are able to waive the fee.

*Refer students to **Choosing a Bank** exercise in workbook to use as an example of three different banks, and go over discussion questions together as a class.*

- Which bank better suits your needs? Why?
- Nathan wants to deposit his pay check, but finds his bank is always closed by the time he arrives. Which bank should he choose?
- Sasha finds that she is paying a lot of money in ATM withdrawal fees. Which bank should she choose?
- Lee is unable to maintain the minimum balance required on his account. Which bank should he choose?

Transition to next topic: Opening and maintain an account
Once you decide on a bank, there are four basic processes to open and maintain your bank account:

- Account verification and opening the account
- Making deposits and withdrawals
- Recording fees, interest, deposits, and withdrawals
- Tracking your balance

Ask participants who already have an account to share their experience of opening an account. Were they nervous? Was it easy? How long did it take? Try to get feedback on participants' experiences.

Talk about the account verification process for opening an account

To open any deposit account, you will need a valid picture ID (like a driver's license or passport) your SSN or ITIN, and a verification of your address if it is different on your ID.

The bank will review your banking history through ChexSystems or TeleCheck (some banks will also look at your credit report). Eligibility for an account will be determined on the bank's policies. We will be going over ChexSystems reports in the next section of this module.

*Refer participants to **Bank Terms** and read over definitions, or have participants read them out loud. Clarify any definitions if needed.*
First, we will go over some of the terms that are associated with opening and maintaining an account.

- Deposit: A deposit is money that you add to your account. You can add money to your account by depositing cash, a payroll check, or a personal check. Depending on what kind of deposit you make, the bank may not release all fund to ensure there are in fact funds to cover your deposit. You may ask the bank when you can use the money you deposited.
- Balance: The balance is the amount of money that is in your account. You will often be told that you have a balance and an available balance. The available balance is the amount of money that you have access to right now, where the balance would reflect any transactions that have not been processed yet (for example if a transaction is pending or on hold, those funds would not be available).
- Withdrawal: A withdrawal is when you take money out of your account. You can do this by writing a check, taking cash at your bank from a teller, or using an ATM. You should never take out more money than your balance shows because you will have overdrawn your account, or your check will 'bounce, which will result in a bank fee, which we will talk about in a few minutes.
- Interest: Interest is a percentage of your balance that the bank pays you for keeping your money in your account. Banks offer different amounts of interest on their accounts, and not all accounts will pay interest. A benefit of having a deposit account is that you earn interest.

*Refer students to **Additional Banking Services** in their workbook. Have participants take a few minutes to match the description of the service with the correct term. Go over answers together and explain any of the terms as needed.*

Banks provide additional services with some deposit accounts. Sometimes a bank will charge a fee for these services, so it is always a good idea to ask about the service before you sign up for it.

The following are common services that banks offer:

- Direct deposit
- Money orders
- Teller checks
- Telephone and online banking
- Automated Teller Machines (ATM)
- Money transfers
- Debit cards
- Pre-Paid cards
- Loans

Can you match the correct definition to the bank service?

Transition to next topic: Avoiding Bank Fees

Next, we will go over fees, and how you can avoid them.

Financial institutions charge their customers fees for different services. For example, you might be charged a monthly maintenance fee, or most banks will charge fees if you misuse your account. If you take more money that you have in your account, whether through writing a check or using your debit card, you have overdrawn your account.

However, if you maintain your account properly, you will reduce the likelihood of getting any excessive fines.

By law, the bank has to disclose all fees, so be sure to ask the customer service representative to go over any fees that you do not understand. They can help you understand how fees work and when you will be charged.

Take into consideration some participants who do not have an account might be reluctant because of their past experiences with fees or because they don't trust banks. If you sense this among the participants, go over any questions to help clarify their understanding of bank fees.

Ask participants about avoiding fees. Record answers on board and give following examples if participants don't provide answers.

What ideas do you have about how to avoid getting a fee from the bank?

- Chose a bank that has a reasonable fee structure (refer to strategies for choosing a bank)
- Account maintenance fee: Choose a bank with a small monthly fee, or ideally with no fee
- Be wary of using ATMs: other bank's usually charge an ATM fee
- Only use your debit card at ATMs your institution's network
- Opt for cash back option when buying groceries
- Cash your checks and take cash out from your own bank
- Minimum balance: Keep track of balance or get account without minimum balance requirement
- Overdraft / NSF fee: Keep track of money and make sure you don't overdraw account,

To avoid bank fees, the most important thing is to manage your money by tracking your spending and knowing your account balances. We will be learning more about this during the managing your money module.

Transition to practice exercise: ***Making Deposits and Withdrawals.*** *Explain the exercise and give participants a few minutes. Go over answers with participants and write calculations on the board.*

- Scenario #1 answer: $910

Deposit	+ $100
Withdrawal	- $60
Deposit	+ $870
Balance:	$910

- Scenario #2 answer: $1070

Balance	$1,300
Withdrawal	- $630
Deposit	+$800
Withdrawal	-$400
New Balance:	$1070

- Scenario #3 answer: $373

Balance	$425
Withdrawal	- $50
Fee	- $2
New Balance:	$373

What do you think Camilla have done differently to avoid the $2 ATM fee?

Acknowledge participants answers, and offer additional suggestions if they don't come up with them:

- Get cash out directly from her bank
- Opt for cash back at grocery store
- Write her friend a check
- Use an ATM that doesn't charge a fee

Transition into next topic: How to Write a Check. Refer students to Writing a Check in their workbooks and distribute handout ***Practice Checks****. Go over* ***Parts of a Check and Check Writing*** *in participants' workbook.*

There are several parts of a check.

1. Your first and last names, address, and sometimes phone number.
2. The number of the check
3. Your bank's name
4. Your bank's routing number
5. Your account number

Now we are going to practice writing a few checks. To write a check, you should always use a black or blue pen. Never use a pencil. Fill in all of the information, and never leave any section blank (except in the memo line). Sign on the bottom right hand after you are sure you filled everything out correctly.

On the practice checks I just gave you, pretend that you have a few bills to pay.

Write these examples on the board and have participants fill out checks:

- *Seattle City light for $82.75*
- *Your rent, Condo Association, for $460*
- *The cell phone bill, T-Mobile, for $114.89*

This is the end of the first section. We will break for 10 minutes, and when we reconvene, we will be talking about ChexSystems Reports.

PART II: UNDERSTANDING AND FIXING YOUR CHEXSYSTEMS REPORT

Who has heard of a ChexSystems report before?

Hand out the ***Sample ChexSystems Report***

What do you notice about the report? What information is on the report? What isn't on the report?

Record answers on white board or flip chart, then acknowledge participants' questions.

Now that you have noticed all these things about the report, what questions do you have?

Next I want to go through a short presentation about ChexSystems, and afterward we will have a chance to see if our questions have been answered.

Talk through modified AFS PowerPoint.

Your ChexSystems report shows your banking history. Financial institutions, like banks and credit unions, use it to report negative activity. It is regulated by the federal government, and only reports negative history. It is similar to a credit report in some ways, but unlike a credit report, you cannot build up positive history on a ChexSystems report. The best ChexSystems report is one with nothing on it!

There are three basic parts to a ChexSystems report:

The first section is your personal information. This section verifies that this report is yours, including your name, address, social security number, and date of birth. This section may also have security information if you have added a security alert or freeze to your report. These security features regulate who accesses your information.

The second section is the account section. This is the section where you will be able to see any negative history or money owed. Generally negative accounts will stay on your report for five years. For each account, the report will show information on who reported the account, when it was reported, why the account was closed and reported, and often, how much is owed. There are several codes that may be listed as reasons for closure. These can include:

- Account Abuse: a generic phrase used by financial institutions for anything they do not like. Often it is code for NSF activity with unpaid fees.
- Overdrafts/NSF Activity: the account has been closed because of overdrafts on the account. Each institution has different standards on when to close an account because of overdrafts.
- Fraud/Suspected Fraud: this includes actions like depositing or writing a fake check.
- ATM abuse: includes use of a fake ATM card, taking out cash that isn't in the account, etc.

- Charged off/Debt Sold: this means that the bank or credit union no longer holds the debt; they have sold it to a collection agency. This means that in order to make arrangements to pay the debt, you would need to contact the collection agency instead of the bank or credit union.

The next section shows inquiries. This section includes information on anyone who has requested to see your report. Did you go to 5 banks trying to get an account? Then you will have 5 inquiries showing on your report.

When information is incorrect on your report, you should contact the source of the information. If an account is in collections, ask your bank for the name and contact information and contact the collection agency.

If the account has not moved to collections, ask your bank how long that will keep your debt before sending it to a collection agency. Explain that you want to take care of the account, and let them know your circumstances that led to the negative activity.

When you contact the bank or the collection agency, ask them the following questions:

- What is the complete balance on the account?
- What is the original charge, and what fees were added? Can any of the added fees be removed?
- Can I set up a partial payment plan?

It is possible that the information on your repost is incorrect; Errors on reports are not uncommon. Some errors include:

- An account has been paid, but still shows as unpaid
- A check returned as NSF has been paid, but still shows as unpaid
- Report shows an account at a financial institution with whom you have never done business
- An account is listed as overdrawn, but it has been paid or never was overdrawn

If you think that the information showing up on your report is wrong, you should ask to have it removed. You can do this by completing a request for consumer statement according to the guidelines listed.

In summary, you should obtain your ChexSystems report and review it for incorrect information and amounts owed. If there is nothing listed on your report, you don’t need to take any action. If there is something on your report, either file a dispute or contact the appropriate business to create a repayment plan.

If you think that you will need assistance in this process or have specific questions about monies owed, you can contact American Financial Solutions or an Express CU community representative.

Return to the list of questions.

What have we learned?

Go through them one by one, noting whether the questions have been answered. If the answers haven’t been found, suggest having participants find an answer and bring it back to the group next time.

Refer students to ***Quick Facts about ChexSystems*** *and* ***What if Something is Wrong With my ChexSystems and Sample Dispute Letter.***

Write website on board where consumers can request their ChexSystems report online: https://www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/index.htm.

Why does this report matter anyway?

Take answers and ideas from the group. Include other ideas such as:

- *Financial freedom*
- *The ability to get the bank account and financial services you want, and for cheaper*
- *Confidence that comes from knowing you don't have debt*

Reflection

Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their ***Reflection Journal*** *in the back of their workbook.*

Homework and Closing

Complete "post-class" portion of Hopelink Banking for Success. Suggest that participants can meet with their financial coach to review their ChexSystems report together. Explain the homework assignment. Handout ***Bank Decision Making Table***

For your homework assignment, compare three different banks or credit unions by looking at the services they offer and the fees they charge. If you already have an account, use your own bank as one of the examples.

If participants need help, suggest that they can find out about services and fees online, by asking a friend or family member, or by going in to a local bank or credit union.

Introduction to Banking & Money Basics

Banking for Success

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

INTRO TO BANKING & MONEY BASICS

Theme

The theme of this module is responsibility and safekeeping of money

Purpose and Goals

The goal of this session is to have self-realization of the importance of handling your personal finances responsibly. The purpose of this session is to help you understand how to effectively use a financial institution and provide you with the tools to fix negative ChexSystems.

Skills Developed

After this session, you will have the knowledge and added confidence to effectively use a financial institution and the services it offers. You will also have the ability to repair a negative ChexSystems report.

Session Overview

This session consists of two parts with a beak in between, and will last a total of 3 hours.

CREDIT UNIONS VERSUS BANKS

A financial institution is business that offers you a safe place to keep your money and uses your deposits to make loans. Banks and Credit Unions are two types of financial institutions. Use the table below to compare and contrast the features of banks and credit unions. Which type of financial institution do you use or hope to begin using?

Feature	Credit Unions	Banks
Philosophy	Not for profit. Earnings returned as better rates, fewer and lower fees, improved services.	For profit. Business oriented. Exist to earn a profit for stockholders.
Control/Management	Member-elected, unpaid volunteer board of directors.	Shareholder-elected, paid directors.
Savings	Regular, money market accounts, certificates, and other plans available.	Regular, money market accounts, certificates and other plans available.
Loans	A wide variety of loan types including personal, auto, secured, home improvement, mortgage, student, and credit cards. Loan consideration takes into account applicant's character and capacity to repay. Loan rates are generally lower than banks.	A variety of loan types but banks are oriented toward commercial loans. Loan consideration usually based on applicant's credit report and capacity to repay. Loan rates usually higher than credit union rates.
Checking	Most credit unions offer at least one of these accounts: economy checking, regular checking, or interest bearing checking.	Checking account types are similar, but more banks charge higher fees.
Fees	Credit union fees typically are fewer and lower than bank fees. Credit unions rarely price fees to produce revenue.	Fees account for nearly one-third of bank's total profits.

BANKS VERSUS CHECK CASHING OUTLETS

A check cashing outlet (CCO) is business that offers the service of cashing checks. CCOs are not regulated by the federal government, and you do not have an account to use their services. However, CCOs charge high fees. Is it cost effective to use a CCO or a bank? Use the table below to compare the cost of using a CCO and a bank by answering the two scenarios.

	ABC Bank	Cash-a-Check Outlet
Monthly service charge	$7	None
Cashing a paycheck	No charge	2.9% of amount + $0.99 fee
Cashing a personal check	No charge	5.9% of amount + $0.99 fee
Cashing a government check	No charge	5.9% of amount + $0.99 fee

Scenario #1:

Jared gets paid $500 by his employer twice a month. He wants to cash both paychecks every month. How much would Jared pay at ABC Bank? How much would he pay at Cash-a-Check outlet?

Scenario #2:

Rani gets her Social Security check of $600 each month. How much will she pay at ABC Bank? What about Cash-a-Check?

ALTERNATIVES TO CHECK CASHING OUTLETS

Avoid Check-Cashing Outlets

Check-cashing outlets charge very high fees to cash government, personal and pay checks. If possible, try to avoid using check-cashing outlets.

Use a Bank or Credit Union

Instead, you can use a bank or a credit union to cash your checks. Advantages include:

- Cost effective: All banks and credit unions offer **free** or **low-cost** check cashing services.
- Safety: Cash that you do not need to use immediately can be kept safe in your bank account.
- Checks and Debit Cards: If you have a bank account, you can write checks and use your debit card for purchases instead of only having the option to use cash.
- Record Keeping: The bank will show your account balance and history to help you do personal and household budgeting.

How to Get the Most Out of Your Bank or Credit Union

Here are some tips to help you use your bank account instead of resorting to high-cost check-cashing outlets:

- Use direct deposit. State benefits can go directly into your bank account, and you can ask your employer if your paycheck can be directly deposited, too.
- Find a bank that you like. Pick a bank that offers services that fit your wants and needs.
- Make a budget. Prepare a plan to help plan for expenses.
- Ask your bank for other services. They might offer free financial education classes or have an employee who can help you make a budget!

Additional Alternatives to Check-Cashing-Outlets:

1) ____

2) ____

PAYDAY LENDING INFORMATION: SAY NO TO 390%

Information taken from Washington State Department of Financial Institution
http://www.dfi.wa.gov/consumers/education/payday_loans.htm

Payday Loans

A payday loan is a small, unsecured, high interest short-term cash loan. In most cases, consumers write a post-dated, personal check for the advance amount, plus a fee. The lender holds the check for the loan period and then deposits it, or the customer returns with cash to reclaim the check.

Changes Effective January 1, 2010

- You may only borrow a total of $700 or 30% of your gross monthly income, whichever is less.
- Your information will be registered in a state-wide database, ensuring that all payday lenders have your most up-to-date loan information.
- You may only take 8 payday loans per 12-month period.
- If you are unable to repay your loan before your loan is due, you may request an installment plan with no additional fees.
- If you currently have an installment plan you may not receive another loan.
- Lenders may not harass or intimidate you when collecting a loan. If you are harassed, contact DFI and file a complaint

Payday Loans in Washington State

- In Washington State, the Department of Financial Institutions (DFI) licenses and regulates payday lenders and the payday loan industry. You can verify the license of a payday lender in Washington State by calling 1-877-RING-DFI (746-4334) or verifying a license online.
- If you have a complaint against a payday lender operating in Washington, file a complaint with DFI.
- Maximum Loan Amounts & Terms In Washington:
  Maximum Loan Term: 45 days
  Maximum Loan Amount: $700
  Maximum Fee: 15% on the first $500 and 10% above $500.

  Example 1: A loan for $500 + $75 fee = $575.
  Example 2: A loan for $700 + $95 fee = $795
- Internet Payday Lenders
  Internet payday lenders that do business with Washington residents must be licensed by DFI and adhere to Washington's loan limits and terms. Before doing business with an internet payday lender, make sure they are licensed by DFI.

Checklist: Before taking out a Payday Loan

Although a payday loan may be a convenient short-term solution, it is inappropriate for long-term cash needs.

- Contact the Department of Financial Institutions to verify that you are dealing with a licensed lender. Call 1-877-RING-DFI (746-4334) or Verify A License Online
- Ask about delaying or making payment arrangements on your non-interest bills like telephone and utility bills. Talk to a friend or family member about borrowing money. Ask your employer for an advance on your paycheck.
- Comparison shop for the lowest fees and penalties. For example, some credit unions offer payday loans with lower fees.
- Borrow only as much as you can afford to repay with your next paycheck.
- Avoid borrowing from more than one lender at a time.
- Know when your payment is due and be sure to repay the loan on time and in full.
- Local organizations across Washington are available to help you with your financial situation. Many of these organizations offer help with budgeting, credit repair, debt repayment, and more. Contact your local consumer credit counseling service or asset building coalition.
- Plan for the future by making a realistic budget to help avoid the need to borrow for emergencies and unforeseen expenses.

Your Rights as a Washington Resident

- Any payday loan obtained from a lender not licensed with the DFI, and not repaid to the lender may not be collected by lender and the lender may not pursue action in Washington State to collect the debt.
- You have the right to change your mind about the loan within one day.
- You have the right to know all of the costs involved. You also have the right to a payment plan.
- A payday lender may not threaten criminal prosecution as a method of collecting a past due loan.
- A payday lender may not allow a borrower to use a new payday loan to pay off an existing payday loan by the same lender or an affiliate of the lender.
- Under the Truth in Lending Act, the cost of credit must be disclosed. Among other information, you must receive information outlining the finance charge and the annual percentage rate

(APR). The APR informs you of the cost of your loan. For example, a 14-day, $500 payday loan with the maximum fee permitted by statute would have an APR of 391.07%.

WHAT DO YOU NEED FROM A BANK?

When deciding on a bank account, remember that financial institutions offer different types of deposit accounts. To determine what you need, think about how you plan to use your account. Ask yourself the following questions to help you determine what you need in a bank account.

Convenience

- How will I use the account?
- Do I want a savings account or a checking account?
- Do I want a bank that is close to your home or work?
- What are the bank's hours of operation?
- Will I use the ATM often?
- Does the bank have ATMs close to where I live or work?
- How often do I plan to visit the bank to use teller services?
- What other bank services are important to me?

Cost

- How much money do I need to open the account?
- How much money will I keep in my account?
- Is there a minimum balance?
- Will I be charged for writing extra checks or getting money orders?
- What are the fees associated with the account?
- Am I willing to pay a monthly fee? If so, how much?
- Will I be charged to use my bank's ATM?
- Will I be charged for using other banks' ATMs?
- Will I be charged for using teller services?
- What are the ways to avoid paying fees?

CHOOSING A BANK

A check cashing outlet (CCO) is business that offers the service of cashing checks. CCOs are not regulated by the federal government, and you do not have an account to use their services. However, CCOs charge high fees. Is it cost effective to use a CCO or a bank? Use the table below to compare the cost of using a CCO and a bank by answering the two scenarios.

	Quality Credit Union	ABC Bank	Bank of Prosperity
Hours	9am-5pm	10am-8pm	8am-7pm
Opening balance	$5 for savings acct	$100	$50
Minimum balance	$0	$100	$25
Account maintenance Fee	$0	$5.95 per month	$7 per month
Minimum balance fee	$0	$2.5 per month	$0
Fee for new checks	100 free per year	$20 per 100 checks	$10 per 100 checks
ATM fee for network ATMs	Free	Free	Free
ATM fee for other ATMs	$5	$2	$2.50
Overdraft protection?	Yes, up to $100	Yes, up to $500	Yes, up to $1,000

Discussion Questions:

- Which bank better suits your needs? Why?
- Nathan wants to deposit his pay check, but finds his bank is always closed by the time he arrives. Which bank should he choose?
- Sasha finds that she is paying a lot of money in ATM withdrawal fees. Which bank should she choose?
- Lee is unable to maintain the minimum balance required on his account. Which bank should he choose?

BANK TERMS

Deposit

A deposit is money you add to your account. Some banks require a deposit slip to add money to your account. A deposit slip tells the bank how much money you are adding to your account. You can add money to your account by depositing cash, a payroll check, or a personal check. Depending on what kind of deposit you make, the bank may not release all fund to ensure there are in fact funds to cover your deposit. You may ask the bank when you can use the money you deposited.

Balance

The balance is the amount of money that is in your account. You will often be told that you have a balance and an available balance. The available balance is the amount of money that you have access to right now, where the balance would reflect any transactions that have not been processed yet (for example if a transaction is pending or on hold, those funds would not be available).

Withdrawal

A withdrawal is when you take money out of your account. You can do this by writing a check, taking cash at your bank from a teller, or using an ATM. You should never take out more money than your balance shows because you will have overdrawn your account, or your check will 'bounce, which will result in a bank fee

Fees

Financial institutions charge their customers fees for different services. For example, you might be charged a monthly maintenance fee, or most banks will charge fees if you misuse your account. If you take more money that you have in your account, whether through writing a check or using your debit card, you have overdrawn your account.

However, if you maintain your account properly, you will reduce the likelihood of getting any excessive fines.

By law, the bank has to disclose all fees, so be sure to ask the customer service representative to go over any fees that you do not understand. They can help you understand how fees work and when you will be charged.

Interest

Interest is a percentage of your balance that the bank pays you for keeping your money in your account. Banks offer different amounts of interest on their accounts, and not all accounts will pay interest.

ADDITIONAL BANKING SERVICES

Directions: Match the following banking service to their descriptions below.

Banking Services

Direct Deposit	Money transfer	Money order
Debit card	Telephone banking	Pre-paid card
Online banking	Loan	Automated Teller Machine (ATM)

Description of Service

A method of electronically transferring money from one bank to another:

____________________________.

A kiosk or terminal where you can deposit, withdraw, or transfer money 24 hours a day:

____________________________.

This allows you to check your account balance by phone:

____________________________.

This is used like a check to pay a bill:

____________________________.

One method your employer or a government agency can give you your paycheck or benefits check:

____________________________.

Money you borrow from a bank with a written promise to pay it back later:

____________________________.

This allows you to check your account balance on the computer

____________________________.

When you use this card the money comes out of your bank account immediately:

____________________________.

A card on which you can "load" money to be used for future purchases:

____________________________.

MAKING DEPOSITS AND WITHDRAWALS

Directions: Read the scenarios below then answer the questions.

