

The Path to Financial Freedom



Overview of Workshop

- Budgeting with an irregular pay schedule
- Tips on Insurance, Saving for Emergencies and Retirement
- Credit, Credit Reports/Scores
- Credit Card Repayment Options
- Student Loan overview

GreenPath Debt Solutions

- ❖ **Established in 1961**, GreenPath Debt Solutions is a nonprofit organization that provides counseling and debt management programs to people experiencing financial difficulties.
- ❖ **Certified** counselors provide confidential assistance over the phone or in person. New York offices are located in Downtown Manhattan, Midtown Manhattan, Queens (Kew Gardens), Bronx, Brooklyn and Long Island (Jericho and Hauppauge)
- ❖ Member of the National Foundation for Credit Counseling and the Better Business Bureau; accredited by the Council on Accreditation for Children and Family Services.



GreenPath Debt Solutions

- ❖ Programs include Debt Management Plans, housing counseling (delinquency, pre-purchase and reverse mortgage), budget counseling, bankruptcy counseling and financial/credit education.
- ❖ Debt Management Programs: more on this later
- ❖ Credit reports: can purchase a copy of a report to take home immediately if unable to obtain report online. (Price ranges from \$11 to \$45.)
- ❖ 30 minute one-on-one session with a counselor can be scheduled to review your credit report, learn more about dispute process and discuss ways to improve credit rating. Cost = \$30.



Budgeting Basics



Budgeting Basics

What is a budget?

- ❖ a plan or schedule for adjusting expenses during a certain period in relation to the estimated income for that period

Why budget?

- ❖ Knowing your monthly income and expenses will help you take control of your finances!
- ❖ Taking control will help reduce anxiety and stress
- ❖ Budgeting can help you to decrease your spending and increase your disposable income
- ❖ Budgeting can help you save for your goals

7 Budgeting Steps

- ❖ Discuss \$\$\$ Values
- ❖ Set goals
- ❖ **Determine Income******
- ❖ Determine Expenses
- ❖ Create a Plan/Budget
- ❖ Keep track of your expenses
- ❖ Evaluate your plan

Determining Income

- 4 checks for \$3667 (tax free, except for foreign students) = **\$14,668 take home**
- 6 biweekly checks for \$1035.17 (Pretax = \$6211.02) = **\$4000 - \$5000 take home**
- 9 checks for \$814.67 before tax (\$700 - \$800 after taxes September – May) = **\$6300 - \$7200 take home**
- Sometime during the fall, compensation for STAT = **\$250**

Determining Income

- Total yearly net pay = ~~\$25,000 - \$27,000~~
- Put all money received into a savings account
- Once a month*, move \$2000 - \$2300 into checking
- Create a budget where you spend no more than this amount per month

** Alternatively, you could move money biweekly weekly into checking*

Budgeting Tips

📄 Utilities

📄 Level billing

📄 Only use heat/AC if in that room

📄 Telephone

📄 reduce/eliminate accessories

📄 purchase calling cards

📄 Brown bag lunches

📄 Shop with Coupons

❖ Use a Grocery list

❖ Give baked goods as gifts

❖ Needs vs. Wants

❖ Limit entertainment

❖ Consider Savings a bill

❖ Reduce cable

❖ Limit clothes shopping

Budgeting Tips

- ❖ Use an envelope system for any expenses that vary. For example, one envelope for entertainment, one for groceries, one for clothing, one for gifts, etc
- ❖ For sporadic expenses, (such as holiday spending, travel or a major purchase you're saving up for) use online savings accounts. These can work like virtual envelopes.

Insurance

Life Insurance

- ❖ When do you need it?
- ❖ Term vs. Whole Life

Renter's insurance: need to know deductible and what events are covered; determine what you would spend in the event of theft, fire, etc.

Auto insurance: deductible; collision

Emergency Fund

- ❖ Good rule of thumb is to have at least 6 months of expenses set aside: treat this as a budget item to make sure you stick to your savings goals
- ❖ If you were to lose your job, figure out what your expenses would be each month during this time and multiply by 6 (for example, entertainment and other discretionary spending will probably decrease)
- ❖ If carrying credit card debt, start with \$1000 for minor emergencies and focus on paying down credit card debt (unless job situation is not stable)

Retirement

- ❖ If employer offers matching, take advantage of it: this is free money!
- ❖ Roth IRA: can contribute up to \$5000 per year per person. You contribute with after tax money, but any money gained is not taxed, so with time on your side, it will grow a lot quicker and you won't have to pay taxes when you withdraw it

Credit Report

What does it include?

- Identifying information: name, address, DOB, SS#, current and previous employers,
- List of all creditors (open and closed) and your payment experience with each including date opened, credit limit, amount owed
- Public Information including judgments, liens, bankruptcies, wage attachments, lawsuits and collection activity.

What is not included?

Salary, bank deposit account balances, bounced check history

Credit Score

What is it?