Scenario #1:

Anna just opened a bank account and deposited $100 in cash. The next day, she wrote a check to pay her utility bill. It was $60. At the end of the week, she received a pay check for $870 and deposited it into her account.

What is the balance in Anna's account after she made the withdrawal and deposit?

Scenario #2:

At the beginning of the month, Michael's account balance is $1,300. He wrote his rent check for $630 on the 15th of the month. He gets paid $800 the end of the month, and decides to deposit half of his paycheck and take out the rest in cash.

What is the balance in Michael's account at the end of the month?

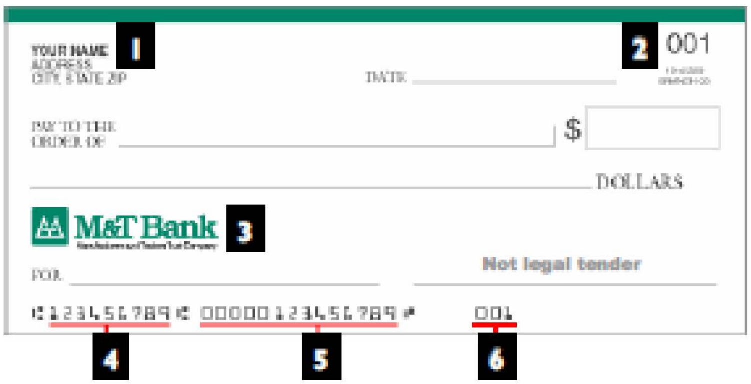
Scenario #3:

Camilla checks her balance online and sees that her balance is $425. She owes her friend $50, so she goes to withdrawal the cash from the ATM by her home. The machine informs her that there is a $2 fee for the transaction. She accepts, and takes the money to her friend.

What is Camilla's balance? What could Camilla have done differently to avoid the $2 ATM fee?

PARTS OF A CHECK

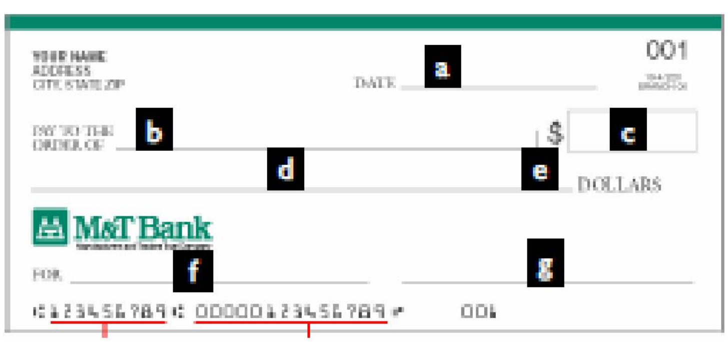
1. Your name, address and phone number
2. The number of the individual check
3. Your bank's name
4. Your bank's routing number
5. Your account number
6. The number of the individual check



CHECK WRITING

To write a check, fill in the following parts of the check:

a. The date
b. The name of the person or company you are paying.
c. The amount in numbers
d. The number spelled out in words (keep the words close together).
e. Draw a line from the last word written to the word "Dollars."
f. A note about what you wrote the check for
g. Your signature



QUICK FACTS ABOUT CHEXSYSTEMS

What is a ChexSystems report?

Your ChexSystems report shows your banking history. Financial institutions, like banks and credit unions, use it to report negative activity. It is regulated by the federal government, and only reports negative history. It is similar to a credit report in some ways, but unlike a credit report, you cannot build up positive history on a ChexSystems report. The best ChexSystems report is one with nothing on it!

How can I see my ChexSystems report?

You can request it for free online, via fax, or through the mail. See additional handout.

How do I read my report?

There are three basic parts to a ChexSystems report:

1. Personal Information. This section should have all of your personal information listed, verifying that this report is yours, including name, address, social security number, and date of birth. This section may also have security information if you have added a security alert or freeze to your report. These security features regulate who accesses your information.
2. Inquiries. This section includes information on anyone who has requested to see your report. Did you go to 5 banks trying to get an account? Then you will have 5 inquiries showing on your report.
3. Accounts. This is the section where you will be able to see any negative history or money owed. Generally negative accounts will stay on your report for five years. For each account, the report will show information on who reported the account, when it was reported, why the account was closed and reported, and often, how much is owed. There are several codes that may be listed as reason for closure. These can include:
    a. Account Abuse: a generic phrase used by financial institutions for anything they do not like. Often it is code for NSF activity with unpaid fees.
    b. Overdrafts/NSF Activity: the account has been closed because of overdrafts on the account. Each institution has different standards on when to close an account because of overdrafts.
    c. Fraud/Suspected Fraud: this includes actions like depositing or writing a fake check.
    d. ATM abuse: includes use of a fake ATM card, taking out cash that isn't in the account, etc.
    e. Charged off/Debt Sold: this means that the bank or credit union no longer holds the debt; they have sold it to a collection agency. This means that in order to make arrangements to pay the debt, you would need to contact the collection agency instead of the bank or credit union.

How can my ChexSystems report affect me?

The main way that ChexSystems can affect you is when you want to open a bank account. Most banks and credit unions will look at your report when deciding if they'll open an account for you, and often, if you have anything on your report, they will not open an account for you. There are some banks and credit unions that will still open an account, although sometimes services are limited because of what it on your report. Express Credit Union can usually open an account for you even if your report shows that you owe money or have negative history.

Sometimes retail stores will also check your ChexSystems report if you pay with a check. They may decide not to accept your check if they see that the account you wrote the check from has negative activity or money owing.

How do I get wrong information removed from my ChexSystems report?

If you think that the information showing up on your report is wrong, you should ask to have it removed. See additional handout for more information on how to do this.

How do I pay off items shown on my report?

If you have something negative on your report that is correct, you should take action to pay it off as soon as possible so that you are able to have more choice about where to open an account and so that you can show that you are responsible.

The first step is to contact the source of the bank or credit union that is showing negative activity. When you contact them, you'll want to ask them:

- What is the full amount that is owed on this account?
- Is the account in collections? If the account is in collections, ask for the name and contact information of collection agency, and contact that company.
- If the account is not in collections, ask how long they will keep it before sending it to collections.
    - Explain that you want to take care of the account, and any circumstances that led to the negative report.
    - Can added fees be removed? (Explain your circumstances, i.e. what happened?)
    - Will they accept partial payments?
        - Develop a plan for paying this off **before** you call
        - Keep your promises to pay realistic

It may not always be easy to the answers and may require several phone calls or letters. Always note the date you contacted the bank, who you spoke to, and what they said. If you send a letter, keep a copy of the letter for yourself. You can let them know that what they have reported is affecting you negatively and you need this information in order to pay off any amounts owed. Be persistent in your efforts to get this information; it is your right to know.

IS THERE SOMETHING WRONG ON YOUR CHEXSYSTEMS?

Follow these steps to dispute incorrect information:

1. Order a free copy of your ChexSystems report online. Look over your report, and make notes of all incorrect information. You can request a copy of your report online using the ChexSystems Consumer Center at https://www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/index.htm. It will be mailed to you in approximately three to four weeks.

You can also request a copy of your report by writing to ChexSystems or by sending a fax to:

ChexSystems
Attn: Consumer Relations
7805 Hudson Road, Suite 100
Woodbury, MN 55125

Fax to Consumer Relations at 602.659.2197
ChexSystems customer service can be reached at: 1.800.428.9623.

2. Type up your dispute letter (see next page) and remember to keep a copy for yourself.

3. Mail out your dispute letter via certified postal mail. (Remember to keep all receipts from the post office). Certifying your mail is vital to disputing any ChexSystems or credit report because it keeps a documented paper-trail of important dates. ChexSystems is allowed 30 days to respond to your dispute letter from the date they receive it. If you do not receive a response within that allotted time period, ChexSystems is to remove your record altogether.

SAMPLE DISPUTE LETTER TO CHEXSYSTEMS

December 25, 2009

ChexSystems, Inc.
Attn: Consumer Relations
7805 Hudson Road, Suite 100
Woodbury, MN 55125

To Whom It May Concern:

I was recently denied a bank account based on the information that ChexSystems maintains under my name and Social Security Number. Upon ordering a copy of my ChexSystems report, I noticed the following entry reported by XYZ Bank:

Source of Information: XYZ Bank – Los Angeles, CA
Reported Name: John Smith
Reported Address: 123 ABC Street, CA 54321
Reported SSN/ID: xxx-xx-xxxx
Drivers License: xxxxxxxxx State: CA
RTN: xxxxxxxxx Account #: xxxxxxxxx
Date Reported: 01/01/2005
Reported For: Non-Sufficient Funds (NSF) Activity
Original Charge Off Amount: $150.00

I have no knowledge of such an account, and it may have been reported due to error or identity theft.

Please validate this information with XYZ Bank and provide me with copies of any documentation associated with this bank account bearing my signature. In the absence of any such documentation bearing my signature, I ask that this information be immediately deleted from the file you maintain under my name and Social Security Number.

Here is my contact information:

Your Name
SSN: xxx-xx-xxxx
Consumer ID: xxxxxxxxx
Your Address

Sincerely,

Your Name

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?

Maximizing Your Income

Getting the Most Out of Your Money

Instructor's Guide

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SESSION OVERVIEW

Theme

The themes of this module are about making connections and strategic planning

Purpose and Goals

The goal of this session is that participants will be able to think about how to decrease costs of expenses and increase income. The purpose of this session is to provide participants with the tools and resources to access services at the lowest cost possible.

Skills Developed

After this session, participants will be able to look at their current situation to identify ways to reduce expenses and increase income. Participants will also be able to think strategically about how and when to access resources.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	10
Part I	Reducing Costs of Services	30
Part II	Tracking Daily Spending	30
Break	Allow participants a short break between sections	10
Part III	Monitoring Income and Expenses	30
Part IV	Increasing Wages	30
Part V	Accessing Benefits	30
Closing	Summary, session quiz, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Track II: Maximizing Income, where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Many of the materials we use were adapted from other sources. For this session we are particularly indebted to the FDIC Money Smart and StartZone curriculum. We would like to thank the FDIC and StartZone for sharing their educational materials with us.

This module has the space for several guest speakers. It is recommended to have someone from WithinReach/ Bridge to Basics to talk about benefits that participants might qualify for and someone from Seattle Jobs Initiative to talk about strategies for increasing earning potential. Be sure to plan accordingly, and contact guest speakers well in advance to brief them on module content and purpose.

Our contact for Within Reach is Erin Milliren <erinm@withinreachwa.org>
Our contact for Seattle Jobs Initiative is Sherman Wilkins <SWilkins@seattlejobsinit.com>

We would like to thank our guest speakers for their contribution.

This module was created by Express Credit Union/Express Advantage.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. One important step that you can take is finding ways to maximize your income.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since not everyone in the room knows each other, I would like us to get to know each other. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

For today's check in, please turn to the person next to you, and share one example of a recent time you have used connections in your life. You'll each have about 2 minutes to talk, so keep your stories short!

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Module 2: Maximizing Income.

This class session is focused on maximizing income. It is broken up into several sections, and we will take a short break in between. In the front of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

Call the group back together to engage in a whole group popcorn discussion. In a popcorn discussion, all ideas are valid and can be thrown out into the conversation even if they're disconnected from what was *said immediately prior. This should be a free flowing conversation where comments are short and no one person monopolizes the time. The instructor should start off the conversation with a statement about what 'maximizing income' is:*

Maximizing income means: Working to make sure that you are earning the most income possible!

Use the following discussion questions for the popcorn discussion:

- What's so important about maximizing income?
- What are possible pitfalls in maximizing income?
- What ideas do you have right now for maximizing income?

If teaching to entrepreneurs, ask:

- Is increasing income one reason you are interested in starting a business?

Consider the following quote by Ben Franklin:

"Money has never made man happy, nor will it; there is nothing in its nature to produce happiness. The more of it one has the more one wants."

Capture key phrases and points from the discussion on the board.

Transition to first section: Reducing Costs of Services

Part I: REDUCING COSTS OF SERVICES

One way to maximize your income is by reducing the amount that we have to pay for services. Sometimes we can find the same things for cheaper by being smart about where, how, and when we are getting them.

Three big areas where this can be true are financial services, health services, and transportation.

Refer participants to the ***Reducing Costs of Services*** *section in their workbooks to follow along.*

<u>Financial Services</u>

In the first module, we learned about the difference between using a check cashing outlet and having a bank account. Let's take a moment to review how using a bank can be a lot cheaper than an alternative financial service, such as a check cashing outlet.

Review and discuss the high costs of check-cashing and alternative financial services from Module 1: Intro to Banking. If all participants have completed module one, ask participants to pull out their ***Banks vs. Check Cashing Outlets*** *worksheet. If participants have not completed Module 1: Intro to Banking, hand out the* ***Banks vs. Check Cashing Outlets*** *worksheet. Stimulate discussion among participants by asking them what they learned.*

- How can having a bank account help you to reduce the cost of financial services?
- How much money do you think you could save by avoiding check cashing outlets?

Offer additional ideas about how avoiding check-cashing outlets can help to reduce long term costs.

Check-cashing outlets charge very high fees to cash government, personal and pay checks. If possible, try to avoid using check-cashing outlets. Most banks and credit unions offer free check-cashing services.

Another way to save money is by considering what type of loans you decide to take if you need to borrow money. Depending on the type of loan you have and what source you get a loan from, you can end up paying a lot more than you should. Try to identify the following before you take a loan:

- What is your interest rate?
- What other fees are you paying?
- How much extra will you end up paying with interest?
- How long will it take you to repay your loan?
- Is your lender reporting your positive credit history?

Review and discuss the high costs of payday lenders from Module 1: Intro to Banking. If all participants have completed module one, ask participants to pull out their information about Payday lending (from page 8 of Module 1 in the participant guide). If participants have not completed Module 1: Intro to Banking, hand out the ***Payday Lending Information*** *worksheet. Stimulate discussion among participants by asking them what they learned.*

Offer additional ideas about how avoiding payday lenders can help to reduce costs of services.

Although a payday loan may be a convenient short-term solution, it is not cost efficient for long-term cash needs.

- For example, a 14-day, $500 payday loan with the maximum fee permitted by statute would have an APR of 391.07%.
- Comparison shop for the lowest fees and penalties and check with your local bank or credit union for alternative loans. For example, some credit unions offer payday loans with lower fees and savings incentives.
- Borrow only as much as you can afford to repay with your next paycheck.
- Avoid borrowing from more than one lender at a time.
- Know when your payment is due and be sure to repay the loan on time and in full.
- Plan for the future by making a realistic budget to help avoid the need to borrow for emergencies and unforeseen expenses.

<u>Transportation</u>

Pose questions to participants to discuss, and generate ideas. Record ideas on the board.

- What is your typical form of transportation?

- Do you know how much money you pay each month on transportation?
- What do you currently use to get from one place to another?
- Can you think of other ways you could get around?
- How much are you paying for your insurance, car payment, gas, etc?
- When does it make sense to own your car, rent a car, ride your bike, or take public transit?

Now let's think about ways to increase your income with altering your transportation habits. What ideas can you think of?

Try to get ideas from participants first, and then offer examples.

- If you had a car and could drive anywhere, could you get a higher paying job?
- If you didn't have to rely on public transit, could you get a raise because you would no longer be late for work?
- If you got rid of your car, would you pay less on repairs, insurance, and gas?
- Could you strategize your outings so that you don't have to drive as much?
- Could you carpool with others who live near you?
- Could you qualify for lower insurance?

Health Services

Start a conversation by asking participants about their medical expenses. Gather ideas from the group and record answers on flipchart

- What do you pay per year on health care needs?
- Does your employer offer health insurance?
- Do you have insurance?
- Would you pay less for medical expenses less if you had health insurance?
- What would it cost to buy it, compared to what you're paying now?
- When should you go to the emergency room?
- How much do you pay for prescriptions?
- What do you know about charity care programs at the hospital?

Provide some information about how to reduce costs of health care services.

Most of time, unless of course it is a real emergency, you will get quicker medical attention and often pay much less if you don't go to the emergency room or call 9-1-1 for an ambulance. Instead, you could go to an urgent care facility, retail health clinic, or walk-in doctor's office.

Visit your local community organization to learn about rotating free health clinics. You can go to http://www.wafreeclinics.org/clinics.html for more information.

If you do end up going to the hospital, consider talking to the local resident about their Charity Care plan. Under Washington's Charity Care Law, hospitals are required to provide free inpatient and outpatient care to very low-income patients. Other low income patients may be eligible for financial assistance, which is based on the patient's ability to pay given their current income.

If you have unpaid hospital bills, consider calling the hospital's billing office to negotiate a payment plan.

*For more information, refer participants to the **Charity Care** in their packet.*

*Pull discussion to a close by talking about what ideas participants have about how to save money. Have participants write down three steps they can take to start reducing costs of everyday services in their workbook. Give them a few minutes to complete worksheet **Reducing Cost of Services Goals activity** in their workbook.*

Explain worksheet and run through an example as to how to fill out the chart:

What services do I currently use: Cashing my check

What do I usually pay: $10 per check.

How can I save: Cash my check for free at the bank, saving $20/ month!

- What ideas do you have about how you and your family can save?
- How much do you think could you save?
- What resources can I get connected to?

Transition into next topic, Tracking Daily Spending

Part II: TRACKING DAILY SPENDING

The purpose of this section is to provide participants with an opportunity to reflect upon methods to track daily spending, with emphasis on recognizing spending that does not happen every day or every month.

After completing this exercise, participants will be able to identify ways to track spending and will have an understand that tracking spending is merely the act of recording and that making spending decisions comes later in the budgeting process.

When trying to find ways to increase your income, it is helpful to make a budget for yourself (*or your business).* In order to develop an informed and accurate budget, we must first know where our money is going on a daily basis. Through tracking our daily expenses we can then group our spending into categories and decide, if necessary, where to make cuts.

Ask participants the following question, and write answers on the board

What methods have you used, if any, to track your spending?
After participants have said a few examples, provide more ideas:

Here are some ideas that others have come up with:

- Pocket-sized memo book
- 3×5 index card
- PDA

- Appointment book
- Computer text file
- Checkbook register
- Personal finance software
- Spreadsheet
- Daily or monthly spending diary

*Hand out the **Monthly Spending Diary**. Explain how to use the spending diary. Encourage participants to start tracking their spending by using the spending diary or some other tool previously mentioned.*

Whatever tool you choose to track your spending, the key is to use it on a consistent basis. Therefore, when choosing a tracking tool, make sure to choose one that you feel confident that you will use every day. Having sophisticated software programs do no good if you do not use them!

Also, it is important to be honest with yourself when writing down your daily expenses. Don't not write something down because you don't think you should have purchased in the first place. This exercise is merely about recording your purchases; how you prioritize your spending in the future is another task.

If you want to be in control of your money (rather than your money being in control of you!) it is important to see where your money is going. You can use **the Monthly Spending Diary** as a way to track your spending over the next month so that you can see where you are spending your money.

Use the **Tracking Daily Spending** log in your workbook to think back on what you spent money on this past week.

Here are some other tips for tracking spending:

- Get a receipt for everything—Make a habit of asking for a receipt for every transaction and putting all your receipts in one place so that you know where to find them.
- Record your transactions daily—this may be difficult to do at first, but if you try your best to enter your daily spending for two weeks, it will become a habit.

Part III: MONITORING INCOME AND EXPENSES

After you track your expenses and figure your income, you are ready to create your own income and expense statement. This statement is valuable because it shows your spending patterns, and helps you determine where expenses can be cut and money redirected. It is the single most important tool for making a budget.

Income is anything that you receive, including:

- Salary
- Self-employment income
- Public assistance, such as TANF
- Child support

- Interest/ dividends
- Social Security
- Other, such as tips or gifts

What is the difference between net income and gross income?

Gross income is your total income without deductions, whereas net income is what you actually take home. When determining your income for the purpose of creating a spending plan, use your net income.

Answer any other questions surrounding income.

There are two types of expenses: fixed and flexible. What is the difference?

Fixed expenses typically do not change from month to month, and you don't have much control on what you pay. For example, rent and car payments are fixed expenses.

Flexible expenses are variable and you have some degree of control. For example, groceries are a flexible expense because it depends on how much food you buy each month.

You can prepare a new income and expense worksheet each month and it will help you to regulate:

- How much money is coming in (income)
- How much money is going out (expenses)
- Whether or not you have enough money to cover your expenses
- A plan for future spending

*Refer participants to **Income and Expense activity** in their workbook and explain the exercise. If there is not enough time, have participants take home the second portion to create their own income and expense worksheet. If participants are taking the whole series of modules, have them keep their income and expense worksheet for Module 6: Managing Money where we will talk more about managing money.*

Transition into next topic: Increasing earning potential

PART IV: INCREASING EARNING POTENTIAL

When looking at your income and expense worksheet, don't worry if you are not in balance (meaning that your expenses exceed your income). It just means that some adjustment and changes need to be made.

Try to solicit reactions from participants about their income and expense worksheet, and then ask the following discussion questions for the participants to consider.

Are you satisfied with your take-home income? What do you think are barriers that you face when trying to increase your wages? What stops you from earning what you'd like to be earning?

If available, invite a guest speaker to come to speak to participants about methods for increasing earning potential through getting further education, gaining more applicable job experience, adding more qualifications, and expanding skill (Sherman Wilkins from Seattle Jobs Initiative has come in previous sessions).

We're going to focus on several ways you can increase your earning, and hopefully see ways to overcome those barriers along the way.

Introduce the following ways to increase wages, and ask participants to solicit ideas as well.

- More qualifications (including resources)
- Extra job
- Different job
- Networking or volunteering
- Triple bottom line for a successful business concept

*Refer students to **Mind Map exercise** in their workbooks and give them a few minutes to brainstorm ideas about how they might be able to increase their income*

PART V: ACCESSING BENEFITS

Start off by getting a few thoughts from the group on what pops into their mind first when they hear the word 'benefits'. If participants are entrepreneurs, ask how they see benefits fitting in to their business development plan and note a few answers.

Accessing benefits is a balancing act: How will increasing my wages affect my benefits? What are the realities of wage progression?

If available, invite a guest speaker (Erin Milliren from Within Reach has come in previous sessions) to come to speak to participants about accessing benefits through the Bridge to Basics initiative.

The guest speaker should lay out how to access benefits, give an overview of benefits that may apply, provide a list of resources and contacts, and offer tips to accessing resources. If a guest speaker is not available, encourage participants to go to https://www.washingtonconnection.org/home/ to see what they qualify for.

Bridge to Basics helps you see if you qualify for:

- Food Assistance - Basic Food/Food Stamps

- Utility Assistance
- Free or Low Cost Children's' Health Insurance
- Help find childcare for working parents
- Job Training Resources
- Bank on Seattle - free and low cost bank accounts, free check cashing

Pull the group back together and facilitate a discussion in small groups to consider the following questions

- In what unexpected places might you find help in maximizing your income?
- What barriers do you personally feel when thinking about maximizing your income?
- Share one encouraging/empowering thing you learned from this module about maximizing your income.

Reflection

Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their ***Reflection Journal*** *in the back of their workbook.*

Homework and Closing

Explain the homework assignment and answer any lingering questions. Explain that financial coaches will be able to assist participants in realizing what assets and resources they have to build off of (coach can refer to SKCABC Resource Guide)

- On your own: create a plan for maximizing your income
- With your coach: Complete Income Wheel and share with your coach and share your personal income maximizing plan.

Maximizing Income

Getting the Most out of Your Money

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

MANAGING DEBT

Theme

The themes of this module are about making connections and strategic planning

Purpose and Goals

The goal of this session is that participants will be able to think about how to decrease costs of expenses and increase income. The purpose of this session is to provide participants with the tools and resources to access services at the lowest cost possible.

Skills Developed

After this session, participants will be able to look at their current situation to identify ways to reduce expenses and increase income. Participants will also be able to think strategically about how and when to access resources.

Session Overview

This session consists of five parts with a break in the middle, and will last a total of 3 hours.

MAXIMIZING INCOME: WHAT DOES IT ENTAIL?

Maximizing income means working to make sure that you are earning the most income possible. Take a few minutes to think about the following questions, and then share your reactions to the group.

- What's so important about maximizing income?

- What are possible pitfalls in maximizing income?

- What ideas do you have right now for maximizing income?

Consider the following quote:

"Money has never made man happy, nor will it; there is nothing in its nature to produce happiness. The more of it one has the more one wants."

-*Benjamin Franklin*

Do you agree? Do you disagree? Why?

REDUCING COSTS OF SERVICES

One way to maximize your income is by reducing the amount that we have to pay for services. Sometimes we can find the same things for cheaper by being smart about where, how, and when we are getting them.

Three big areas where this can be true are financial services, health services, and transportation.

Financial Services:

Check-cashing outlets charge very high fees to cash government, personal and pay checks. If possible, try to avoid using check-cashing outlets. Most banks and credit unions offer free check-cashing services.

- How can having a bank account help you to reduce the cost of financial services?
- How much money do you think you could save by avoiding check cashing outlets?

Another way to save money is by considering what type of loans you decide to take if you need to borrow money. Depending on the type of loan you have and what source you get a loan from, you can end up paying a lot more than you should. Try to identify the following before you take a loan:

- What is your interest rate?
- What other fees are you paying?
- How much extra will you end up paying with interest?
- How long will it take you to repay your loan?
- Is your lender reporting your positive credit history?

Transportation:

Consider the following:

- What is your typical form of transportation?
- Do you know how much money you pay each month on transportation?
- What do you currently use to get from one place to another?
- Can you think of other ways you could get around?
- How much are you paying for your insurance, car payment, gas, etc?
- When does it make sense to own your car, rent a car, ride your bike, or take public transit?

Try to think about ways to increase your income with altering your transportation habits. What ideas can you think of?

Health Care Services

Most of time, unless of course it is a real emergency, you will get quicker medical attention and often pay much less if you don't go to the emergency room or call 9-1-1 for an ambulance. Instead, you could go to an urgent care facility, retail health clinic, or walk-in doctor's office.

Visit your local community organization to learn about rotating free health clinics. You can go to http://www.wafreeclinics.org/clinics.html for more information.

If you do end up going to the hospital, consider talking to the local resident about their Charity Care plan. Under Washington's Charity Care Law, hospitals are required to provide free inpatient and outpatient care to very low-income patients. Other low income patients may be eligible for financial assistance, which is based on the patient's ability to pay given their current income.

If you have unpaid hospital bills, consider calling the hospital's billing office to negotiate a payment plan.

WASHINGTON'S CHARITY CARE LAW

Information provided from the Washington State Health Care Association
http://www.wsha.org/0156.cfm

Hospitals provide charity care as part of their mission to serve their communities. In addition, Washington is one of a few states that have a law that requires hospitals to provide charity care. While there is a federal law governing hospital's responsibility for screening and treating emergency patients, not many other states have enacted charity care legislation. In cases where laws have been enacted, states have often developed mechanisms such as charity care pools to fund the care provided. In Washington, however, there is no such mechanism.

Under the Washington law, each hospital must develop a charity care policy. The law requires hospitals to provide free inpatient and outpatient care to very low income patients who have been treated in the hospital. It also requires that hospitals provide discounts to other low income patients. Whether or not a person qualifies for financial assistance often depends on how the person's income compares to the federal poverty guidelines.

ADDITIONAL INFORMATION ON THE STATE'S CHARITY CARE LAW IS PROVIDED BELOW:

1. Washington's charity care law is administered by the Washington State Department of Health. If you have questions about the law, you can contact Randy Huyck at the Department of Health at 360-236-4210 or Randall.Huyck@DOH.WA.GOV
2. Washington's charity care law was established in 1989. The law can be found in the Revised Code of Washington, Chapter 70 Section 170: http://apps.leg.wa.gov/RCW/default.aspx?cite=70.170
3. The rules implementing the law can be found in the Washington Administrative Code at Chapter 246, Section 453: http://apps.leg.wa.gov/WAC/default.aspx?cite=246-453
4. The Washington State Department of Health does an annual report on charity care. The latest annual report can be found at: http://www.doh.wa.gov/EHSPHL/hospdata/CharityCare/Default.htm
5. Washington hospitals usually evaluate a person's ability to pay based on income compared to federal standards in the federal poverty guidelines. These guidelines are based on income earned and number in the household. Hospitals may require a patient to document their income and also may evaluate additional assets. If you are looking for information on a specific hospital's charity care policy, please contact that hospital's billing office.

WHAT IF I CANNOT PAY?

Hospitals have ways to help their patients. If you need help, please call the hospital billing office. Among the ways hospitals can help are:

- Hospital Financial Assistance: Hospitals provide free or reduced price care if you qualify based on your income. Financial assistance can help with hospital bills for inpatient or outpatient care. Hospitals will help you find out if you qualify for financial assistance and help is offered to people with and without insurance. Click here to learn more about Washington's charity care law.
- Insurance Programs: Hospitals can help you apply for public insurance programs such as Medicaid and Basic Health. These programs may help you with your current bill and will help you pay for health needs in the future.
- Payment Plans: If you need to pay your bill over time, hospitals can usually help you set up an appropriate payment plan.

People with health insurance sometimes get negotiated discounts so they are not required to pay full charges. Washington hospitals have generous charity care and financial assistance policies.

REDUCING COSTS OF SERVICES GOALS ACTIVITY

First, think about what pay each month on the following services. Next, brainstorm ways that you could reduce the cost of services. Then you will see how much you could save!

	Financial Services	Transportation	Health Services
What services do I use?			
What do I usually pay?			
How can I save?			

What three steps can I take to start reducing the cost everyday services?

1.

2.

3.

DAILY SPENDING LOG

If you want to be in control of your money, you must first see where your money goes. Use this daily to track your spending over a period of time so that you can realize how you are spending your money.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

INCOME AND EXPENSE STATEMENT

An income and expense statement shows total income received and expenses paid each month and can be used for a 12-month period. After you track your expenses and figure your income, you are ready to create your own income and expense statement. This statement is valuable because it shows your spending patterns, and helps you determine where expenses can be cut and money redirected. It is the single most important tool for making a budget.

Key Terms:

Gross Income: *Total income without deductions*

Net Income: *Total income minus deductions, such as taxes and Social Security*

Fixed Expenses: *Expenses that you do not change from month to month, such as rent and car payments*

Flexible Expenses: *Variable expenses, such as groceries and personal expenses*

Budget: *A tool you can use to help you accomplish your goals and plan for how you will use your money*

Spending plan: *A four- step plan for meeting your budget*

1. *Track daily spending*
2. *Determine monthly income and expenses*
3. *Find ways to decrease spending*
4. *Find ways to increase income*

You can prepare a new income and expense worksheet each month and it will help you to regulate:

- How much money is coming in (income)
- How much money is going out (expenses)
- Whether or not you have enough money to cover your expenses
- A plan for future spending

Exercise: Budget Revisions

As a team or by yourself, study Andre's income and expense statement on the next page. Think of ways for him to spend less money or make more money. What would his new budget look like?

Andre's Income & Expense Statement	Last month (Actual)	Ideas for change	New Budget (Projected)
Income			
Take home salary	1700		
Child Support	150		
Unemp/Public Assistance/ SSI/			
Savings withdrawals			
TOTAL INCOME	**1850**		
Expenses			
Rent/Mortgage	800		
Insurance/Maintenance	20		
Phone/Internet/Cable TV	100		
Electricity/Gas/Oil	40		
Car Payments	150		
Credit Card Payments	75		
Savings	25		
Groceries/Eating Out	250		
Clothing	100		
Child Care	200		
Medical expenses	40		
Transportation/Gas	110		
Gifts/Hobbies/Pets/Other	55		
TOTAL EXPENSE	**1965**		
Income - Expense	**-115**		

YOUR OWN INCOME AND EXPENSE STATEMENT AND BUDGET

1. Using the blank form on the next page, prepare your own income and expense statement.

2. Consider your financial goals and your current income and expenses to create a realistic budget for next month. Estimate your current income and your expenses. In figuring income from your earnings, include only your net income (or take-home income). Be sure to include all sources of as an expense.

3. Is your budget in balance? Your income should be greater than or equal to your expenses. However, don't worry if your expenses are more than your income on your first try! Are there ways to cut back on expenses, and/or ways to increase your income? Make changes to your budget to bring it into balance. Note that your monthly expense figure tells you what your business needs to pay you in order for your business to be feasible. Are you willing to cut back expenses if necessary?

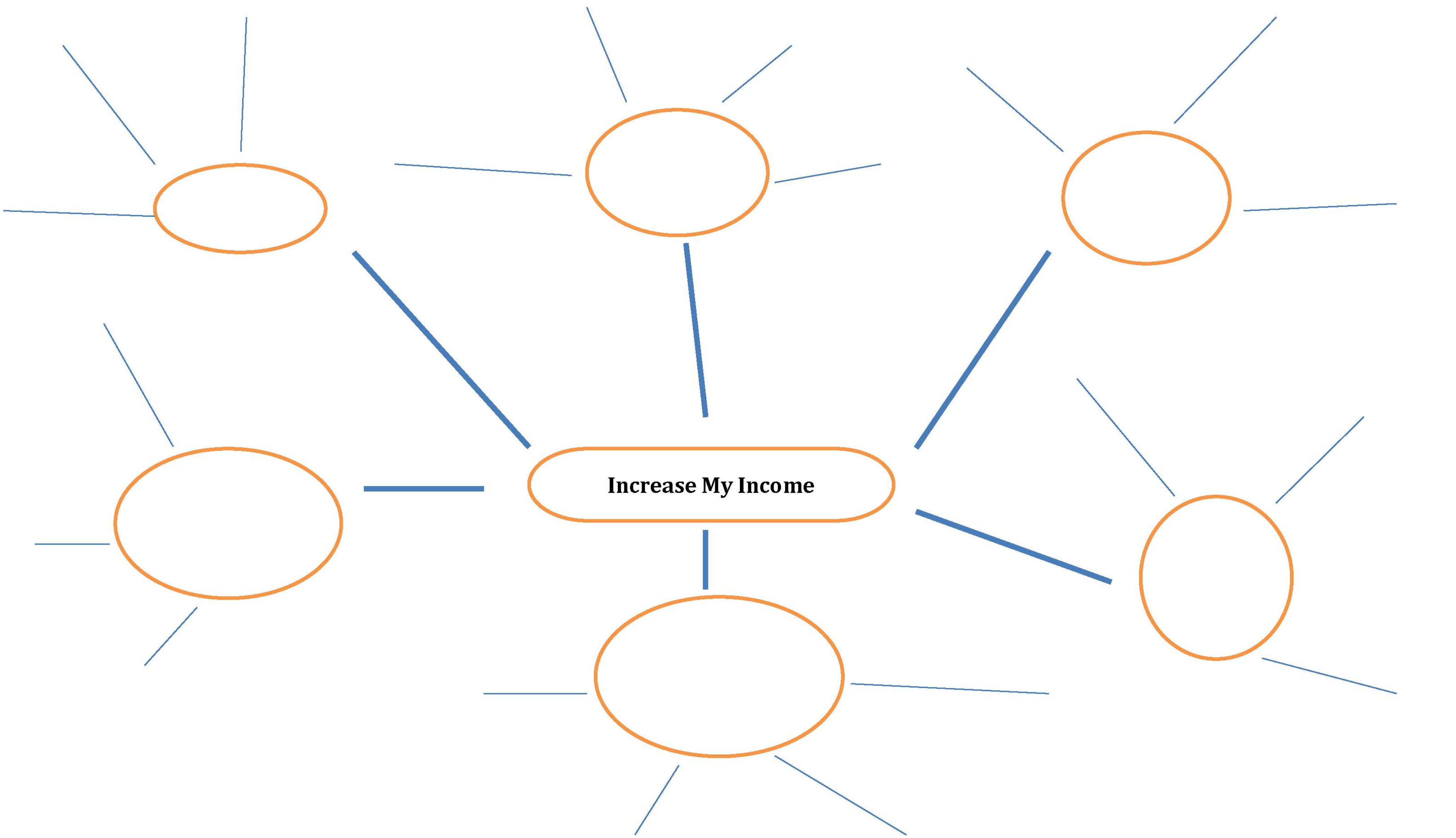
4. At the end of the month, prepare another income and expense statement with your actual numbers. How do they compare? You do this exercise every month if you find it helpful

Income/Expense and Budget Worksheet	Last Month – Actual	Month #1 – Budget	Month #1 - Actual	Difference between Budget and Actual
Income				
Take home salary				
Self-employment				
Child Support				
Public Assistance/SSI/SSDI				
Savings withdrawals				
TOTAL INCOME				
Expenses				
Rent/Mortgage				
Insurance/Maintenance				
Phone/Internet/Cable TV				
Electricity/Gas/Oil				
Car Payments				
Credit Card Payments				
Savings				
Groceries/Eating Out				
Clothing				
Child Care				
Medical expenses				
Transportation/Gas				
Gifts/Hobbies/Pets/Other				
TOTAL EXPENSE				
Income - Expenses				

INCLUSIVE FINANCIAL SERVICES FOR PEOPLE LIVING IN POVERTY

MIND MAPPING

A mind map is a visual way to brainstorm ideas centered around one common theme. Take a few minutes to think about several ways that you can increase your income. Try to just use one key word or a short phrase per line or circle.



REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

<u>What was one important take-away?</u>

<u>What am I going to do differently?</u>

<u>What questions do I still have?</u>

<u>What other reflections, insights, ideas, or goals do I have?</u>

Managing Your Debt

Living in Financial Freedom

Instructor's Guide

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SESSION OVERVIEW

Theme

The theme of this module is self-awareness and follow-through

Purpose and Goals

The goal of this session is that participants will be empowered to act on a new understanding of debt and debt management. The purpose is to provide necessary tools for paying debt in the most effective manner

Skills Developed

After this session, participants will have the ability to evaluate debt and their personal debt status, as well as apply various debt payment strategies.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	10
Part I	What is debt and why do we have it?	15
Learn	Guest Speaker from AFS	45
Part II	Understanding your debt	60
Break	Allow participants a short break between sections	10
Part III	Paying your debt	60
Closing	Summary, reflection, session quiz, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Track I: Intro to Banking and Money Basics where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Many of the materials we use were adapted from other sources. For this session we are particularly indebted to American Financial Solutions. We would like to thank American Financial Solutions for sharing their educational materials with us.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome back to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. Last week we talked about the basics of banking and money, and today we are going to be talking about debt.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Have students introduce themselves.

Before we check in with each other, let's go around the room so that we can remember each other's names, and also briefly state one thing that they are hoping to learn today.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

For today's check in, please turn to the person next to you and share a story of a success you've had in the last couple of weeks by following through on something that was difficult for you to do.

Give a personal example, such as 'I was really nervous because I had to ….. But it ended up being okay because….' Have participants turn to a partner and let them share for 2 minutes each.

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Track 2: Managing Debt

As you can see, this class is focused on learning how to manage your debt. Debt happens. Why? What are some of our stereotypes about debt? What assumptions do we make about others who are in debt?

Facilitate a popcorn discussion; acknowledge responses and write some on the board.

Bring class back together to introduce the three components for this track: What is debt, understanding your debt, and how do you pay for debt

PART I: WHAT IS DEBT AND WHY DO WE HAVE IT

You already came up with some great ideas about what debt is. Have you ever borrowed money before? Have you ever wanted to buy something before, but didn't have enough money? When you borrow money from a friend, a family member, or a business and have to repay them, you are indebted to pay the money back. This is what debt is—spending outside your immediate means.

Debt is the money that is owed to another person, business, or government. Usually the person who is in debt has a certain time frame that they have to pay back the borrowed money. Debt is also when you owe money for unpaid bills, such as unpaid medical bills.

- You can get into debt:
    - From spending for wants and out of convenience;
    - Spending for needs or major events;
    - Spending for calculated risk or investment
- Our attitudes often lead to debt:
    - Impatience;
    - Overconfidence;
    - Negligence;
    - Complacency.

What do you know about how debt happens?

Introduce guest speaker from American Financial Solutions to talk about what debt is and why we have it. Allow guest speaker 45 minutes.

PART II: UNDERSTANDING YOUR DEBT

Transition into next topic by posing a question to the class; Discussion can be with whole class or with a partner.

Have you ever borrowed money from another person or a business, or not been able to repay a bill? The first step to understanding your debt is to do a self-assessment of your current situation. Let's take a few minutes to do a self-assessment.

Refer students in workbook to ***Debt Self-Assessment.*** *Give participants a few minutes to complete the exercise.*

After the assessment is done, ask participants for any questions.

Transition to next topic: Good Debt vs. Bad debt

Have students follow along in their workbook with ***Good Debt vs. Bad Debt*** *and fill in blanks as we go. Pose question:*

Is all debt bad?

Good Debt

The word 'debt' does carry negative connotations; however debt is not always a bad thing. There is a place where the power of borrowed money can help your financial situation. This is often referred to as leverage. Here are some examples of good debt:

- Student Loans –You are investing in your education for your future vocation. By choosing to take on some debt now, you can become more qualified to earn a wage that allows you to make enough money in the future to pay your student loan back. That extra income, in theory, should be enough to pay back all that debt and then some.

  Refer participants to ***The Value of Education*** *and look the examples of increased income by increased education in their workbooks. Discuss the following question.*

  Do you think it is worth it to take out a student loan to pay for higher education? Do you think it would be worth it for your child to take a student loan to pay for education?

  Student loans (such as Perkins or Stafford loans) are needs-based, have guaranteed low interest rates, and do not require repayment until after graduation. It is often recommended that allowing your children to take out a student loan is more sensible than liquidating or borrowing against your personal savings.

- Mortgage – Borrowing money to pay for a home is an area of wide debate. In most cases, the debt allows you to own a home that will appreciate in value over time. Mortgages tend to have lower interest rates than other debt, and are tax deductible. A 20% down payment on a house is typical, but some homebuyers put down less. When deciding how much to put down, it is important to consider other issues, such as an emergency cash reserve. The less you put down now, the higher your monthly payments will be, and you will have end up paying more in interest.

- Car – A car loan is arguably not under the category of good debt because the second you drive a car out of the lot, its value depreciates. However, if you need a car to get to your work or to help you protect your income stream, then it can be considered good debt. If you do choose to take out a loan to pay for a car, remember that it is in the car dealer's best interest to finance at the highest rate possible (usually around 29.99%!). Be sure to look at what you will be paying overall (price of car and interest) and not just your monthly payments.

Can you think of other things that might be considered good debt?

Solicit responses and write them on board. Take all responses from participants and then ask other participants if they agree.

Bad Debt

Now let's take a look at bad debt.

Bad debt is generally debt you take on for something that you don't need and can't afford. Bad debt also does not have an obvious way helping your financial situation. There are a lot of types of debt that could be considered bad debt.

Can you think of some examples of bad debt?

Solicit responses from participants and record answers on board. Try to stimulate discussion as to why they think their example is bad debt.

Credit card debt is commonly considered the worst form of debt. Many companies will charge you interest of 20% or more. It's not long until you are paying twice as much for your purchases as you should. This does not benefit your finances. Let's take a look at an example of why credit card debt is an example of bad debt.

Consider the following questions before taking on any kind of debt:

- Am I going to have to pay interest on this purchase?
- Does this purchase preserve or grow my current earning potential?
- Am I buying this because I feel "I deserve it?" (This is often a danger sign).

It's not always easy and straight-forward, but understanding the difference between good debt and bad can be important. It is important to consider the hidden costs and long term effects of debt and to be thinking about the costs versus benefit risk of debt.

Let's look at some scenarios and see if we can decide if it is an example of good debt or bad debt.

Refer students to practice exercise ***Weighing the Debt*** *and give participants 5 minutes to complete the exercise.*

Solicit reactions and responses to exercise and address any questions.

Transition into next topic: Paying Your Debt

PART III: PAYING YOUR DEBT

Overspending, a sudden illness, loss of a job, or other unexpected events could leave you in a crisis where you are unable to pay your bills. Where are you at today in term of your capacity to pay off your debt? How satisfied are you with the amount of debt you have or don't have? Let's look at a tool that can help us visualize your current situation.

Hand out ***Debt Alleviation Planning Wheel*** *and give participants a few minutes to complete it.*

There are a few basic methods for how you can go about paying off your debt:

Provide examples for each and engage participants by asking if they can provide examples.

Option 1: Pay back your debt on your own

This involves making a personalized plan to pay off your debt. This involves sending scheduled payments to your all your creditors. How and when you pay off your debt depends on what sort of payment you and your creditors agree upon. Two types of repayment plans are:

- Minimum payments: Paying the minimal amount owed each month
- Level pay: Repayment of a debt through a fixed number or fixed-amount of monthly installments

Option 2: Seeking out consumer credit counseling

A credit counselor will work with your budget to come up with an affordable debt management plan (DMP). Credit counseling can take up to 3-5 years, and typically when you are on a DMP you cannot use your credit cards. Your credit report will indicate that you are on a DMP, but your credit score will not be impacted. A few local credit counselors are:

- American Financial Solutions
- ClearPoint

Option 3: Consolidate your debt

Debt consolidation is combining all your debt into one monthly payment. Eligibility for debt consolidation is determined by your financial institution, which usually involves getting a new loan for the consolidation. Some credit counseling services also are able to work with you to combine your monthly payments.

Option 4: Reaching a debt settlement

You can offer a debt settlement to your creditors only if you are behind on your payments. If the debt collectors agree to your settlement, you would be able to lower your total debt by 40-60%. However, you have to pay monthly fee to a debt settlement firm, and there is no guarantee that that your creditors will accept your offer.

Option 5: Filing for chapter 7 bankruptcy

To file chapter 7 bankruptcy, you have to first pass a means test that proves you do not make enough money to pay off your debt on your own. If you pass, all your unsecured debts will be relieved. However, you may have to turn over some of your assets (like your car or home, if you have equity) to help pay the debt. Child support, tax debt, and student loans are not included in bankruptcy

Option 6: Filing for chapter 13 bankruptcy

People who file Chapter 13 bankruptcy usually make too much money to file for chapter 7 or they have assets (like a house) that they do not want to give up. Chapter 13 involves you repaying all your debts within 3-5 years, and then any debt that is left over is discharged. You still have to make your regular payments, like child support and alimony, and house and car payments.