- A number that summarizes your credit rating at a point in time based on your credit report. Lenders buy your FICO Score from 3 credit bureaus: Experian, Equifax and TransUnion. Lenders may also develop their own formula for a credit score.
- **Ranges:**
 - Equifax FICO: 300-850
 - Experian: 330-830
 - TransUnion: 150-934
 - Credit Scores above 700 are very good
 - Most people score in the 600s and 700s. Median US: 723
 - Credit scores below 600 are considered high risk to lenders

Credit Score

When and why is it important?

- Getting approved for credit
- Getting lower interest rates for credit and insurance
- Speeds up credit approvals
- May impact approvals for job and housing

Credit Score

How is it calculated?

- Each credit bureau/lender may change the formula for a credit score, but there are some general guidelines:
- Payment History: 35% of a FICO Score
- Amount you owe: 30% of a FICO Score
- Length of Credit History: 15% of a FICO Score
- New Credit: 10% of a FICO Score
- Types of Credit Used: 10% of a FICO Score

Credit Score

How to Improve It Tips

- Payment History
 - Pay on time, get current, collection stays on record, contact creditor if having trouble making payments, consider qualified debt counseling.
- Amount Owed
 - Pay off debt instead of moving around, lower revolving credit.
- Length of Credit History
 - New accounts lower avg. account age, rapid build-up is bad
- New Credit
 - Do rate shopping in short amount of time, use wisely to raise
- Types of Credit
 - Best mix includes installment and revolving. No credit card will lower score. Closing account won't make it go away.

Credit Report

How to get a copy of your credit report:

Go to www.annualcreditreport.com.

Also, free copies may be available to you if:

- Have been denied credit, employment or insurance based on credit history
- Suspect fraudulent use of your account
- Are unemployed and intend to apply for employment within 60 days
- Receive Public Welfare Assistance

Do-it-yourself Plans

Step 1: Create a spending plan

- Track expenses
- Compile expense log
- Make adjustments
- Stick to your budget



Do-it-yourself Plans

Step 2: Don't use your cards!

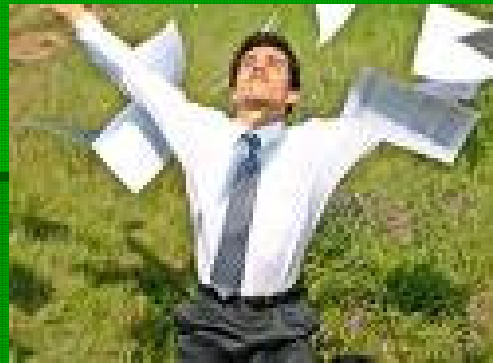


Step 3: Make fixed debt payments

- Make fixed payments on each card
- Focus on smallest balance or highest interest
- When one card is paid off, apply the money allocated for it to the next debt and repeat.

Debt Management Plans

A way to consolidate payments and work with your creditors to become debt free within 5 years or less.



Debt Management Plans

Features

- Reduced interest rates
- Waived late and over-the-limit fees
- Reduced payments
- Collection calls stop
- Consolidate payments

Debt Management Plans

How do I qualify?

One hour appointment with a counselor to develop a budget to help evaluate different potential options

If your expenses exceed your income, your counselor will work with you to explore ideas to help balance your budget



Debt Management Plans

Real life example: past due credit card

On your own

Chase = \$6000

Past due = \$1000 (3 months)

APR = 29.99%

Late/Over-the-limit fee = \$39 each

On a DMP

New APR = 6%

Late/Over-the-limit fees waived

Past due amount brought current after 4 months

Student Loans

Private vs. Public

- Examples of public loans are Stafford & Perkins
- A private loan is essentially the same as a personal loan. It is like most unsecured debts except that it is difficult to have this discharged in Bankruptcy.

Student Loans

Options (public loans) if facing financial difficulties

- Forbearance
- Deferment
- Rehabilitation
- Federal Direct Consolidation Loan

Student Loans

Forbearance

- Usually have 2 to 5 years of forbearance time
- Interest accrues during a forbearance period: paying interest is optional during this time

Student Loans

Deferment

- Most common way to qualify is being unemployed (2 years max) or being enrolled in school half time or more (unlimited)
- Interest does NOT accumulate, so this option should be explored before forbearance

Student Loans

Rehabilitation

- Option if student loan is in default
- Strict payment schedule for a certain period of time (9-12 months)
- Upon completion, your loan will return to a normal lender and any notation of default on your credit report will be erased

Student Loans

Federal Direct Consolidation Loan

- Gives fresh start and restarts the clock for forbearance and deferment time



Green Path Debt Solutions

- ❖ Website: www.greenpath.com
- ❖ To schedule an appointment or purchase a credit report, please call us at 800-747-2898 or email us at manhattaniii@greenpath.com and we'll call you to book an appointment.