Some ideas on how to get out of debt:

Reclaiming your financial future starts by taking positive steps to get out of debt. Even if you have serious problems with debt, there is hope. Consider taking at least some of the steps below:

- Don’t wait to act. Just as investments compound over time, so do debts.
- Create a get-out-of-debt plan
- When one debt is paid off, keep making the same payment—just put that amount toward another debt or in a savings account.
- Cut expenses and budget. Try to find a few things you can stop buying or buy less often. 20% of pay disappears when un-budgeted. Cut back on each controllable expense by 10%
- Sell rarely used items. Sell items yourself—avoid going to a pawnshop or using an Internet broker.
- Honestly assess your ability to pay for something and then take the appropriate action. Say that you bought a car and are having trouble making the payments. It may be better to sell the car and pay off the loan than to let the creditor repossess your car. Repossession will hurt your credit record.
- Try to increase your income. Is it possible to get a second job or get paid overtime and use the money to reduce debt? (If you have family responsibilities, first consider what effect your absence could have on the well-being of your family. It’s important to balance the need to get out of debt with the need to spend time with your family.)
- Consolidate loans. Shift higher-interest loans to a single lower-rate loan and stop running up new charges.

- Keep only one or two major credit cards. Cut up your other credit cards and call the credit card companies to cancel the accounts. Keep the remaining one or two credit cards at home (as long as the card won't be used by anyone else). Consider having the credit limit lowered. (Canceling credit card accounts may affect your credit score—but you need to find a balance between reducing your debt and a possible reduction in your credit score.)
- To stop most credit card offers from arriving in your mail, call 1-888-5OPTOUT (1-888-567-8688). You also can visit www.optoutprescreen.com.

Now that we have some ideas about how to pay our debt, let's do an exercise that will help you determine how to pay your own debt.

Refer students to and explain ***Debt Recovery and Debt Payoff Worksheets****. Give participants several minutes to complete the worksheets*

Reflection

Go around the room and have everyone share the most surprising thing learned during this session. Ask participants to think of one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their ***Reflection Journal*** *in the back of their workbook.*

Homework and Closing

Complete evaluation. Suggest that participants can meet with their financial coach to review their debt together. Explain the homework assignment. Handout

- Set at least one goal around your own debt.
- Think about the question: Where do I need to be in terms of dollar amount of personal debt before I can take on any debt for my business? Work with coach to take at least one real life step towards that plan.
- Work with your coach to go over **Debt Wheel, Debt Recovery and Debt Repayment Worksheets**

Managing Debt

Living in Financial Freedom

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

MANAGING DEBT

Theme

The theme of this module is self-awareness and follow-through

Purpose and Goals

The goal of this session is that participants will be empowered to act on a new understanding of debt and debt management. The purpose is to provide necessary tools for paying debt in the most effective manner.

Skills Developed

After this session, you will have the ability to evaluate debt and their personal debt status, as well as apply various debt payment strategies.

Session Overview

This session consists of three parts with a break in the middle, and will last a total of 3 hours.

WHAT IS DEBT AND WHY DO WE HAVE IT?

Debt is the money that is owed to another person, business, or government. Usually the person who is in debt has a certain time frame that they have to pay back the borrowed money. Debt is also when you owe money for unpaid bills, such as unpaid medical bills.

List three reasons how someone might get in debt:

1. ____

   ____

2. ____

   ____

3. ____

   ____

AMERICAN FINANCIAL SOLUTIONS

www.myfinancialgoals.com

American Financial Solutions is a non-profit financial education and credit counseling agency that helps clients find debt solutions and change their financial lives for the better.

What questions do I have for our guest speaker?

1. ____

   ____

2. ____

   ____

What have I learned from our guest speaker?

1. ____

   ____

2. ____

   ____

3. ____

   ____

DEBT SELF-ASSESSMENT: What is my current situation?

The first step to understanding your debt is to do a self-assessment of your current situation. If you do not have any debt, you can apply the questions to paying bills and other monthly expenses.

Directions: Read the questions and check the option that best describes your current situation, and then answer the questions below.

1. How do you use your credit cards?

    - I don't have any
    - I have at least one, but I never use it
    - I use it and pay off the balance each month
    - I use my credit cards instead of cash and make larger than minimum payments each month
    - I use them whenever I don't have cash and make the minimum payments every month
    - I can't always make minimum payments
    - I use balance transfers to get cash advances on my card even though I can't always pay it back

2. What option best describes how you pay your bills?

    - I can pay all my bills on time and in full each month
    - All my bills are paid off each month except for one credit card that has a high balance
    - I make payments on time for rent, my car, and utilities but not my credit cards, hospital bills, and student loans
    - I can usually pay the people who are pressuring me the most, but tend to ignore the bills that do not seem urgent
    - I don't answer my phone because it might be a debt collector

3. What situation best describes your ability to make payments?

    - My monthly income is more than enough to pay all my monthly bills
    - I have to work a second job to pay all my bills
    - At the end of the month I just have enough to pay my bills with nothing left over
    - I seem to always run out of money just before the end of the month
    - It seems like I am always behind on my bills because there is an emergency or other pressing issue that arises

4. How much of your monthly income is used on monthly payments to creditors?

    - None
    - I don't know
    - A very small portion
    - At least half
    - More than half

5. To address my current debt condition, I have:
    - Done nothing—I am ignoring my debt because it is too overwhelming
    - I am working on reducing my expenses
    - I set up a five –year plan to eliminate my debt
    - I tried to work on my situation, but I just can't find ways to save extra money right now
    - I have sold of my other possessions to repay my debt
    - I got a loan to pay for my unpaid bills

Go back and look at your answers for questions 1-5. Mark the response that you would describe your ideal situation. In one or two sentences, what would your ideal situation regarding debt look like?

____

____

____

____

____.

What steps do you think you could take that will help you get to your ideal situation?

____

____

____

____

____.

GOOD DEBT VS. BAD DEBT

Good Debt

Leverage is: ____.

Following are some examples of good debt. Fill in the reason why the following examples are considered good debt:

- Student Loans:

  ____

  ____.

- Mortgage:

  ____

  ____.

- Work Necessities:

  ____

  ____.

Can you think of other examples of good debt? Why is it an example of good debt?

1. ____

   ____

   ____

2. ____

   ____

   ____

3. ____

   ____

   ____

WEIGHING THE DEBT: Good debt vs. bad debt

Read over the following scenarios and decide if it is an example of good debt or bad debt. Be prepared to defend your answer to the class.

Scenario 1

Marci wants to be a personal trainer, but she knows that it will cost her a lot of money to make that happen. First she has to pay to take a test to get her certification, and then she will have to buy exercise equipment and pay a fee to use a gym. She is only working part-time right now and earing just enough to get by, so she is going to take a loan from her credit union to get her practice started.

What are the reasons why this is an example of good debt? What are the reasons why this is an example of bad debt?

____

____

____

____

____.

What advice would you give to Marci about her situation?

____

____

____

____

____.

Scenario 2

Lee is living on a limited income. He has a credit card, but it is always almost maxed out and he only makes the minimum monthly payments on it. He has a job interview tomorrow for a position that will pay him a higher wage, but he is nervous about the interview. He decides he would feel more confident if he had a nice, professional looking suite. He decides to go to the department store to buy an expensive suite with his credit card.

What are the reasons why this is an example of good debt? What are the reasons why this is an example of bad debt?

____

____

____

____

____.

Is there anything that he could do differently?

____

____

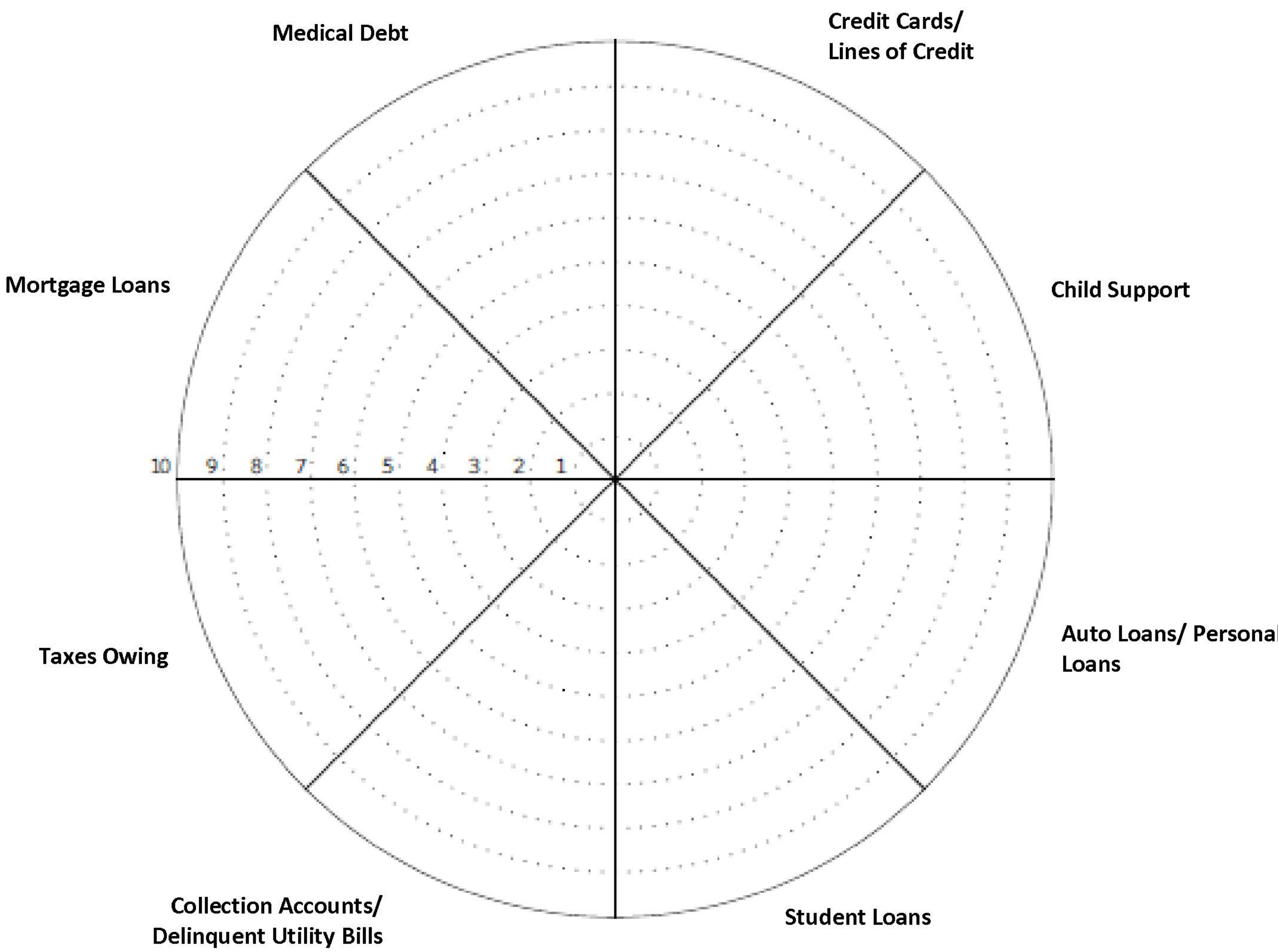
____

____

____.

DEBT ALLEVIATION PLANNING WHEEL

This wheel contains eight sections that together represent total indebtedness. This exercise measures your plan and capacity to pay off debt through regular monthly/ scheduled payments. Making the center of the wheel as zero and the outer edge as an ideal ten, rank your current plan and capacity to pay off debt by drawing on the dotted lines to create a new outer edge. The newly drawn perimeter represents your debt alleviation planning wheel.



OPTIONS FOR PAYING OFF YOUR DEBT

Reclaiming your financial future starts by taking positive steps to get out of debt.

Option 1: Pay back your debt on your own
Notes:

Option 2: Seeking out consumer credit counseling
Notes:

Option 3: Consolidate your debt
Notes:

Option 4: Reaching a debt settlement
Notes:

Option 5: Filing for chapter 7 bankruptcy
Notes:

Option 6: Filing for chapter 13 bankruptcy
Notes:

Consider taking a few of the steps below:

Don't wait to act.	Create a get-out-of-debt plan.	Keep making payments.
Cut expenses and budget.	Sell rarely used items.	Consolidate loans.
Try to increase your income.	Honestly assess your ability to pay.	
Keep only one major credit card.	Call 1-888-5OPTOUT or visit www.optoutprescreen.com	

DETERMINING DEBT PAYOFF ORDER

Because everyone's financial situation is unique, there is no special concrete list on which debt should be paid first. Debt payoff order can be influenced by a number of factors to include:

- Capacity or ability to pay off the debt
- If the debt/expense relates to essential life functions such as medical or family issues
- If the debt secured by collateral can be repossessed
- If the creditor for the debt can initiate legal action against you

Directions: Use this worksheet to analyze indebtedness and determine appropriate pay off order. Then use the Debt Recovery Worksheet on the next page to help put your plan into action.

Name of Debt or Obligation	Amount Owing	High Priority?	Collateral Attached	Legal Action Pending/Potential

DEBT RECOVERY WORKSHEET

First, make several copies of the worksheet below (one per creditor). On each worksheet, list the interest rate, amount owed, and the minimum monthly payment. Put your worksheets in order, from the debt with the highest interest rate to the lowest. Pay as much as you can on the debt with the highest interest rate while still making the minimum payment on other debts—and not adding new debt. Soon, if you make steady payments, the amounts owed will go down. The debts will be reduced even faster if the amount you pay each month is more than the minimum payment due.

When one debt is eliminated, celebrate your progress—just don't let your celebration land you in debt again. Then, take the amount paid monthly on the paid-off debt and apply it to the unpaid debt with the next highest interest rate.

Creditor/Purpose:_________________________________ **Interest Rate:** _____________________

Interest Rate	Amount Owed	Minimum Monthly Payment	Payment Due Date	Amount Paid and Date

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?

KEY TERMS AND DEFINITIONS FOR DEBT MANAGEMENT

Bankruptcy: Bankruptcy is a legal proceeding that adjusts the debts of individuals who cannot meet their credit obligations. Although bankruptcy eliminates most debts, certain back taxes, child support, alimony, and student loans must be paid. Bankruptcy stays on an individual's credit record for 10 years. With a bankruptcy on a credit report, individuals will pay higher rates and receive less favorable terms on loans in the future. Bankruptcy law requires individuals to get credit counseling before they can file for bankruptcy. It should be used only as a last resort.

Credit Counseling: This is a service offered by organizations that advise individuals on managing their money and debts, help people develop budgets, and offer free educational materials and workshops. Reputable credit counseling agencies have certified and trained counselors with expertise in consumer credit, money and debt management, and budgeting. Counselors discuss individuals' entire financial situations and help people develop personalized plans to solve their money problems.

Debt: the money that is owed to another person, business, or government. Usually the person who is in debt has a certain time frame that they have to pay back the borrowed money. Debt is also when you owe money for unpaid bills, such as unpaid medical bills.

Debt Management Plan (DMP): In a DMP, individuals deposit money each month with a credit counseling organization. They use these to pay unsecured debts (such as credit card bills, student loans, and medical bills) according to a payment schedule the counselor develops with an individual and her/her creditors.

Other Key Terms:

Fixing and Rebuilding Your Credit

Building New Credit Habits

Instructor's Guide

TABLE OF CONTENTS

SESSION OVERVIEW

Theme

The theme of this module is building and fixing your credit habits

Purpose and Goals

The goal of this session is for participants to understand the importance of having a positive credit history. The purpose of this session is to give participants the tools and resources to improve and build their credit in a positive way.

Skills Developed

After this session, participants will understand how to read their credit score and will be equipped to build positive credit habits.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	10
Part I	Intro to Credit Reports	30 (2 hrs)
Part II	What impacts my credit?	30
Guest Speaker	Guest from AFS to talk about credit	30
Break	Allow participants a short break between sections	10
Part III	Why care about my credit score?	45 (1 hr)
Closing	Summary, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Module IV: Fixing & Rebuilding Credit where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. The first step is to understand the basics of banking and money.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since not everyone in the room knows each other, I would like us to get to know each other. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

Now that we are familiar with each other's names, please turn to the person next to you and share: Have you ever seen your credit report before? You'll l each have about 2 minutes to talk, so keep your stories short!

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Module 4: Fixing and Rebuilding Credit

This class session is focused on fixing and rebuilding your credit. It is broken up into three sections, with a short break in between. Our first section is an intro to credit reports, our second session is about what impacts credit, and the final section is about why we should care about our credit. We will also have a guest speaker from American Financial Solutions, so be thinking about what question you have for her! On page one of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

Transition into first section by briefly explaining the historical context of credit and lending. Invite an outside guest speaker if available.

PART I: INTRODUCTION TO THE CREDIT REPORT SYSTEM

Start a conversation about credit scores. Ask participants if anyone has ever looked at their credit report before. Ask if anyone has been told their score. Does anyone know what it means? Gather ideas from the group, and then explain credit rating and FICO scores. Invite participants to follow along in their work books with ***What is Credit Rating and FICO score?***

What is credit rating and FICO score?

A FICO score is summary of your entire credit history. It is a grade, or a numerical estimate, of how reliable you are as a borrower of money. The more disciplined you have been in managing your debt and paying your bills, the higher your grade is and the more interested a lender is in having your business.

There are three agencies that keep track of everybody's credit records and assigning credit scores. The agencies are Experian, Transunion and Equifax. You are eligible for one free report from each agency once every twelve months. If you want you actual score, however, you will have to pay 7-15 dollars.

We will talk more specifically about the score in a minute, but a FICO credit scores range from about 300 (really bad) to 850 (basically perfect).

Do you know what your report says about your credit standing?

Checking your credit report is important because it gives you an idea of whether you could be approved for a loan, and what interest rate you should expect. Even if you do not plan to apply for a loan, it is a god idea to check your credit regularly to detect errors, fraud and identity theft!

You can get your free report at www.annualcreditreport.com

You will be prompted to select one of the three agencies to get the report from. You will be asked to enter your social security number and most recent address. If you have an ITIN or have a permanent resident status, you may not be able to get your report online, but you can request your report by mail

What kind of information does your credit report reveal?

Ask participants what types of information they think are reported to the credit bureaus, then explain what is on the report. Hand out the ***Sample Credit Report Handout*** *and if time allows go over the report.*

To have a credit score, you need to have had an active account for about six months. Your report shows the following:

- open and closed loan accounts and credit cards;
- amounts you owe and your credit limit with each creditor;
- standing of each payment you make (if on time, late or delinquent three months or over);
- minimum payment due on each account;
- age of each account;
- collections accounts;
- public information;
- inquiries from the institutions you applied for credit with;
- inquiries from potential employers and companies you already have a relationship with

Refer participants to ***What's On My Credit Report*** *exercise and go over the instructions. Give participants a few minutes to complete the exercise.*

Transition into next topic: What impacts my credit standing? Introduce guest speaker (from American Financial Solutions) to facilitate teaching of good credit and bad credit, and what impacts credit scores.

PART II: WHAT IMPACTS MY CREDIT STANDING

Most people are unaware of their credit score, or are not interested in knowing it because they are scared of what it might reveal. Establishing good credit does not happen overnight—it can be challenging, and maintaining it is a continuous process that requires awareness and discipline. Knowing what impacts you credit is the first step to build a positive credit standing.

Ask participants what they think is good information on your credit report. Gather responses from participants, and then explain what typically is considered good information. Participants can follow along in the workbooks with ***What Impacts my Credit Report*** *worksheet*

<u>Good information on your credit</u>

Generally, old installment loan accounts (car loan, student loan, or mortgage) impact your report positively as long you make your payments consistently and on time. Old installment accounts show you have been with the same creditor for an extended period of time and that you have established a positive payment history with that company. A benefit about such accounts is that they are not revolving – meaning that you do not create an opportunity to keep accumulating more debt.

Having one or two credit cards looks good on a credit report, but only as long as you regulate your spending responsibly. It is recommended to not use more than 1/3 of your credit limit at a time. For example, if your limit is 1000, it is best to not go over 333. Keeping your debt lower than the actual limit is wise because not only does it increase your wealth in the long run, it also signals creditors that you are financially stable--you have the possibility to charge the credit card to the full limit, but you do not need to because you can pay off everything each month from your bank account. It is important to remember that banks compete for the business of financially stable clients. The more good information that is on your credit report, the more stable and responsible you look!

However, building a good credit report does not just happen overnight. In fact, damaging your credit is quick and easy, but to repair it might take years.

Bad information on your credit

Ask participants what they think might impact their credit negatively, and then explain what bad information is on a credit report.

There are several actions that can impact your credit negatively. Bad information on your credit is seen as red flags to a creditor, signaling that your income may not be sufficient to cover your expenses or that you may be at risk of getting into too much debt.

The following are the most common reasons:

- Too many credit cards—either having multiple cards or applying for several cards in a short period of time (such as at department stores)
- High balances on credit cards—maxing out your credit limits
- Late payments—this hurts your credit immediately and significantly. Catching up on your payments will help some, but will not regain you all the points lost.
- Bankruptcy and collection accounts—these hurt your score the most
- Too many recent inquiries from companies you applied for credit with or too many young accounts
- Do not underestimate the negative power of having the “too many recent inquiries” disadvantage on your report! An instant way to lower your credit is to say ‘yes’ to an invitation to apply for a credit card at a register when the cashier offers you a discount on today’s purchase. Do not do it – you may save 10 dollars today but in the long run several such discounts may turn out to be very expensive! Even if you get denied when you apply, your credit will still be affected.

Some information on your credit report is there for your record, but does not impact your score:

- Inquiries about your credit made by a potential employer or a financial institution that is interested in making an offer to you (without you applying)
- Pulling your own report

If you would like to stop receiving credit card offers, you can call 1-888-5OPTOUT (1-888-567-8688).

FICO Score (Fair Isaac Corporation)

Like we mentioned above, credit scores can range from very bad to excellent. The agencies each have their own scoring system and the margins of ranges vary a little but generally one's standing is represented by the following grades:

Excellent (A) over 750

Good (B) 680 – 750

Fair (C) 600 – 680

Not good (D) 300- 600

Very Bad (F) under 300

Provide some examples of situations that would put a person in a particular range (high, mid or low). Read the following situation and then ask the participants which score/ rating they think the person would have.

- Situation 1: A person who has several older accounts, one or two revolving accounts (credit cards) with balances that are much lower that the credit line. This borrower always makes her/his payments on time. *(This person would most likely have an excellent score)*
- Situation 2: A person who is making all payments on time, but has too much debt. Equally, another person has low debt levels, but they were late with a payment occasionally. *(Both these examples would have fair ratings)*
- Situation 3: A person who has collections accounts, a lot of late payments, and high balances on credit card accounts (*This person would have a low rating)/*

*Invite participants to look at **What's on my credit report worksheet** again. Ask participants to think about what their standing might be, and then close this section by asking the following questions.*

Why do you think some inquiries are bad for your credit while other inquiries do not matter? Why does it affect your credit to apply for a card at a store, even if you get denied anyway?

Next, we will talk about the importance of credit.

Transitions into next topic: Why care about your credit?

PART III: WHY CARE ABOUT YOUR CREDIT

Invite participants to discuss with their neighbors why they think they should care about their credit. Post the following questions for discussion:

Why does it matter what your score is? Why should you care? Why is it important to have good credit?

Ask each group to share a few ideas with the class, and then explain why it would be a good idea to care about

<u>Good credit works *for you* in many ways!</u>

- Employment: Often times, employers will check your creditworthiness when considering you for a position. This is especially true if you are looking to work in the financial industry. You may not get hired if the employer sees that you have bad credit.
- Renting: Landlords will check credit scores of their potential tenants to make sure that they will make their monthly rent payments on time. You may be denied an apartment if you have bad credit or your security deposit may be higher than would have been otherwise.
- Insurance rates: Insurance companies look at an individual's credit rating to determine rates for insurance. To an insurance agent, good credit standing reflects a good sense of responsibility, and you may be offered a better rate with better credit.
- Eligibility for a loan: Banks, credit unions, and other lending institutions will look at your credit report when you are applying for a loan. Your eligibility for personal, student, and car loans, as well as credit cards and mortgages directly depends on your credit standing.
- The interest rate on loans: The price you pay for borrowing is directly determined by your credit standing. If you have good credit, you will be able to borrow at a lower rate because you are seen as less risky to the lender. If you have bad credit, you will have to pay a higher rate to borrow.

If you are going to take one thing away today, remember this: If you have good credit record, you are in a more competitive position. Institutions will compete for your business by offering you better conditions (such as lower interest rates, or higher lines of credit) than a competitor. A good credit score may give you the edge over another applicant for a job or an apartment. When you work towards having a good credit record, you will see that it will begin to work for you, too!

Now we will do an exercise to see how having good credit can work for your benefit by saving you money in the long run. *Refer participants to the **Interest Rate Exercise** in their workbook, and go over together. Make explanations as needed.*

We are going to look at a few examples to see what different interest rates really translate into. Let's look at a scenario for three different interest rates. How much more will you end up paying for the same product with higher interest rates?

To make it easier to see the difference, we will make the monthly payment amount the same for all interest rates, and we'll assume the account is not revolving.

Imagine you were approved for a personal loan of 1000 dollars. If you have great credit, your interest rate would be 4%; if you have good credit, your interest rate would be 10%; if you have fair credit, your interest rate would be 18%. If your credit score is poor, you most likely will not be approved for the loan in the first place. (For simplicity we will keep some variables fixed)

Amount borrowed	Interest rate	Minimum payment due each month	Months to pay off completely if only minimum is paid	Amount paid
1000	4%	50	21	1050 (+50)
1000	10%	50	22	1100 (+100)
1000	18%	50	24	1200 (+200)

How much do you pay for borrowing in each case, in other words: how much more do you pay than the amount borrowed?

Scenario 2: Imagine you are buying a car and the amount you need to borrow is 10,000. (Again, for simplicity we will keep some variables fixed). Assume you only pay the 200 minimum each month.
In real life payoff time and minimum amount due would also vary depending on your credit record)

Amount borrowed	Interest rate	Minimum payment due each month	Months to pay off completely if only minimum is paid	Amount paid
10000	4%	200	55	11000 (+1000)
10000	10%	200	65	13000 (+3000)
10000	18%	200	93	18600 (+8600)

Do you see the ways good credit works for you? How much do you overpay in each case?

If you borrow 10000 thousand under those conditions, with great credit you overpay one thousand, which is not bad, since you borrow a large amount. If your interest rate is 10%, you overpay 3000 – a family vacation given up perhaps? If your interest rate is 18%, your pretty much end up buying one car for the price of two! Again, the conditions in those situations are imaginary, so for your car loan you would probably be making larger monthly payments.

Ask participants to think about ways to reduce amount paid in interest. Stimulate a discussion and gather responses form participants.

Can you think of a way to reduce the interest paid on your loan?

Whenever you have a loan with interest, no matter the rate, it is best to pay as much over the minimum payment due as you can to reduce the cost of borrowing.

Transition into next topic to discuss some ways to improve and maintain credit

What are the ways to improve and maintain your credit?

Invite participants to discuss with their class partner how they plan to start building their credit. Bring the class back together and invite participants to share their ideas. Once ideas are shared, refer participants to ***How can I build and Repair My Credit*** *in their workbooks. Have them fill in any blanks that were missed during the discussion.*

- Check your credit to detect errors or fraud: Check to see if there are any accounts that you don't recognize or inquiries by a creditor that you did not apply for. If you see errors on your report, you can submit a written request to the agencies and provide documentation to support your claim. If you cannot resolve it, you can add a personal statement to your report. A personal statement is very brief explanation of a circumstance that lead to high debt. A personal statement does not affect your score, but it can affect the way a creditor looks at your score.

- If you do not have credit history, you could get a secured credit card or a card with a co-signer. If you use it responsibly, after just 6 month your score may be over 700.

- Pay all bills on time.

- Do not limit your payments to just the minimum payment .The faster you pay off your debt, the less you end up paying in interest.

- Pay off the accounts with highest interest rates first. When you do that, every dollar you pay goes towards reducing your debt, in the long run reduces the amount you overpay to your creditor by more than if you first pay accounts with lower interest rates. If you have several accounts to pay off, look at them today and see which ones have highest interest rates. It might make sense to pay minimum payments on those with lower rates, and pay as much as you can over minimum on the account that has a higher rate.

- If you have too many credit cards, close the ones that are newer and have high interest rates.

- Older accounts give you length of credit history which is crucial for good credit score. It is possible to close a card and keep paying off the debt when the account is already closed – just make sure to pay it off. You can keep an old credit card open, but try to avoid keeping a balance on it.

- Do not fund everyday purchases with a credit card. It makes it too easy to accumulate debt. If you must use a credit card to make a big purchase that you really need, stay committed to paying it off as soon as possible. Use layaway types of accounts, if you have the option. For example, if you need to have your car repaired, some mechanics may offer payment plans, especially if you have been their client for some time.

- Do not apply for a credit card to get a discount on a purchase at a store. However, if your credit is good, and there is a store that you shop at a lot, a credit card may be a good option if it comes with rewards and regular discounts. Consider your options, but don't make impulsive decisions!

- Installment loans are typically better than credit cards because they fund wise investments (such as education, vehicles, a house) and have lower rates than credit cards do. Installment accounts also give you length of history.

- If you have medical collection accounts, or other accounts in collection, contact the collection agency and try to set up a plan. If it is medical debt, your hospital may be able to help through Charity Care programs (see Maximizing Income Module for more information).

- Most importantly, work towards keeping a savings account for emergencies.

Closing

Offer a few closing remarks, and try to end on a positive and motivational note. Also be sure to answer any lingering questions.

It does take time and commitment to bring up and maintain good credit. Check your report three times a year, using your right to a free credit report from each of the reporting agencies. You will be able to see improvements over time, and having control over your debt is motivational! If you are working on improving your score, the progress from bad to fair will be faster than from fair to excellent – the higher your score is, the harder it is to improve it even more. The key is to take it a step at a time and stay committed to the process.

Good credit is an asset. It is not the only thing that you need to be successful financially, but it is an important aspect of becoming financially stable.

Sir Edmund Hillary was the first person to climb Mount Everest in 1953, and he said, "*It is not the mountain that we conquer but ourselves!*" Whether Hillary was speaking of Everest or just figuratively of mountains – it is a great perspective to take away. Addressing our credit may seem like a big challenge, but when you set high goals and stay committed to achieving them, you will find that mountains can be conquered!

Reflection

Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their ***Reflection Journal*** *in the back of their workbook.*

Homework

Suggest that participants can meet with their financial coach to review their credit report together. Explain the homework assignment.

For your homework assignment, pull your own credit report from annualcreditreport.com. Try to apply your credit history to your life. You can work with your financial coach to go through your credit report and start making steps towards building your credit history.

Fixing and Rebuilding Your Credit

Building New Credit Habits

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

FIXING AND REBUILDING YOUR CREDIT

Theme

The theme of this module is building and fixing your credit habits

Purpose and Goals

The goal of this session is to understand the importance of having a positive credit history. The purpose of this session is to provide the tools and resources to improve and build your credit in a positive way.

Skills Developed

After this session, you will understand how to read your credit score and will be equipped to build positive credit habits.

Session Overview

This session consists of three parts with a beak in between, and will last a total of 3 hours.

WHAT IS CREDIT RATING AND FICO?

A FICO score is summary of your entire credit history. There are three agencies that keep track of everybody's credit records and assign credit scores.

You can get your free credit report from each agency once every 12 months from www.annualcreditreport.com

The Fair Isaac Corporation FICO Score can range from very bad to excellent. The agencies each have their own scoring system and the margins of ranges vary a little but generally one's standing is represented by the following grades:

Excellent (A) over 750

Good (B) 680 – 750

Fair (C) 600 – 680

Not good (D) 300- 600

Very Bad (F) under 300

WHAT IMPACTS MY CREDIT SCORE?

Good information on your credit

Lending institutions compete for the business of financially stable clients. The more good information that is on your credit report, the more stable and responsible you look!

- Old installment loan accounts (car loan, student loan, or mortgage)
- Making payments consistently and on time
- Being with the same creditor for an extended period of time
- Having available credit through a variety of sources (such as a credit card and a student loan)
- One or two credit cards, but only as long as you regulate your
- Not using more than 1/3 of your credit limit at a time.

Bad information on your credit

There are several actions that can impact your credit negatively. Bad information on your credit is seen as red flags to a creditor, signaling that your income may not be sufficient to cover your expenses or that you may be at risk of getting into too much debt.

The following are the most common reasons:

- Too many credit cards
- High balances on credit cards
- Late payments
- Bankruptcy and collection accounts
- Too many recent inquiries from companies you applied for credit with
- Too many young accounts

Some information on your credit report is there for your record, but does not impact your score:

- Inquiries about your credit made by a potential employer or a financial institution that is interested in making an offer to you (without you applying)
- Pulling your own report

If you would like to stop receiving credit card offers, you can call 1-888-5OPTOUT (1-888-567-8688).

WHAT'S ON MY CREDIT REPORT?

Directions: List the things that you think are on your own credit report, and then answer the questions below

- Open accounts:
- Collections accounts:
- Outstanding balances:
- Late payments on loans or credit cards:
- Recent applications for a credit card or a loan:

1. **Which of the above do you think are good for your score?**
2. **Which ones do you think hurt your score?**

INTEREST RATES EXERCISE

Directions: Look at the following examples of interest rates and compare the difference of the amount borrowed (shown in the first column) to the amount paid (shown in the last column). How much more will you end up paying for the same product with higher interest rates? Be thinking of the ways having good credit works for you.

Scenario1: *Imagine you were approved for a personal loan of 1000 dollars. If you have great credit, your interest rate would be 4%; if you have good credit, your interest rate would be 10%; if you have fair credit, your interest rate would be 18%. If your credit score is poor, you most likely will not be approved for the loan in the first place. (For simplicity we will keep some variables fixed)*

Amount Borrowed	Interest Rate	Minimum Monthly Payment	Months to Pay Off (if minimum is paid)	Amount Paid in Interest	Total Amount Paid
1000	4%	50	21	50	
1000	10%	50	22	100	
1000	18%	50	24	1200	

How much do you pay for borrowing in each case? Or in other words, how much more do you pay than the amount borrowed? Fill out the Total Amount Paid column.

How much more do you end up paying with an 18% interest rate than a 4% interest rate?

Scenario 2: *Imagine you are buying a car and the amount you need to borrow is 10,000. (Again, for simplicity we will keep some variables fixed). Assume you only pay the 200 minimum each month.*

Amount borrowed	Interest rate	Minimum Monthly Payment	Months to Pay Off (if minimum is paid)	Amount paid in Interest	Total Amount Paid
10000	4%	200	55	1000	
10000	10%	200	65	3000	
10000	18%	200	93	8600	

How much do you pay for borrowing in each case? Or in other words, how much more do you pay than the amount borrowed? Fill out the Total Amount Paid column.

How much more do you end up paying with an 18% interest rate than a 4% interest rate?

Can you think of a way to reduce the interest paid on your loan?

**All rates, monthly payments, and terms of loans are simplified and made up for the sake of the example*

HOW CAN I BUILD AND REPAIR MY CREDIT?

Review this list about how to build and maintain credit, and add notes for other ideas that are shared.

1. Check your credit to detect errors or fraud

2. Get a secured credit card or a card with a co- signer

3. Pay all bills on time

4. Do not limit your payments to just minimum

5. Pay off the accounts with highest interest rates first

6. If you have too many credit cards, close the ones that are newer and have high interest rates

7. Keep an old credit card open

8. Do not fund everyday purchases with a credit card

9. Do not apply for a credit card to get a discount on a purchase at a store

10. Installment loans are typically better than credit cards

11. Keep a savings account for emergencies if you can

12. Try to set up a payment plan with collection agencies

What other ideas do I have about how to improve or build my credit?

1.

2.

3.

How can I apply this to improving or building my credit?

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?

Loan Readiness

Becoming Informed Before You Borrow

Instructor's Guide

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SESSION OVERVIEW

Theme

The theme of this module is being prepared before you borrow.

Purpose and Goals

The goal of this session is that participants will be able to apply for a loan with full knowledge and confidence. The purpose is to provide participants with necessary information and tools to be able to make an informed decision about borrowing money.

Skills Developed

After this session, participants will understand the process of applying for a loan and will have the ability to evaluate when they should or should not take a loan

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	10
Section 1	What to know before applying	15
Section 2	How to figure out if you're ready	60
Section 3	How to apply for a loan	45
Section 4	Different types of loans	30
Section 5	What do I do if I'm denied?	15
Closing	Summary, reflection, session quiz, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Module V: Loan Readiness where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Many of the materials we use were adapted from other sources. For this session we are particularly indebted to Elizabeth Escobar, Loan Officer at Express Credit Union.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. A necessary step is to be able to understand when, if, why and how to apply for a loan. As an Express Credit Union member, you have access to affordable loan services. This includes personal and vehicle loans as well as VISA credit cards and Small Business Loans.

This goal of this course is to help you prepare for the consumer lending process.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since not everyone in the room knows each other, I would like us to get to know each other. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

Now that we are familiar with each other's names, please turn to the person next to you and share one experience you have had with loans. If you don't have a personal experience, you can share a friend's experience. You will each have only 2 minutes to talk, so keep your stories short.

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Module 5: Loan Readiness.

This class session is focused on knowing what it takes to be ready to take out a loan. It is broken up into several sections, and we will do several activities. We will take a short break in between sections. We will first look at what we need to know before applying, then we will look at how to actually apply for a loan, and then we will talk about what to do if you are denied. In the front of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

Introduce conversation around why people borrow money. Play into emotions and beliefs about borrowing money. Ask participants the following questions:

What are some reasons why people borrow money? What ideas do you have right now for why borrowing money is important for someone who is interested in starting a business (or wanting to improve their financial situation)?

Record answers on board. Transition into first topic: Before Applying

PART I: BEFORE APPLYING

Before applying for credit take a look at your personal financial situation. You want to make sure that you are fully aware of what is going to be asked of you when taking out a loan and what responsibilities it will require. Since your objective is to get approved for a loan, it is important to understand your current financial position. Just like getting ready for a test submitting a loan application takes preparation.

Refer participants to the ***Before Applying*** *worksheet in the participant guide. Invite participants to take a few minutes to look over the questions.*

You might consider asking yourself the following questions before taking out a loan:

- What is my motivation for taking out the loan?
- What is my current financial situation?
- What responsibilities will taking out a loan require?
- What documents do I need with me in order to apply?
- What do I need to prepare before applying for a loan?
- Do I think I will be approved or denied?

What else might you ask yourself before applying for a loan?

Transition into what do lenders look for?

<u>What do lenders look for?</u>

Begin topic of what lenders look for by inviting participants to think about what lenders look for. Then, explain to participants what lenders look for when a member applies for a loan.

Lenders, such as Express Credit Union (ECU), take into consideration a list of factors which will determine whether or not the borrower are a high or low risk for the financial institution. This is determined by the following factors:

- Ability to repay the loan: The lender will try to determine your current financial situation to see if you can afford to make monthly loan payments each month.
- Credit history: The lending department will pull your credit report and analyze your past credit history. They'll look and see if you've paid off bills, if you have unpaid bills and if you have existing trade lines.
  (If participants are interested in learning more about credit reports and improving their score, refer them to Module 4: Fixing and Rebuilding Credit)
- Employment history: This is related to your ability to pay back the loan. The lending department will want to see stability and longevity with your employment. Each financial institution will have different requirements; for example, at ECU, it is required that you have consistent employment—with the same employer—for at least three months. Consistent employment shows the Credit union that you as a borrower are receiving a regular stream of income, and have the ability to pay back your loan.
- Possibility of collateral: Collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. In the case that someone's credit may not allow the lending department to lend the amount requested as an unsecure loan, due to the policies, the lending department may require that you offer collateral. Examples of collateral are a vehicle that you own, a house, or capital. For all auto loans, the auto being purchased is held as collateral until the loan is paid off. Having assets to show for collateral may improve you chance of approval.
- Personal References: The lending institution will ask for personal references to verify your eligibility. A personal reference can be a close friend or family member, but should be someone who is not living with you.
- Businesses History: For small business loans, the lending department first looks at the business owners' financial situation, and then at the stability and feasibility of the small business. If your personal financial situation is unstable, you may consider working on that before applying for a small business loan.

Financial institutions should view each member/customer the same way. They will consider your ability to repay by reviewing your current and proposed obligations in relation to your income.

Transition into next topic: How to figure out if you're ready

PART II: HOW TO FIGURE OUT IF YOU'RE READY

Ask participants to raise their hand if they think they are confident right now that they could take out a loan. Pose question to start topic:

How can I know if I am ready to take out a loan?

To see if you ready to take out a loan, you will need to know what your monthly expenses (debt) payments are, what your monthly income is, and then calculate your debt to income ratio. We will look at an example to help us understand this process, and then we will have time to evaluate our own situations.

Debt to Income Ratio

Now we are going to start talking about monthly debt and figuring out your debt to income ratio. We are going to use Fred as an example.

Show Fred's current monthly debt to show what his monthly debt payments are.

Fred needs $500 to pay for a small lawn mower he needs for his landscaping business. The monthly loan payments will be $85. Can he afford this loan? Let's look at Fred's financial situation.

This is an example of what his total monthly debt may look like, with the personal loan of $500 factored in. You can see that Fred's fixed monthly payments might be similar to yours—$75 for rent, $225 for vehicle, $50 for a credit card, and then the $85/month for the personal loan. In total, Fred's current monthly debt (with the $500 loan factored in) is $1100.

Also on this slide we can see that Fred's gross monthly income is $3000.

Once you have an idea of your current debt total and have figured your income, the next step is to figure out what your debt-to-income ratio (DTI) is. The DTI provides a view of your total debt obligations by comparing the dollars spent monthly on debt payments as it relates to total income.

Use Fred's situation as an example, and show that his DTI calculates to be 37%. Ask participants if they have any questions about how to calculate the DTI. Then, explain what that ratio means and why it matters when applying for a loan.

This percentage is very important not only for analyzing your own financial situation, but also is what determines your eligibility for a loan at financial institutions. For example, at ECU, our recommended guideline is that any eligible loan applicant must have a DTI that falls below 42%. The ratio will be different for each person, and you may find that given your personal situation, your DTI at this time is higher than that baseline. ECU does not want a loan payment to become a burden on your life. The lending department wants to make sure you have enough disposable income to cover the necessities of life.

Now, let's take a few minutes to calculate our own DTIs.

*Refer participants to the **Calculate Your DTI** worksheet in their participants guide. Invite them to take a few minutes, and offer help with the calculations if needed. Remind participants that most cell phones have a calculator, if that is helpful for the calculation.*

After a few minutes, pull participants back together and talk next about disposable income.

Disposable income is what is left over each month to cover the cost of food, child care, gas, utilities, clothing, insurance, dining out, etc. This money is also referred to as discretionary income. Be mindful of this amount and how it affects the DTI and net disposable income as you consider adding more expenses.

Continue to use Fred's current financial situation as an example, and explain how to calculate disposable income.

Now we are going to do another exercise to calculate our disposable income. We will continue to use Fred as an example. As you can see, we will first need to remember what our monthly debt payments are from the DTI exercise. Fred's monthly debt payment is $1100. Next, we have to calculate our net income, which is the gross income minus the monthly amount for taxes and insurance. This amount varies; the amount deducted depends on which tax bracket you fall into and whether or not you are salary or hourly. That will give you (B) your net income. In Fred's instance, his net income (after taxes, etc.) is $2411. Next you will subtract (A) your total monthly debt from (B) and that will give you your disposable income. Fred's disposable income is $1311.

The accepted guideline on disposable income is $600 for an individual and $850 for a family of two, with $200 for each additional family member. For example, a family of four should have a disposable income of $1250 a month. Again, the appropriate level of income may vary depending upon the individual family's circumstances. Based off what we just read about disposable income and debt to income ratios can Fred afford his new loan payment?

*Refer participants to **Calculate your Disposable Income** worksheet in their participant guide. Invite participants to take a few minutes to figure out what their own disposable income is. Ask if anyone has any questions with how to do the calculations, and make sure that everyone understands the basic principles of the calculations.*

Transition into next topic: How to apply for a loan

PART III: HOW TO APPLY FOR A LOAN

Invite any participants who have previously applied for a loan to share their experience of applying for it. Ask the participants who are willing to share their experience if it was complicated/ easy/ frustrating, etc. After discussion, proceed to talk about the process of how to apply for a loan.

The first step when applying for a loan is to fill out the application. When filling out an application, make sure you do so with as much detail as you possibly can. This will make the process quicker for both the lender and borrower. You might be able to apply online through a secured website, or if you prefer, you can fill out a paper application. Once your application is received, the lender will ask for proof of income (usually verified by your most recent pay stub) and may also ask for proof of monthly rent payments (at ECU, for example, we require this if you pay less than $500 a month.)

Next, the lender will determine your debt to income ratio. If the DTI is within a feasible range (for ECU it is 42% or below) then the lender will look at your credit history—such as your bill paying history, the number and type of accounts you have had or currently have, late payments, collection actions and outstanding debt is collected from your application and your credit report. If additional information is needed the lender will contact the applicant. Information needed may be additional pay stubs, or maybe information about an auto if that is the purpose of the loan.

The next section involves the process of how to apply for a business loan at ECU. This section is intended for small business owners or entrepreneurs. Determine if this section is relevant for participants, and skip over it if it is irrelevant.

<u>How to Apply for a Small Business Loan</u>

If participants are interested in learning the process of how to apply for a small business loan, explain the process. Note that not all financial institutions offer this, and may have different requirements than ECU.

Small business lending is very new at Express Credit Union. Before you apply for a small business loan, make sure that you have all of your business and personal financial documents in order. Once you are prepared, you will need to fill out a standard loan application. At ECU, the lending department will first run a personal credit check of you, the business owner. If your credit is approved, the lending department will examine all the personal and business documents that you have prepared. These documents are:

- Copy of Business License
- If it's a start up business—personal tax returns for the past 2 years
- If it is an existing business—business tax returns for 2 years as well as personal tax return for the past 2 years.
- Business plan
- Cash flow projection

- Documentation showing the structure of the business (sole proprietor, LLC etc, partnership)
- Lease agreement, insurance documentation
- Marketing materials
- Summary of what loan will be used for

The lending department will go through almost the same process as a personal loan. They will make sure your debt to income ratio is ok. They will verify your ability to repay the loan, and they make ask for some sort of collateral.

Tell participants that if they are interested in getting a small business loan, that ECU can provide a template for a business plan. Hand out the two worksheets ***Small Business Loan Checklist*** *and* ***Before you Apply for a Small Business Loan*** *for participants that want to apply for a small business loan.*

The definition of a co-signer is: "A person of the age of majority who agrees to pay the borrowers debt if the borrower is unable to".

A co-signer can be anyone with good credit. You can ask a relative or friend to co-sign for you. You need someone who trusts you will make your payments on time. The loan will be reported on the co-signers credit report and can negatively affect their credit if it should become delinquent. A co-signer will also have to provide their personal information. They will be required to complete an application, their credit report will be pulled and they will need to provide proof of their income. They will have to sign all the necessary loan documents with you.

Before revealing the next slide, ask participants why they might need a co-signer.

Why you may need a co-signer

- You have not applied for credit before. If your credit report comes up with N/A because you've never had anything reported can be considered as a risky loan by the financial institution, especially if there is no collateral.
- Your income is too low to qualify for the loan. In this case the co-signer is needed to show more income. In this case the co-signer would need to be a person that really trusts you, the borrower to repay the loan.
- You have seasonal or sporadic income. Most lending departments like to see a person with job stability. If you work winters at a mountain resort and in the summer wait tables or work here and there, the lending department will typically ask for a co-signer to insure that the loan will be paid.
- Limited credit history. A co-signer may be required even if you've had credit, for example a $500 credit card is the only thing that shows up on your credit report and you're asking for a $2000 unsecured loan.

- Excessive financial obligations. (DTI is too high) You may make good money but your mortgage payment is high, you've got student loans, credit card payments etc. You want to get a car loan but your DTI ratio may be over the amount that particular financial institution allows. In this case they'll ask for a co-signer, again to prove more income and make the ratios check out.

Explain to participants that if they are approved for a loan, they will probably have to open an account at the financial institution where they are getting the loan from. Additionally, they will have to meet with a loan officer to go over the details of the loan, such as the interest rate, term, and payments. Once agreed upon all the terms, you (and co-signer, if applicable) will have to sign all the documents.

Refer participants to ***Questions I should Ask*** *in their participant guide.*

Transition into next topic: Different types of loans

PART IV: DIFFERENT TYPES OF LOANS

There are many different types of loans that can be used for different purposes: Installment, revolving, credit cards, or small business loans. We will talk about each of them.

Make a note that a business loan can be an installment loan, a revolving line of credit, or a credit card; Instead of classifying it as a personal signature loan, personal credit card or personal line or credit it would be for business purposes.

An installment loan is a type of loan that is repaid in periodic installments (usually monthly payments) that include principal and interest. Installment loans have a fixed rate of interest and payments are equal at each installment. Let's look at an example to get an idea of how this works.

Give participants a moment to look at the example of a $1000 loan with 12% interest.

In this example 12% is the annual interest rate. To figure out the monthly payments you will take $1,000 (amount of the loan) and multiply it by 12% =$120. Then you will divide that number by 12 months = 10. That $10 will be your first month's interest, amount you pay in interest the first month. For the next month's interest you will calculate it based on remaining balance.

Payment is calculated on the amount borrowed, interest rate and term. As your balance decreases your interest does as well. To figure out the monthly payment is a little complicated and our computer system does that for us!

Ask the participants if anyone understandings how a line of credit works, and then explain what a revolving line of credit is.

Revolving Line of Credit is a type of credit account in which the lender issues a specific amount of credit that is available on demand by a borrower. It is revolving because the borrower only pays interest on the amount borrowed, and as the balance is paid down, the credit becomes available again.

A line of credit is a mixture of an Installment Loan and a Credit Card. There is no card involved, and depending on how it is set up you may have access limitations. You may have a line of credit for $5,000. You can use all $5,000 at once if you'd like or you can use it as you need it. The interest rate may vary over the life of the loan due to the market. Your monthly payments vary depending on the balance owed on the loan. For example the interest may be 2% of the balance or $25 minimum payment. So, on a $5,000 line of credit if your balance is $3,000 your minimum monthly payment is $100. Each payment you make includes interest and principle. Lastly the interest is calculated on one of the following: average daily balance or the adjusted balance.

Ask participants if they consider credit cards to be a loan. Invite participants who have credit cards to ask if they know how their credit card works.

Credit Cards are revolving lines of credit that needs to be repaid, just like a loan. You will always have access to your credit card as long as you do not abuse the service. You as a borrower would have to call and close the card or the lender may close the card if you don't make your payments. But, if you can use your credit card responsibly, it may be a good way to build your credit, make purchases convenient, and may help in an emergency situation.

However, you need to remember that if you do not pay off your balance every month, you might end up paying more for your purchases. Each payment includes interest and principle, and the interest is calculated on the unpaid balance.

Provide an example of a credit card with a $500 balance and 18% interest rate.

PART V: WHAT TO DO IF YOU'RE DENIED

Ask participants what you do if you can't make a payment one month?

If you are unable to make a loan payment, it is important to act immediately. Communication with the lending department at your financial institution is very important. Call and let them know if an unexpected circumstance has come up, you are sick or you have lost your job. Hopefully they will try and work with you to modify your loan if possible. Most financial institutions offer a short of a Skip a payment product. If you know you will be unable to make a payment the next month call your lender and work out a way to skip that month's payment. That payment will typically be added to the end of the loan.

If you are unable to make payments, your loan is considered delinquent. Delinquency is failure to repay an obligation when due or as agreed. In consumer installment loans, missing two successive payments will normally make the account delinquent. In credit card payments, a delay of 15 to 30 days is generally allowed before declaring delinquency.

Ask participants if they have any ideas why an application might be denied.

If you application happens to have been denied it was most likely for one of the following reasons.

- Credit problems- collections, recent bankruptcy, tax lien, judgments or recent late payments.
- Too much existing debt- You debt to income ratio is too high. You've got too much debt.
- Unstable employment- You're unable to prove consistent employment making the loan risky for the financial institution.
- Loan amount is too high- If you're looking for a $15,000 auto loan but only make $1,500 a month your debt to income ratios may be too high. Also in this same situation if you've never had credit a loan of this amount may be denied.
- Unfavorable conditions- This could be if you've had other issues at that particular financial institution such as; writing bad checks, too many over drafts or even maybe the way you've treated the staff. These all could be reasons as to why you're loan has been denied.

Invite participants who are wanting to know more about improving and fixing their credit that they can learn more in Module 4: Fixing and Rebuilding Credit. If participants have not completed that course yet, briefly go over how to obtain a free credit report, and why it is important.

A credit report is a record of how you have paid your debts. Your willingness to repay the Credit Union is observed by past performance on Express Credit Union loans and other credit obligations. Credit history provides an insight to your willingness to repay obligations; therefore, a credit report will help determine whether or not you are credit worthy.

Explain what can be done if there are errors on their credit report.

Under the FCRA, both the credit reporting company and the information provider—that is, the person, company, or organization that provides information about you to a credit reporting company—are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights under this law, contact the credit reporting company and the information provider.
Invite participants to look at the Correcting errors worksheet in their participant guide. Inform them that that can fill it out if there are errors on the report.

Reflection

*Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their **Reflection Journal** in the back of their workbook.*

Homework and Closing

*Suggest that participants can meet with their financial coach to set loan readiness goals. Explain the homework assignment and refer participants to **Am I ready to take out a Loan*** in their participant guide.

For your homework assignment, finish completing the worksheets in your participant guide, and work with your financial coach to set loan readiness goals.

Loan Readiness

Becoming Informed Before You Borrow

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Loan Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LOAN READINESS

Theme

The theme of this module is being prepared before you borrow.

Purpose and Goals

The goal of this session is that you will be able to apply for a loan with full knowledge and confidence. The purpose is to provide you with necessary information and tools to be able to make an informed decision about borrowing money.

Skills Developed

After this session, you will understand the process of applying for a loan and will have the ability to evaluate when you should or should not take a loan.

Session Overview

This session consists of several parts with a beak in between, and will last a total of 3 hours.

BEFORE APPLYING FOR A LOAN

Consider the following questions before thinking about applying for a loan:

- What is my motivation for taking out the loan?
- What is my current financial situation?
- Does my monthly budget have enough room in it for a set monthly payment?
- If an emergency were to arise would I be able to handle the monthly payments?
- What responsibilities will taking out a loan require?
- What documents do I need with me in order to apply?
- What do I need to prepare before applying for a loan?
- Do I think I will be approved or denied?

What else might you ask yourself before applying for a loan?

CALCULATE YOUR DEBT-TO-INCOME RATIO (DTI)

Your debt-to-income ratio indicates how much of your income goes toward debt payments. You can use your debt-to-income ratio to figure out whether you have too much debt and if you can afford a loan.

Monthly Debt

Vehicle Payment $ ________________

Rent / Mortgage ________________

Credit Cards ________________

Student Loans ________________

Personal Loans ________________

Credit Union Loans ________________

Other ________________

Total ________________ **(A)**

Total Monthly Income

Income from wages ________________

Social Security ________________

Bonuses or overtime ________________

Other income ________________

Total ________________ **(B)**

Debt to Income ratio = A/B ______________ **x 100=** ____%

How to measure your result:

- 36% or less: The healthiest debt load for the majority of people. Avoid incurring more debt.
- 37%-42%: Not bad, but you should start reducing your debt to get in a better financial position.
- 43%-49%: Likely financial trouble. Start exploring ways to prevent further financial burden.
- 50% or more: DANGER! Do not take on any more debts—place high importance on decreasing debt or increasing income.

CALCULATE YOUR DISPOSABLE INCOME

Disposable income is what is left over each month to cover the cost of flexible expenses, such as food, child care, gas, utilities, clothing, insurance, dining out, etc. This money is also referred to as discretionary income. Use this worksheet to calculate your disposable income.

1. Pull over you monthly debt payments from the DTI worksheet

   (A) Monthly debt payments: **$ ___________**

2. Figure your Gross Income (Refer to your pay-stub)

   Gross Income: **$ ___________**

3. Add all with withholding and deductions
   - Federal Income Tax $ ____________
   - State Income Tax ____________
   - FICA (Social Security & Medicare) ____________
   - Medical Insurance ____________
   - Life Insurance ____________
   - Dental Insurance ____________
   - 401k Plan ____________

   Total withholdings and deductions: **$ ____________**

4. Subtract total withholdings and deductions from gross income to calculate your net income

   (B) Net Income Total **$ _________________**

After you have obtained the net income total (Line B above), the next step is to subtract the Monthly Debt Payments (Line A) to obtain your disposable income (Line C below).

(C) Disposable Income (Line B – Line A) **$ ______________________**

Something to keep in mind:

The accepted guideline on disposable income is $600 for an individual and $850 for a family of two, with $200 for each additional family member. For example, a family of four should have a disposable income of $1250 a month. Again, the appropriate level of income may vary depending upon the individual family's circumstances. Is your disposable income adequate?

QUESTIONS TO ASK BEFORE BORROWING

The following are questions that you may want to ask once you are approved for a loan.

- What will my monthly payments be?
- What is my interest rate? Will it change over the life of the loan?
- Are there late fees? What are they? When do they get charged?
- If I want to pay off my loan early will I pay a penalty?
- Will you report this loan to the credit bureau? How often and to which bureaus?
- What if I can't make a payment one month, what should I do?
- Will my payment date change? Can I change it if I need to?
- What are the different ways in which I can make my monthly payments?
- Are there any hidden loan fees?
- Is there an incentive for paying my loan off on time?
- Are there ways to lower my interest rate or get a discount?

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?

AM I READY TO TAKE OUT A LOAN?

Now that you have completed the Loan Readiness Module, you are well-equipped to determine if you are ready to take out a loan. Use this worksheet to help you think about applying for a loan:

- Is my personal financial situation stable?
- Do I know what is on my credit report?
- Is my debt-to-income ratio within a feasible range to be approved for a loan?
- Is my net income adequate?
- Will I have enough disposable income to make monthly loan payments?

If you feel like you are not ready to take out a loan, consider thinking about the following questions:

- If I am not ready to take out a loan, what do I need to do so that I can be ready?
- What are my goals so that I can be ready to take a loan?

KEY TERMS AND DEFINITIONS

Amount Financed (Principal): the amount of money you borrow

Annual Percentage Rate (APR): the rate you pay to borrow the money

Co-signer: A person of the age of majority who agrees to pay the borrowers debt if the borrower is unable to

Debt to Income Ratio: A Ratio that compares dollars spent monthly on debt payments as it relates to total income

Disposable Income: What is left over each month to cover the cost of flexible expenses; also referred to as discretionary income

Finance Charge/Interest: The dollar amount you pay to use credit

Gross Income: Total income without any deductions taken out

Net Income: Total income minus deductions, such as taxes

Time/Term: The time period you have to pay the money back

Monthly Payment: The dollar amount due each month to repay the credit

Late Payment Fee: A fee that is charged when payment is made after the due date

Other Key Terms:

Managing Your Money

Money Matters

Instructor's Guide

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SESSION OVERVIEW

Theme

The theme of this module is planning and control of money

Purpose and Goals

The goal of this session is that participants will understand how to manage money by preparing a personal spending plan. The purpose of this session is to help participants identify ways to decrease spending and increase income.

Skills Developed

After this session, participants will have the ability to track their personal spending habits. The participants will also have the knowledge and confidence to effectively create a plan to achieve their financial goals.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	15
Pre-Session	Review of Tracking Daily Spending	20
Part I	Monitoring a Budget	60
Guest Speaker	Speaker from WA Society of CPAs	45
Part II	Using Technology to Manage a Budget	60
Resources	How to Prevent ID Theft, and using online resources	15
Closing	Reflection, homework, and evaluation	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Module 6: Intro to Managing Money where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

Many of the materials we use were adapted from other sources. For this session we are particularly indebted to the FDIC Money Smart curriculum.

This module is intended to have a CPA guest speaker. Be sure to organize this speaker well in advance, and to request a speaker, visit https://www.wscpa.org/Content/speaker.aspx.

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. A necessary step is to understand how to effectively manage your money.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since not everyone in the room knows each other, I would like us to get to know each other. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

Now that we are familiar with each other's names, please turn to the person next to you and share one example of connections you have utilized in your life this week. You will each have only 2 minutes to talk, so keep your stories short.

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Module 6: Managing Money.

This class session is focused on how to effectively manage money. It is broken up into two sections, and we will have a guest speaker coming. We will take a short break in between sections. We will first review how to track spending, then learn about monitoring a budget. In the front of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

Introduce conversation around why we spend money the way we do. Play into emotions and beliefs about money and feelings of control. Ask participants the following questions:

What's so important about money? What ideas do you have right now for why money is important for someone who is interested in starting a business (or wanting to improve their financial situation)?

Record answers on board.

PRE-SESSION: REVIEW OF TRACKING SPENDING

Have participants pull out their ***Monthly Spending Tracking Calendar*** *from Module 2: Maximizing Income. Also have them pull out their* ***Income and Expense Budget Worksheet*** *from the same module. Have extra worksheets for participants who did not complete Maximizing Income module, and refer participants to additional copies in their workbooks. Be prepared to give those participants more detailed instruction. Give participants time to review their budgets, and to answer the questions on the worksheet.*

Bring the class back together and facilitate discussion and feedback surrounding the tracking spending exercises.

How has tracking your spending been going? Have you been able to stick to your budget? Is it hard? Easy? Are you surprised by anything after your tracking?

Refer students to ***Key Terms for Managing Debt.***

You might hear some new terms during this session. You will see that some of them are defined in your participant guide, and you also have room to add your own key terms.

Transition into next topic: Monitoring a budget

PART I: MONITORING A BUDGET

In this section, you will learn about how to monitor your budget. After this section, you will be able to recognize income in versus money out, analyze your monthly cash flow, and be able to use your budget to identify ways to increase income or reduce expenses.

Once you have made a budget, you must periodically check it to compare the original plan that you made to your household's actual income and expenses. Remember that even though it is difficult to do, this is the most important part of budgeting.

Ask participants and facilitate discussion:

What does it meant to periodically check your budget? It is suggested to review your budget:

- At least every month.
- Every time you pay a bill
- When you review a statement
- When you encounter an unexpected expense

Ask participants to reflect on the questions about monitoring a budget in their workbooks.

Refer participants to ***Monitoring Progress: Case Study*** *in their workbooks. Have participants review the budget for Sarah and answer the questions with the people at their table. Give participants 15 minutes to complete this exercise, and then ask each table to report out to the group.*

Go over the answers to the questions on the handout:

1. Was Sarah's income more or less than she budgeted?

   Answer: Less

2. Were Marie's expenses more or less than she budgeted?

   Answer: More

3. In which categories did she spend the most over budget?

   Answer: Groceries, Clothing, Car Repair

4. Where did she save money?

   Answer: Gifts, Gas, Doctor/dentist bills, Personal expenses

5. What could she have done to save money in some of the categories?

   Suggested answer: Comparison shop, Budget for future expenses

6. What should she do next month?

   Solicit ideas from participants.

Ask participants if they have any questions or comments related to the case study.

Discuss the following questions, trying to create a dialogue among participants rather than a facilitator/participant exchange. Record responses on board

Ask participants the following questions:
What are some of the obstacles to keeping track of your budget that we can see in this case study?

What are some ways of to work with the challenges?

What are some things you can do if you find you still aren't able to make ends meet after developing and tracking a budget like this?

Offer some suggestions:

- Get more income through a part-time job.
- Review budget again to see if you can eliminate an entire category of expense—cable, cell phone plan.
- Get on a utility budget plan.
- Get additional resources—see if you qualify for public benefits *(refer to resources in maximizing income module, or if module is being taught alone, provide information about Bridge to Basics)*

GUEST SPEAKER: WA Society of CPAs
Introduce guest speaker to the class.

The guest speaker will present about the importance of tracking spending as a small business owner and different methods of budgeting. The speaker will also provide some advice and resources about best practices of accounting for a small business, and what WA Society of CPAs can do to help small business owners.

Transition into next topic: Using technology to help manage money

PART II: USING TECHNOLOGY TO HELP YOU MANAGE YOUR MONEY

Open discussion by asking for participants to share their own experiences of success or failure in using computer technology, such as online banking or spreadsheets, in managing their money. Encourage participants to follow along in their book and consider the questions at the bottom of ***Using Technology to help you manage your money.***

The purpose of this section is to provide an overview of the various software programs available to help you manage your household and/or business budgets.

During this section, you will learn about what various personal finance computer programs have to offer, and will be able to identify if you would be able to use any of them as a tool to manage your money.

Some people prefer to keep track of their budget using the simple pencil-and-paper method. Others may want to invest in a computer software program or an online service to help them to manage their budgets on their personal computers. This presentation will cover some of the considerations for using computer technology to help you to manage your money.

First, let's talk about why you might use special personal finance software and some of the common features of these products.

Have participants follow along with ***Advantages to Using Technology*** *in their workbooks.*

Personal finance software products generally allow you to:

1. Import data from your financial institutions—this is a time-saving tool since the computer program will automatically import data from your bank or other account into your records.

2. Pay bills from your home computer—many software programs offer their own online payment tool so that you can pay your bills online, helping you to avoid late payments and saving you time and money on stamps.

3. Maintain accurate account balances—since most programs have underlying spreadsheets, using these tools will eliminate any math errors that you might make using the pencil-and-paper system.

4. Easily reconcile your accounts—similar to the first point, using computer programs to reconcile your accounts will save you time and headaches because the spreadsheets will automatically fill in information making the correct calculations.

5. Create a budget—some software programs incorporate a "wizard," which is a function that walks you through the process of creating a budget within the program. Once the budget has been created for the first time, the software program will take your income, saving, and spending information for subsequent months and compare it to the budget that you created. This is an easy way to monitor your overall budget from month to month. It is also a way to examine individual categories to see if you are overspending.

6. Track what you owe in taxes—a feature of some personal finance software programs is a tracker to give you an estimate of how much you owe in taxes throughout the year and advice on changing your withholdings, etc.

7. Analyze your investments—for those of you who either have investments beyond your IDA or savings account, or for those of you who hope to open an investment account in the future, personal finance software programs have a feature to import information about your investment accounts and help you to analyze them.

8. Determine your net worth—Finally, since many software programs feature the ability for you to import account information on all of your sources of income, saving, investing, and spending, equations within the program will help you to determine your net worth, or how much money your household has when you subtract your liabilities from your assets.

How to Avoid Identity Theft and Use Online Resources

*Address any concerns that participants have regarding using online banking and identity theft. Handout **ID Theft Worksheet** and if time allows, go over worksheet with participants. Invite participation by having students read sections out loud to rest of class.*

*Refer students to **Online Resources** in their workbook. Go over online resources and explain different resources available, and ask participants if they want to add any to the list. Encourage participants to explore the different resources on their own time or with their coach.*

Reflection

*Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their **Reflection Journal** in the back of their workbook.*

Homework and Closing

*Suggest that participants can meet with their financial coach to set budget goals. Explain the homework assignment and hand it out copies of **Budget Spreadsheet**.*

For your homework assignment, use the **Budget Spreadsheet**, and work with your financial coach to complete the worksheet

Managing Your Money

Money Matters

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

MANAGING MONEY

Theme

The theme of this module is planning and control of money

Purpose and Goals

The goal of this session is that you will understand how to manage money by preparing a personal spending plan. The purpose of this session is to help you identify ways to decrease spending and increase income.

Skills Developed

After this session, you will have the ability to track their personal spending habits. You will also have the knowledge and confidence to effectively create a plan to achieve their financial goals.

Session Overview

This session consists of two parts with a beak in between, and will last a total of 3 hours.

KEY TERMS AND DEFINITIONS FOR MONEY AND DEBT MANAGEMENT

Budget: A budget is a plan for how an individual will use his/her income to reach his/her goals. It is also called a personal spending plan.

Budget Box System: The budget box is a small box with dividers for each day of the month that provides a system to help people track and pay their bills. When a person receives a bill, they check the due date and place the bill behind the divider that represents the bill's due date. As the individual receives income, he/she pays the bills that are due.

Daily Spending Diary: This is a tool in which individuals record and track their daily spending over a period of time – two weeks or one month – so that they can see how they specifically spend their money.

Direct Deposit: Direct deposit is a method that individuals can use to have employers or government agencies deposit paychecks or benefit checks directly into their bank accounts. The paycheck or benefit check is electronically transferred and directly deposited into an individual's account. The payroll or benefit check statement is mailed to an individual's home address — not the actual check. The money is immediately available. Some banks will not charge monthly fees if their clients use direct deposit.

Earned Income Tax Credit (EITC): The EITC is a refundable federal income tax credit for people who work but do not earn high incomes. It is called "refundable" because if an individual qualifies, the EITC reduces the amount of tax he/she owes, and it may give her/him a refund. Individuals may even be eligible for an advance EITC, which allows them to receive part of the credit in each paycheck during the year. The IRS adjusts income eligibility each year. Receiving an EITC does not affect eligibility for TANF, Medicaid, Supplemental Security Income (SSI), Food Stamps, housing assistance, or an AFI-funded IDA. IDA participants may deposit their EITC refund into their IDA and receive matching funds.

Expense Envelope System: This tool is useful for people who pay bills with cash each month. Make an envelope for each expense category, such as rent, gas, electricity, and food. Label the envelope with the name of the category, the amount, and the due date. When income is received, it is divided it into the amounts to cover the expenses listed on the envelope.

Fixed Expenses: Fixed expenses are those which do not change from month to month. Examples include rent or mortgage, and loan payments.

Flexible Expenses: Flexible expenses are expenses that can change from month to month. Individuals sometimes have control over the amount they pay. For example, if an individual could decide to lower his/her thermostat during the winter to save on heating costs — he/she may pay less than they did the month before because of this action.

Gross Income: Gross income is total income without deductions. Net income is gross income minus Social Security, taxes, and other deductions.

Income: Income is money that comes into a household from:

- Wages.
- Public assistance – which might include TANF or Food Stamps.
- Child support or alimony.
- Interest and dividends.
- Social Security.
- Other sources, such as tips.

Monthly Payment Calendar: This budgeting tool does the same thing as the Monthly Payment Schedule (see below); it just uses a calendar format.

Monthly Payment Schedule: The monthly payment schedule is a budgeting tool that helps people plan in advance when they will pay their bills and lets them record in advance when they will receive income to pay those bills.

Net Income: Net income is total or "gross" income minus Social Security, taxes, and other deductions.

Social Security: Social Security is a potentially valuable insurance plan. On some pay stubs, it is called FICA, which stands for Federal Insurance Contribution Act. Social Security benefits include retirement, disability, family, survivor, and Medicare benefits.

Social Security Statement: An individual who is 25 years old or older and not already receiving Social Security benefits will receive a Social Security statement just before his/her birthday every year. This statement is a record of the person's earnings and the Social Security taxes he/she has paid during his/her working years. It provides estimates of the monthly Social Security retirement, disability, and survivors' benefits that the individual and his/her family could be eligible to receive.

Other Key Terms:

MONITORING A BUDGET

What is a budget?

Budgeting is a way of managing money through responsible spending. When you create a budget, you calculate your estimates income and expense for a given period of time in the future. Budgets can be a useful tool to keep track and make a plan for your money. A budget can help you set goals for your future spending and saving.

In this section, you will learn about how to monitor your budget. After this section, you will be able to recognize income in versus money out, analyze your monthly cash flow, and be able to use your budget to identify ways to increase income or reduce expenses.

Once you have made a budget, you must periodically check it to compare the original plan that you made to your household's actual income and expenses. Remember that even though it is difficult to do, this is the most important part of budgeting.

What does it meant to periodically check your budget?

It is suggested to review your budget:

- At least every month
- Every time you pay a bill
- When you review a bank statement
- When you encounter an unexpected expense

How often did I review my budget in the past?

How often would I like to review my budget in the future?

What can I do to make sure that I review my budget every month?

MONITORING PROGRESS: CASE STUDY

Directions: Here is Sarah's budget and her actual income and expenses for one month. Review the information below. For each item, calculate the difference between Sarah's monthly target and her actual amount earned or spent. Then, answer the questions below with your group.

Income	Planned (Monthly Target)	Actual	Difference
Salary	1,080	1,167	
Self-employment	245	196	
Child support	155	155	
Total Income	**1,480**	**1,518**	
Expenses	**Planned (Monthly Target)**	**Actual**	
Savings/Investment			
Emergency Fund	50	50	
Goal 1: Holiday Gifts	25	0	
Debt Repayment			
Car payment	160	160	
Credit card payments	42	45	
Fixed Expenses			
Housing (rent)	460	460	
Life insurance premiums	15	15	
Renter's insurance	10	10	
Variable Expenses			
Electricity	70	67.50	
Telephone: Local	22.50	22.50	
Telephone: Long distance	15.00	31.85	
Groceries	180	207.65	
Snacks/meals eaten out	20	31.27	
Gas	30	25.32	
Car Repairs	0	21.99	
Car insurance premiums	133.33	133.33	
Childcare	0	0	
Doctor or dentist bills	20	10	
Clothing/uniforms	30	54.23	
Dry Cleaning	0	0	
Gifts	15	0	
Personal expenses (allowances, toiletries, etc.)	45	32.65	
Cable TV	29.99	29.99	
Total Expenses	**$ 1,372.82**	**$ 1,408.28**	

Questions:

1. Was Sarah's income more or less than she budgeted?

2. Were Sarah's expenses more or less than she budgeted?

3. In which categories did she spend the most over budget?

4. Where did she save money?

5. What could she have done to save money in some of the categories?

What advice do you have for Sarah to do differently or the same for next month's budget?

USING TECHNOLOGY TO HELP YOU MANAGE YOUR MONEY

The purpose of this section is to provide an overview of the various software programs available to help you manage your household and/or business budgets.

During this section, you will learn about what various personal finance computer programs have to offer, and will be able to identify if you would be able to use any of them as a tool to manage your money.

Some people prefer to keep track of their budget using the simple pencil-and-paper method. Others may want to invest in a computer software program or an online service to help them to manage their budgets on their personal computers. Would you consider computer technology to help you to manage your money?

What computer technology am I already familiar with?

What experiences have I had with using computer technology, like online banking, for managing money?

What are some benefits and what are some challenges with using computer technology?

ADVANTAGES TO USING ONLINE AND COMPUTER TECHNOLOGY

Personal finance software products generally allow you to:

9. Import data from your financial institutions—this is a time-saving tool since the computer program will automatically import data from your bank or other account into your records.

10. Pay bills from your home computer—many software programs offer their own online payment tool so that you can pay your bills online, helping you to avoid late payments and saving you time and money on stamps.

11. Maintain accurate account balances—since most programs have underlying spreadsheets, using these tools will eliminate any math errors that you might make using the pencil-and-paper system.

12. Easily reconcile your accounts—similar to the first point, using computer programs to reconcile your accounts will save you time and headaches because the spreadsheets will automatically fill in information making the correct calculations.

13. Create a budget—some software programs incorporate a "wizard," which is a function that walks you through the process of creating a budget within the program. Once the budget has been created for the first time, the software program will take your income, saving, and spending information for subsequent months and compare it to the budget that you created. This is an easy way to monitor your overall budget from month to month. It is also a way to examine individual categories to see if you are overspending.

14. Track what you owe in taxes—a feature of some personal finance software programs is a tracker to give you an estimate of how much you owe in taxes throughout the year and advice on changing your withholdings, etc.

15. Analyze your investments—for those of you who either have investments beyond your IDA or savings account, or for those of you who hope to open an investment account in the future, personal finance software programs have a feature to import information about your investment accounts and help you to analyze them.

16. Determine your net worth—Finally, since many software programs feature the ability for you to import account information on all of your sources of income, saving, investing, and spending, equations within the program will help you to determine your net worth, or how much money your household has when you subtract your liabilities from your assets.

HOW TO AVOID IDENTITY THEFT

Taken from the FDIC
www.fdic.gov

1. Protect your Social Security Number (SSN), credit card and debit card numbers, PINs (personal identification numbers), passwords, and other personal information.
   - Never provide this information in response to an unwanted phone call, fax, letter, or email, no matter how friendly or official the circumstances may appear.
   - In case your wallet gets lost or stolen, carry only the identification, checks, credit cards, or debit cards you really need. The rest, including your Social Security card, are best kept in a safe place. Also, be extra careful if you have housemates or if you let others into your house, because they may find personal information and use it without your knowledge.
   - Likewise, do not preprint your Social Security number, phone number, or driver's license number on your checks. It is too easy for someone who sees your check to copy this personal information and even sell it to an identity (ID) thief. Remember that you have the right to refuse requests for your SSN from merchants, because they may have other ways to identify you. If your Social Security number is on your driver's license, ask to use another number.

2. Protect your incoming and outgoing mail.
   - Chances are that your mail carrier will deliver a credit card or bank statement, an envelope containing a check, or other items that can be very valuable to a thief. Or perhaps you will mail a check or papers containing account numbers or other personal financial information.
   - *For incoming mail:* Try to use a locked mailbox or other secure location, such as a P.O. box. If your mailbox is not locked or in a secure location, try to promptly remove mail that has been delivered or move the mailbox to a safer place. When ordering new checks, ask about getting the boxes delivered to your bank branch instead of having them mailed to your home and running the risk of finding them sitting outside your front door.
   - *For outgoing mail containing a check or personal information:* Deposit it in a U.S. Postal Service blue collection box, hand it to a mail carrier, or take it to the post office instead of leaving it in your doorway or home mailbox. A mailbox that holds your outgoing bills is a prime target for thieves who cruise neighborhoods looking for account information. Even worse is putting up the flag on a mailbox to indicate that outgoing mail is sitting there.

3. Sign up for direct deposit.
   - Sign up for direct deposit of your paycheck or state or federal benefits, such as Social Security. Direct deposit prevents someone from stealing a check out of your mailbox and forging your signature to access your money.

4. Keep your financial trash "clean."
   - Thieves known as "dumpster divers" pick through garbage looking for pieces of paper containing Social Security numbers, bank account information, and other details they can use to commit fraud. Examples of valuable trash include insurance information containing your SSN, blank checks mailed by financial institutions with offers to "write yourself a loan," canceled checks, and bank statements.
   - Your best protection against dumpster divers? Before tossing out these items, destroy them, preferably using a crosscut shredder that turns paper into confetti that cannot be easily reconstructed.

5. Keep a close watch on your bank account statements and credit card bills.
   - Monitor these statements each month and contact your financial institution immediately if there is a discrepancy in your records, or if you notice something suspicious such as a missing payment or an unauthorized withdrawal. While federal and state laws may limit your losses if you are a victim of fraud or theft, your protections may be stronger if you report the problem quickly and in writing.
   - Contact your institution if a bank statement or credit card bill does not arrive on time. Such missing mail could be a sign someone has stolen your mail and/or account information and perhaps has changed your mailing address to run up big bills in your name from another location.

6. Avoid ID theft on the Internet.
   - "Hackers" and scam artists are finding ways to steal private information transmitted over the Internet or stored on computer systems. You can protect yourself while shopping, banking, emailing, or surfing the Web. For example, never provide bank account or other personal information in response to an unsolicited email or when visiting a Website that does not explain how your personal information will be protected.
   - “Phishing” scams that arrive by email typically ask you to "update" your account information. However, legitimate organizations would not ask you for these details because they already have the necessary information or can obtain it in other ways. Do not respond to these emails, and do not open any attachments unless you independently confirm the validity of the request by contacting the legitimate organization the way you usually would, *not* by using the email address, Website, or phone number provided in the email. If you believe the email is fraudulent, consider bringing it to the attention of the Federal Trade

Commission (FTC). If you do open and respond to a phony email, contact your financial institution immediately.

- Take precautions with your personal computer (PC). For example, install a free or low-cost "firewall" to stop intruders from gaining remote access to your PC.
- Download and frequently update security "patches" offered by your operating system and software vendors to correct weaknesses that a hacker might exploit.
- Use passwords that will be hard for hackers to guess. For example, use a mix of numbers, symbols, and letters instead of easily guessed words. Also, shut down your PC when you are not using it.
- To get more information about computer security and safeguarding personal information, visit the Federal Trade Commission's Website at www.ftc.gov/infosecurity. For more about avoiding phishing scams, or to obtain a brochure with tips on avoiding identity theft, visit www.fdic.gov.

7. Exercise your new rights under the Fair and Accurate Credit Transactions Act (FACTA) to review your credit record and report fraudulent activity.
    - Your credit report, which is prepared by a credit bureau, summarizes your history of paying debts and other bills. Credit reports are used by lenders, employers, and others who have a legal and legitimate need for the information.
    - For many years, you have had the right under federal law to obtain a free copy of your credit report in certain circumstances. Under long-standing practices in the credit reporting industry, you have been able to request that a "fraud alert" be placed in your credit file if you suspect that a criminal is attempting to open new accounts in your name. FACTA expands your rights in these areas.
    - FACTA allows you to get one free credit report each year from each of the three major credit bureaus that operate nationwide – Equifax, Experian, and TransUnion– with just a single phone call, letter, or electronic request. This is a change from previous law, because you can get a copy even if you do not suspect ID theft or any other problem with your credit report. (See more details at www.annualcreditreport.com, or call 877-322-8228.)
    - After you get your credit report, look for warning signs of actual or potential ID theft. These include mention of a credit card, loan, or lease you never signed up for and requests for a copy of your credit record from someone you do not recognize (which could be a sign that a con artist is snooping around for personal information).

8. Get more information.
    1. Contact the National Internet Fraud Watch Information Center at www.fraud.org or call 800-876-7060. Visit the Federal Trade Commission Website: www.ftc.gov/idtheft/, or call 877-IDTHEFT (438-4338).

What to do if you are a victim of identity theft

The FTC recommends the following actions if you believe you are a victim of identity theft. You can also call the FTC's Identity Theft Hotline at 877-IDTHEFT (438-4338) or visit http://www.ftc.gov/idtheft/.

Act Fast

- Take action immediately! Keep records of your conversations and all correspondence.
- File a report with your local police. Get a copy of the police report, so you have proof of the crime.
- Contact your creditors about any accounts that have been changed or opened fraudulently. Ask to speak with someone in the security or fraud department.

Fraud Alerts

- Contact the fraud department of any of the three major credit reporting agencies. The agency you call is required to notify the other two credit agencies. Tell them you are an identity theft victim.
- If you suspect you have been a victim of ID theft or think you are about to be (for example, if your wallet is stolen), you have the right to place an "initial" fraud alert in your credit file. You can do this by calling, writing, or visiting any of the three credit agencies online. This initial fraud alert will last for 90 days.
- If you know you are a victim of identity theft, you also may have an "extended" fraud alert placed in your credit file. The extended alert requires a lender to contact you and get an okay before authorizing any new account in your name. It is effective for 7 years. To place an extended alert in your credit file, you must submit your request in writing and include a copy of an ID theft report filed with a law enforcement agency (such as the police) or with the U.S. Postal Inspector.
- When you place a fraud alert on your file, you can get a free copy of your credit report if you ask.
- Active-duty military personnel have the right to place an alert in their credit files so that lenders acting on loan applications can guard against possible ID theft.

What else to consider

- Sign up for direct deposit. Having your paycheck and other payments transmitted directly into your account will give you better access to those funds by check or ATM because you will not have to deliver the deposit to the bank or rely on mail service, which could be delayed. **Note**: There could be delays in the processing of direct deposits in a disaster situation but the problem is usually fixed within a reasonable time frame.
- Arrange for automatic bill payments from your bank account. This service enables you to make scheduled payments, such as for your phone bill, insurance premiums and loan payments, and avoid late charges or service interruptions.

- Consider signing up for Internet banking services. This also makes it possible to conduct your banking business without writing checks.

ONLINE RESOURCES FOR MONEY MANAGEMENT

Explore the following resources on your own time to discover what different resources are available.

Financial Education:

- SmartAboutMoney.org
- MyMoney.gov
- FamilyMint.com

Budgeting:

- Mint.com
- HelloWallet.com
- Bundle.com

Saving and Investing:

- SmartyPig.com
- PiggyMojo.com
- Investopedia.com

Credit Education:

- www.CreditKarma.com
- www.AnnualCreditReport.com

Goal Setting and Accountability:

- Stickk.com
- MindTools.com

Online Calculators:

- Free debt reduction calculator for Excel

  http://www.vertex42.com/Calculators/debt-reduction-calculator.html

- CNN.com retirements needs calculator

  http://cgi.money.cnn.com/tools/retirementneed/retirementneed_plain.html

- College Cost Projector

  http://www.finaid.org/calculators/costprojector.phtml

- CNN.com home affordability calculator

  http://cgi.money.cnn.com/tools/houseafford/houseafford.html

Online/Interactive Resources

- www.debtslapped.org
- http://www.themint.org
- http://financialentertainment.org/
- http://www.channelone.com/generationmoney/
- www.monetta.com/game.htm
- http://www.modohisland.com/
- http://www.smartaboutmoney.org/
- www.learnvest.com
- http://www.occ.gov/topics/community-affairs/resource-directories/financial-literacy/index-financial-literacy.htm

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?

The Importance of Saving and Investing

Saving to Build Wealth

Instructor's Guide

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SESSION OVERVIEW

Theme

The themes of this module are savings and investments, building wealth, and setting financial goals

Purpose and Goals

The goal of this session is for participants to embrace their financial goals. The purpose of this session is to provide the participants with the tools and resources for saving money in order to achieve their personal financial goals.

Skills Developed

After this session, participants will have the knowledge and confidence to effectively think about how to save and invest to meet their personal financial goals.

Session Outline and Timeframe

The total presentation time is 3-4 hours, and should be adjusted to meet the level of participation and amount of time needed to complete activities. Below is a suggested timeframe for the module.

Section	Activity	Time
Introductions	Briefly introduce all, review agenda, and start Check-In activity	15
Part I	Building Your Wealth	20
Part II	Emergency Savings	20
Part III	Setting financial Goals	20
Part IV	Savings Accounts	15
Break	Allow participants a short break in between sessions	10
Part V	Pay Yourself First	15
Part VI	Investments, with guest speaker	30
Part VII	Asset Protection, with guest speaker	30
Closing	Summary, homework, and reflection	15

Materials

The materials needed for this session are a white board and pens (or a flip chart) and a computer with overhead projector if the instructor wants to use the supplemental PowerPoint presentation.

Handouts and Participant Guide

Each participant should receive a Participant Guide for Module 7: Importance of Savings and Investing where the participant can follow along to complete activities and have materials for his or her reference. There are also several handouts included in this module that are provided separately.

Note to Instructor

Before starting the module, it is important for the instructor to consider the following questions:

1. Is the content of the course appropriate for the participants' needs?
2. Who is present for this module?
3. What is the best way of teaching this course?
4. How can I present this material from an asset based perspective, which shows the participant as their own catalyst for change?

Since this is a course intended for adult learners with different backgrounds, everyone will come with varying levels of experience and mindsets. The instructor can look at the registration profile of the participants and use the baseline assessment to evaluate the participants' understanding in order to adapt material to ensure an appropriate emphasis.

This module is intended to have a guest speaker from the Financial Planners Association (FPA). Be sure to organize this speaker well in advance, and to request a speaker, visit http://www.fpanet.org/AboutFPA/BecomeaPartner/FinancialPlanningintheWorkplace/SpeakerRequestForm/.

Our contact with Financial Planners Association is Kathy Garrison Kathryn.Garrison@mossadams.com

This module is also intended to have a guest speaker from Sav-On insurance. Be sure to organize this speaker well in advance, and to request a speaker, visit http://sav-on.clickforward.com/pages/contactus.htm#?adid-2E343B92-B097-442c-BFA5-BE371E0325A2=1460945&kw-2E343B92-B097-442c-BFA5-BE371E0325A2=sav-on+insurance+seattle

Our contact with Sav-On is Philip Devitte phil@sav-on.com and Stephanie Keating steph@sav-on.com

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

LESSON PLAN

Welcome

Have participants sign in on attendance sheet and complete the pre-test as they enter.

Welcome to Express Advantage's Asset Building Track. By participating in this training, you are making an important commitment to building a better financial future. The first step is to understand the basics of banking and money.

Introduction

Introduce yourself and explain your background and experience

Student Introductions

Since not everyone knows each other, I would like us to get to know one other a little better. We will go around the room and everyone will say their name and one thing that they are hoping to learn from this course.

Record students' answers on the whiteboard/flipchart

Check-In

We will always check in at the beginning of our sessions. This is a way of bringing ourselves to the room and helping ourselves become present to the topic, but is also a chance for us to build connections with others in the room. Building networks like this helps us be creative, successful, and gives us a place of support.

Now that we are familiar with each other's names, please turn to the person next to you and share if there was ever a time that you wanted to buy something but couldn't afford it. You will each have only 2 minutes to talk, so keep your stories short.

Session overview

Go over the schedule for the class session, explain the agenda, and address any initial questions or concern. Make sure that all participants received a copy of the participant guide to Track 7: Importance of Saving and Investing.

This class session is focused on increasing your savings, investments, and overall wealth. It is broken up into numerous sections, with a short break in between. We will also have a few guest speakers join us near the end of the session to give their expert advice to us. Our first section is about building your wealth. On page one of your participant guide, you will see the schedule for the day. In this guide, you can follow along with today's session and make notes as we go. This participant guide is also where you will be completing your assignments, so make sure you keep it in a safe place!

Transition into first topic: Building wealth by posing the following question to participants. Record answers on the board, and refer back to it at the end of the course.

What is wealth? How would you define wealth?

PART I: BUILDING YOUR WEALTH

*Before getting started, have students fill out the **Setting Financial Goals** worksheet in the beginning of their workbook. Inform participants that this is only for their own reference, and will not have to share with others if they do not feel comfortable doing so. After a few minutes, then begin the session on building wealth.*

When you are climbing up a mountain, you have to work hard to climb up to the top. It is a journey that requires putting one foot in front of the other, one step at a time. You can't be on the top of the mountain until you put the effort in to make it there. Saving to build wealth is a similar story; it is not something that can happen overnight. You have to set realistic goals and work hard to accomplish each small step before moving on to the next step.

It can be hard to save money. Every day we are bombarded with ads and sales pitches that tempt us to spend our money. In order to save money, you have to separate your needs from your wants. However, many people live on a limited income, and find it hard to have anything to save at the end of the month. It can feel like a trap, with no way out and no realistic way to start saving for the future.

*Invite participants to follow along in the workbooks with **Building your Wealth** worksheet. Ask participants the following questions and invite them to share:*

Why do you think a lot of people find it difficult to save money? Why is it difficult for you to save?

Gather responses from participants and record answers on flip chart. Then offer the following questions for discussion.
What is the difference between a need and a want?

- Needs are required every day to live. Examples include a place to live, food and water, heating, s way to work, clothes, etc.
- Wants are things that you like to have, but can live without. An example would be TV or

How do credit and debt keep people from saving? What does it mean to buy something on credit, or to be in debt?

- Easy access to credit (like payday loans/ cash) can tempt many people into charging items or buying things they can't afford
- Credit card balances can get out of control and require large amounts of your monthly income

What is the difference between good debt and bad debt? Who can think of an example of good debt?

- Not all debt is bad. Strategic borrowing can help you achieve financial goals and assets, such as owning a car or house, or going to college.

When we work hard, often times we view material things like new clothes or fancy gadgets as a way to reward ourselves. But using credit to buy things we *want* rather than *need* is considered to be bad debt. Instead, we can save money, and wait to buy those things we want when we have the money to back it.

Encourage students who are interested in in debt and credit that they can learn more in Module Three: Reducing Your Debt and Module Four: Fixing and Rebuilding Your Credit

It is important to remember when you are trying to build your wealth to be creative and stick to your plan. Think about ways to increase income, decrease spending, and access untapped resources and connections.

Encourage students that they can learn more about these topics in Module Two: Maximizing Income

PART II: EMERGENCY SAVINGS

Building your wealth does not happen overnight. A good first goal is to save specifically for emergencies.

The important thing is to get started, no matter how small of an amount you can save. It will take time to build up to three or more months' salary; however any amount in your emergency savings can be helpful if in fact you do encounter an emergency.

Ask participants the following questions and gather responses on the board:

Can you think of a way to make saving more automatic?

- An example would be to schedule automatic deposits into savings account on payday

What does it means if money is 'liquid'?

- Money that is easily available.
- Money that is cash or in a checking account is liquid because you have access to it immediately.
- Money in a savings account is less liquid, while money invested in stocks or CDs is not liquid.

Think about it: Is most of your money liquid? Do you think it would be possible to make your money less liquid? How would you do it?

*Refer participants to the **Emergency Funds Worksheet** in their workbooks and invite participants to fill it out. This worksheet will assist participants in realizing what amount they should consider having saved for emergencies.*

Transition into next topic: Setting Personal Financial Goals

PART III: SETTING PERSONAL FINANCIAL GOALS

Financial goals are personal benchmarks that you set for yourself throughout life. They often fall into either short-term or long-term goals. Discovering and setting goals can help you save for them.

Invite participants to participate in a discussion, and pose the following questions:

- What is the difference between short-term and long term goals?
- What are your financial goals?
- What are some ways that you can start working towards your goals?

*Introduce the activity **Dream Your Goals** found in students workbook. If time allows, have participants fill out the work—complete at home with spouse/children/family/alone*

Short-term goals are ones that you would like to achieve in one or two years, while long term goals take a longer time to reach (more than three years). Take five minutes to dream up some short term and long term savings goals.

If participants need some ideas to get them started, ask them to think about how much it would cost to pay for a wedding, college, new/used car? Then ask them, what is a realistic timeline to achieve these goals?

After giving participants a few minutes, invite participants that are willing to share some of their dream goals. Explain that they can complete this for homework, and encourage participants to share their long term savings goals with their financial coach.

Transition into next topic: Savings Accounts

PART IV: SAVINGS ACCOUNTS

Savings accounts are accounts at financial institutions designed to keep your money safe and help it grow. Savings accounts at banks and credit unions are insured by the federal government. The financial institution pays you interest on the money you have in a savings account. You can make deposits into your account and withdraw money when you need it.

Ask participants the following question:

What does it mean to have a financial institution "pay you interest"?

Interest is the cost of using money. Your financial institution pays you when you leave your money on deposit, or in an account. If you borrow money (as a loan or credit card) you pay interest to the lender. Interest is usually expressed as an annual percentage yield (APY) or annual percentage rate (APR), which simply is the amount your money would earn if left on deposit for one year.

If possible, invite a guest speaker from Express CU to talk about savings accounts

What are the advantages of having a savings account at a credit union?

- Credit unions, like banks, offer savings accounts and other financial services, but credit unions pay dividends on accounts rather than interest, and often offer higher rates of return than banks.
- You can open more than one savings account for different things, such as emergencies or vacation
- You can open savings accounts for your children

What are IDA programs?

- Individual development accounts (IDAs) are special accounts that match double your savings accounts (you save $2000, they match $4000, you get $6000!)
- Some organizations in WA have IDA programs for qualified individuals. The YMCA has an IDA program for youth, WA CASH has an IDA program for entrepreneurs, and the Diocese of Olympia also has an IDA program.

Invite participants to engage in a discussion by presenting the following questions:

- What are the advantages of using a financial institution for savings accounts?
- Do you think that every bank pays the same rate of interest? Or that every CU pays the same dividend?

Transition into next topic by posing a question:
What do you think it means to pay yourself first?

PART V: PAYING YOURSELF FIRST

<u>Strategies to increase your savings</u>

The secret to increasing your savings — whether it's earmarked for your emergency fund or another savings account — is to "pay yourself first." Put the money into a designated safe savings account before you pay anything else. Rather than trying to save the money that remains at the end of the month, put it away first—before it gets eaten up by other expenses or you're tempted to spend it.

Remind participants who have completed other modules that when they are budgeting and creating their income and expense statements, that savings should be considered an expense

Right now, it doesn't matter how much you are able to save every month. The important thing is making the commitment so that monthly saving can become a habit. This single act will help you toward a healthier financial future.

Regularly save as much as you can, and strive for at least 10 percent of your income. Write it down as part of your new normal financial goals along with what you learned from this crisis to help you change your financial behavior. Encourage other members of your family to participate in new financial behaviors. This will go a long way in building an emergency fund, paying off credit card debt, and establishing a solid financial foundation.

Invite participants to engage in discussion about what their initial reactions are to "paying yourself first." Ask participants if they feel it is realistic. What happens when you don't have anything extra to save? What can you do? Be sure to be sensitive to participants' reactions; while it may be obvious that saving money is a good thing, many people are in a situation where they do not have anything extra to save. Try to acknowledge this dilemma, and ask participants what ideas they have about this issue.

Tips for paying yourself first:

- Include "savings" as part of your spending plan, and include it in your expenses. Make it a priority above spending for anything else non-essential.
- If possible, have your employer automatically deduct money from your paycheck and deposit it into a savings account. If you don't see it, you won't miss it. Even if the amount is small (say $10, $15, or $20 a week), you'll be amazed at how fast your money grows in your savings account.
- Have your financial institution automatically deduct a set amount from your checking account each month and deposit it into your savings account. You usually can set the date of the automatic transfer for the day (or a few days after) your paycheck is deposited into your primary account.
- When paying off one bill, use all or part of the money into additional savings or combination of additional debt payment and savings.
- Put any tax refund, raise, or bonus you receive into savings rather than spending it.

- When you look for a job, give preference to employers who offer good benefits, such as health insurance, life insurance, retirement savings plans, and transportation savings accounts. The less you have to pay for these amenities, the more money you have to save for your rainy-day fund.

Invite participants to engage in a small group discussion by posing the following question:

What are five ways you can think of to start saving money?

After a few minutes, pull groups back together and see if anyone wants to share what they came up with. Then offer a few examples.

Examples of Five Easy Ways to Save Money

- Save your pay raises; do not spend them.
- Save your income tax refunds; do not spend them.
- Save your change in a jar, and deposit it into your savings account.
- Reduce food expenses by avoiding specialty drinks and super-sizing.
- Wait at least one week before making an impulse purchase.

Transition into next topic by asking participants to think about why investing might be a good idea.

PART VI: INVESTMENTS

Why should we invest?

If available, invite a guest speaker from the Financial Planners Association to come and share about the importance and options for investing. In the past, we have worked with the Kathy Garrison. For contact information, see the note to instructor on page 4.

Offer some explanation about why we should invest.

Investing can also be a way for you to pay yourself first. Investing is the process of putting money some place with the intention of making a financial gain. When most people think about investing, they think about buying mutual funds, stocks, or real estate.

Investing your savings can be a good financial decision. However, most financial advisors would recommend you first save money for an emergency fund, then start saving for investing. While investments tend to have a higher financial gain, there is also more risk involved. Investing involves more risk than savings. Risk is the chance of losing some or all of the money you invested. When an investment makes money, you have earned a return on your investment. Risk also involves failing to make the best choice about saving and investing your money. For example, putting all of your money in a savings account at a low interest rate means you risk earning a higher rate of return through investing it.

Investing is a good way to make money, but it is usually recommended that before you invest, you are financially stable. If you want to invest but can't afford to risk the loss, it is probably better to put the money in a savings account or a short-term certificate of deposit (CD).

Invite participants to discuss in small groups the following question to learn from one another:

What is the difference between saving and investing?

Bring the group back together, and gather responses from participants. Records answers on board, and then invite participants to think further by posing the following question:

- So what—why does investing matter anyways?

If presenting curriculum to entrepreneurs, emphasize the importance of investing for small business. Ask entrepreneurs to think about what they can do to start savings and investing in for their small business?

*Invite participants to complete the **Mind Map Exercise**, and encourage them to work with coach to brainstorm ideas.*

Transition into next topic: Asset protection

PART VII: **ASSET PROTECTION**

Introduce the idea of asset protection by inviting participants to think about the following questions:

- What are my assets?
- After you collect assets, what can I do to protect them?
- What are the possible losses?
- What steps can I take to insure my assets?

If available, invite a guest speaker from Sav-On Insurance to come and share about the importance and options for asset protection and insurance. In the past, we have worked with the Stephanie Keating. For contact information, see the note to instructor on page 4.

Offer an explanation about assets and insurance.

Insurance is defined as protection against catastrophic financial loss (in return for premium payments).

<u>Protecting your assets with insurance:</u>

You can find an insurance policy to cover almost anything imaginable but only a handful of policies are actually ones that you need to have. You work hard throughout your life to build wealth and live a happy and comfortable life, so some types of insurance can protect your possessions, income and even provide for a loved one when you are gone.

Vehicle:

- Automobile insurance

Home:

- Property
- Homeowner's insurance
- Renter's insurance

Personal:

- Health/ medical insurance
- Short/long term disability insurance
- Long term care insurance
- Life insurance

If presenting to entrepreneurs, ask participants to think about what insurance you might need for owning a business?

<u>Reflection</u>

Go around and have everyone say one important take-away, and one thing they are going to do differently. Encourage participants to write a response in their ***Reflection Journal*** *in the back of their workbook.*

<u>Homework and Closing</u>

Answer any lingering questions, and then explain the homework assignment.

For your homework, complete the **Asset Protection Plan** to identify your net worth and current asset and to identify a plan to protect your assets. Consider going over your financial goals and asset protection plan with your financial coach

Hand out ***Additional Resources*** *for participants to add to their work book.*

Importance of Saving & Investing

Saving to Build Wealth

Participant Guide

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ASSET BUILDING MODULES

Introduction

The Asset Building track has 7 sessions in which financial literacy is taught. You will learn about a variety of topics ranging from basic banking to saving and investing. Throughout the modules, you will learn how to use a financial institution, how to make a budget, understand debt and your credit score, learn how to set financial goals, and will gain access to tools that will help you increase your assets in order to build wealth. This course will be taught in the classroom, and you will be able to do homework and additional learning outside of class with a coach.

At the end of this training, you will:

- Be able to understand and use a financial institution for your benefit
- Learn how to access benefits and resources, and how to make appropriate connections
- Enhance your entrepreneurial mindset through setting goals and understanding how to manage your personal finances
- Demonstrate basic financial skills and knowledge to take entrepreneurial initiatives
- Have access to tools and resources that will enhance your eligibility to take out credit as a small business owner

Course Outline

Module One: Introduction to Banking and Money Basics

Module Two: Maximizing your Income

Module Three: Managing your Debt

Module Four: Fixing and Rebuilding your Credit

Module Five: Credit Readiness

Module Six: Managing your Money

Module Seven: The Importance of Saving and Investing

Please contact Rachel Warren Rachel.warren@ExpressCU.org with any question about the curriculum.

IMPORTANCE OF SAVING & INVESTING

Theme

The themes of this module are savings and investments, building wealth, and setting financial goals

Purpose and Goals

The goal of this session is to embrace and realize your financial goals. The purpose of this session is to become equipped with the tools and resources for saving money in order to achieve your personal financial goals.

Skills Developed

After this session, you will have the knowledge and added confidence to think about how to save and invest to meet your personal financial goals.

Session Overview

This session consists of several parts with a break in between, and will last a total of 3 hours.

SETTING YOUR FINANCIAL GOALS

Answer the following questions to help you get started on setting your financial goals.

1. The first goal is to establish a cash reserve of three times your monthly take-home pay. Based off of the emergency fund worksheet, how much will you need?
   - ❑ $1,000 or less
   - ❑ $1,001 to $2,500
   - ❑ $2,501 to $4,000
   - ❑ $4,001 to $5,500
   - ❑ $5,501 to $7,000
   - ❑ Over $7,000

2. How many months will it take to accomplish this goal?
   - ❑ I have accomplished this goal already
   - ❑ 3 months or less
   - ❑ 4-6 months
   - ❑ 7-9 months
   - ❑ 10 months to one year
   - ❑ Over one year

3. Name a second short term goal:

   ____

4. How much will this second short term goal cost?
   - ❑ $1,000 or less
   - ❑ $1,001 to $2,500
   - ❑ $2,501 to $4,000
   - ❑ $4,001 to $5,500
   - ❑ $5,501 to $7,000
   - ❑ Over $7,000

5. How many months will it take to complete this second short term goal?
   - ❑ I have accomplished this goal already
   - ❑ 3 months or less
   - ❑ 4-6 months
   - ❑ 7-9 months

- ❑ 10 months to one year
- ❑ Over one year

6. Let's look at long term goals.   Name one long term goal:
   ____

7. How much will it cost?
   - ❑ $1,000 or less
   - ❑ $1,001 to $2,500
   - ❑ $2,501 to $4,000
   - ❑ $4,001 to $5,500
   - ❑ $5,501 to $7,000
   - ❑ $7,000 to $10,000
   - ❑ Over $10,000

8. How many months will this long term goal take to accomplish?
   - ❑ I have accomplished this goal already
   - ❑ 3 months or less
   - ❑ 4-6 months
   - ❑ 7-9 months
   - ❑ 10 months to one year
   - ❑ Over one year

BUILDING YOUR WEALTH

When you are climbing up a mountain, you have to work hard to climb up to the top. It is a journey that requires putting one foot in front of the other, one step at a time. You can't be on the top of the mountain until you put the effort in to make it there. Saving to build wealth is a similar story; it is not something that can happen overnight. You have to set realistic goals and work hard to accomplish each small step before moving on to the next step.

List three reasons why people find it difficult to save money

1.

2.

3.

List three reasons why in the past it has been difficult for you to save money

1.

2.

3.

List three things that would help you be in a place where you could save money more easily

1.

2.

3.

What other ideas do I have about building wealth?

EMERGENCY FUND WORKSHEET

Emergency funds should equal at least 3 months' pay. How Much I Will Need to Keep in My Emergency Fund? Use the following chart to calculate how much money you should save in your emergency savings fund.

Grocery bills for 1 month	$________	x 3 months =	$__________
Gas/oil, electric, and water for 1 month	$________	x 3 months =	$__________
Mortgage or rent for 1 month	$________	x 3 months =	$__________
Car payment or bus fare for 1 month	$________	x 3 months =	$__________
Other debt payments for 1 month	$________	x 3 months =	$__________

Total amount I will need to keep in my emergency fund $__________

Realistically, how long do I think it will it take me to have enough money in my emergency funds savings?

What ideas do I have about how to reach that goal?

DREAM YOUR GOALS

Financial goals are personal milestones that you set for yourself throughout life. They often fall into short-term and long-term categories. Short-term goals are ones you would like to achieve in one or two years. Long-term goals may take more time to reach. Take five minutes to dream up some short and long-term goals that you can share with other participants. Can you put an estimated price tag on these goals?

Short-Term Goals- One or Two Years	**Price Tag**
1.	**$**
2.	**$**
3.	**$**
4.	**$**
5.	**$**
6.	**$**

Long-Term Goals-Three or More Years	**Price Tag**
1.	**$**
2.	**$**
3.	**$**
4.	**$**
5.	**$**
6.	**$**

SAVINGS ACCOUNTS

Savings accounts are accounts at financial institutions designed to keep your money safe and help it grow.

List some of the advantages of using a financial institution for savings accounts?

Tips for paying yourself first:

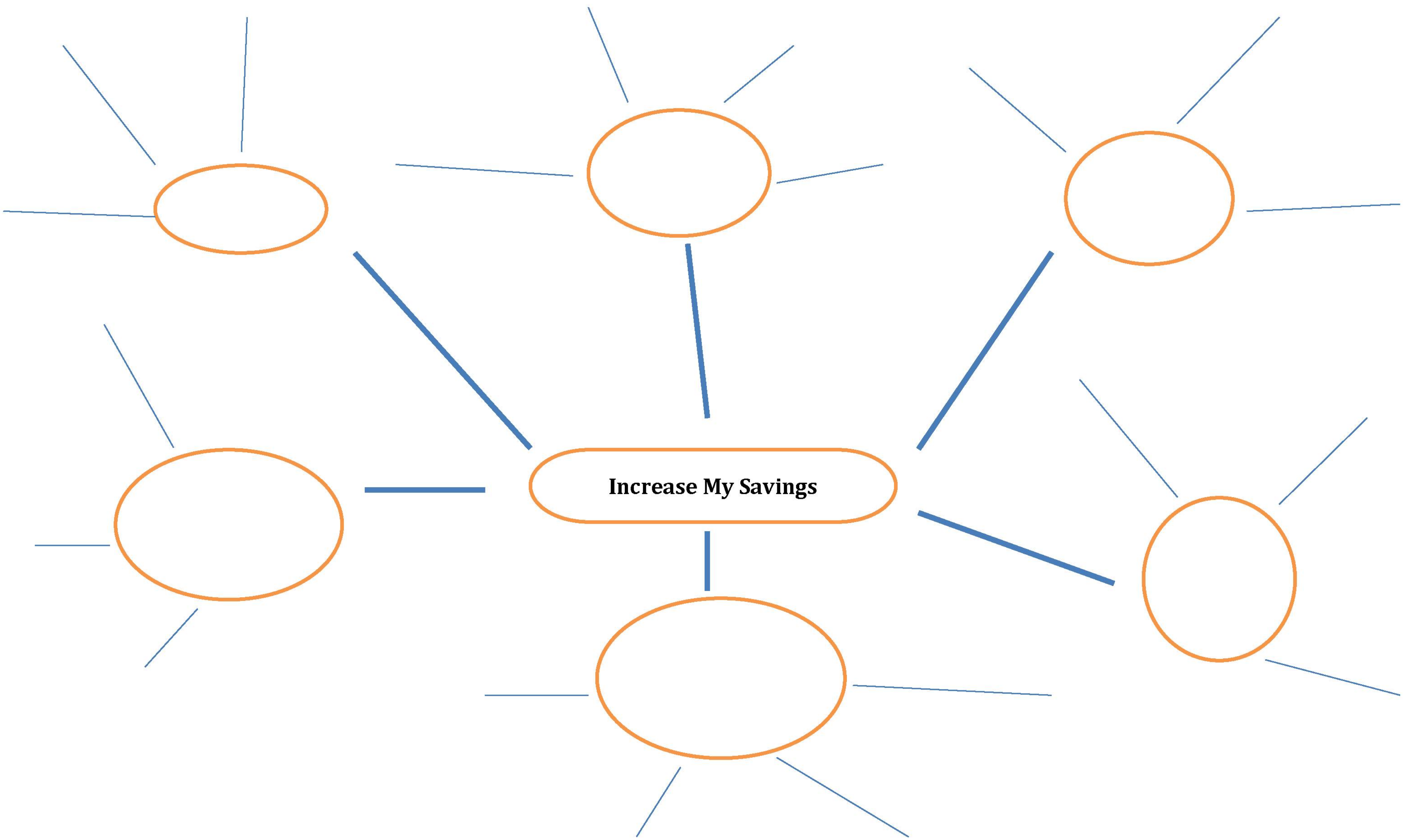
- Include "savings" as part of your spending plan, and include it in your expenses. Make it a priority above spending for anything else non-essential.
- If possible, have your employer automatically deduct money from your paycheck and deposit it into a savings account. If you don't see it, you won't miss it. Even if the amount is small (say $10, $15, or $20 a week), you'll be amazed at how fast your money grows in your savings account.
- Have your financial institution automatically deduct a set amount from your checking account each month and deposit it into your savings account. You usually can set the date of the automatic transfer for the day (or a few days after) your paycheck is deposited into your primary account.
- When paying off one bill, use all or part of the money into additional savings or combination of additional debt payment and savings.
- Put any tax refund, raise, or bonus you receive into savings rather than spending it.
- When you look for a job, give preference to employers who offer good benefits, such as health insurance, life insurance, retirement savings plans, and transportation savings accounts. The less you have to pay for these amenities, the more money you have to save for your rainy-day fund.

What are some ways that you can think of to start saving money and paying yourself first?

INCLUSIVE FINANCIAL SERVICES FOR PEOPLE LIVING IN POVERTY

MIND MAPPING

A mind map is a visual way to brainstorm ideas centered around one common theme. Take a few minutes to think about several ways that you can start saving. Try to just use one key word or a short phrase per line or circle.



ASSET PROTECTION PLAN

Your net worth is the total of your assets—property and possessions that you own—minus the total of your liabilities, or money that you owe.

Here is a simple example: John and Kim live in a house that is currently worth $200,000. They have a car with a current market value of $15,000; a savings account with $20,000 in it, and retirement accounts worth $80,000. Added up, their assets are worth $315,000. They have a mortgage on their house of $100,000 and the balance on their car loan is $5,000, making their liabilities $105,000. If you subtract $105,000 (liabilities) from $315,000 (assets), you find that John and Mary's net worth is $210,000.

Use this form to calculate your own net worth.

Assets

Cash ____________________

Savings account ____________________

Stocks, bonds, other investments ____________________

401 (k) or IRA retirement plan ____________________

Market value of home ____________________

Market value of car ____________________

Other assets ____________________

Total assets ____________________

Liabilities

Home mortgage ____________________

Car loan balance ____________________

Credit card balances ____________________

Student loan ____________________

Child support ____________________

Miscellaneous liabilities ____________________

Total liabilities ____________________

Net worth ____________________

Total Assets ____________________

Subtract Total Liabilities ____________________

Your Net Worth

____

Now that you have figured out your assets and net worth, make a plan for protecting them. You've worked hard to build wealth and put your finances in order, so don't leave your financial security to chance. Saving, investing, and planning for the future won't mean much if it's all taken away due to an unforeseen emergency. Make sure you have protection where it's needed while not paying more than you have to. Consider the following questions to think about how to protect your assets.

What can I do to protect my assets?

What insurance do I already have? Should I consider other forms of insurance? If so, what will it cost?

What happens to your money when you die? Do you have any plans to leave assets to your heirs or to a charity?

What am I going to do in the case of an emergency, accident, or an unforeseen expense?

REFLECTION JOURNAL

You can use this space to reflect on the session. Use additional space if needed.

What was one important take-away?

What am I going to do differently?

What questions do I still have?

What other reflections, insights, ideas, or goals do I have?