INTRODUCTION TO BANKING, CREDIT & FINANCIAL MANAGEMENT

AMANDA SEEHOLZER, CCUFC

CERTIFIED FINANCIAL COUNSELOR AT EASTRISE CREDIT UNION

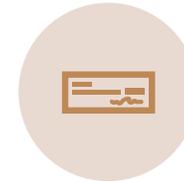BOARD MEMBER & TREASURER AT VERMONT JUMP$TART COALITION

AGENDA

TYPES OF ACCOUNTS & DIFFERENCES

DIVIDEND – RATE OF RETURN

INTEREST WITH BORROWING OVERVIEW & TYPES OF LOANS

BUDGETING OVERVIEW

MONEY MANAGEMENT – SYSTEMS – TOOLS

ALL THINGS CREDIT

Q&A – AS TIME ALLOWS

WHY WE CARE ABOUT FINANCES

TYPES OF ACCOUNTS

- Checking
- Savings
- Money Market
- High Yield Savings
- Certificates of Deposit
- Individual Retirement Account (IRA)
- 401K
- 403B

DIVIDENDS = FREE MONEY

INTEREST & BORROWING

When may we need to borrow money?

LENDING & LOAN TYPES

Credit Builder Loan

Personal Loan

Credit Cards

Payday Loans – short term

Line of Credit - unsecured

Auto Loan - Secured

Student Loan

Mortgage Loan - Secured

Home Equity – Loan & Line of Credit- Secured

BORROWING MONEY COSTS MONEY

Form of Payment	Initial Cost	Cost with interest
Cash or Debit Card Purchase	$50	$50
Credit Card Purchase	$50	Depends - 26% Average (Source: Wallet Hub)
Cash for Used Car	$10,000	$10,000
4 Year Loan for Same Car	$10,000	$12,093.52 @ $251.95/M
6 Year Bigger Auto Loan	$25,000	$33,120 @ $460/M
Average Bachelors Degree Debt	$37,037.04 (www.forbes.com/advisor/student-loans/average-student-loan-debt-statistics/)	10 yr @ 6.39% average = $418.48/M = TTL Cost $50,217.38

BUDGETING/MONEY MANAGEMENT

Proactive Visual Budget
- Spreadsheet – excel/google/etc.

- Paper

Physical Structure System
- Checking

- Saving(s)

Ongoing Reactive Tracking System
- App

- Save Receipts

- Keep a tally

- Spreadsheet

BUDGET

Budget							
PAYDATES							**DUE**
INCOME							
Monthly Bills							
Rent | Mortgage							
Taxes & Insurance							
Heat							
Electricity							
Cell Phone							
Phone | Internet							
Car Insurance							
Gym Membership							
Hulu | Netflix							
Garbage | Recycling							
Car Loan							
Student Loans							
2nd Mortgage							
Life Insurance							
Childcare Expenses							
Credit Card Debt							
Medical Premiums							
Student Loans | Other Debt							
Other Debt							
Spending Categories							
Groceries | Household							
Gas for Auto							
Medical Expenses | Co-Pays							
Personal Care (hair/clothes/etc.)							
Pet Expenses							
Entertainment | Fun							
Dining Out | Take Out | Work Lunches							
Allowance							
Savings Accounts							
Vacation Savings							
Personal | Family Savings							
Home Maintenance. Savings							
Auto Maintenance Savings							
Gift | Holiday Savings							
Do Not Touch Savings							
Cash Flow Total:	$ -	$ -	$ -	$ -	$ -	$ -	

CREDIT

Annual Credit Report.com

Why Do We Care About Credit?

Trustworthiness For Lending
Your credit score determines how trustworthy
you are – similar to a report card

Equal Treatment in Evaluations
We're all evaluated the same – avoids unfair
treatment

Determines Lending Abilities
Ability to borrow money with limits

Good Credit Saves us Money!
Good credit scores = lower interest rates

Good credit often = lower deposits required

CREDIT SCORE CALCULATION

FICO® Score Breakdown

Payment History – 35%

As you might expect, the repayment of past debt is a major factor in the calculation of credit scores. It helps determine future long-term payment behavior. Both revolving credit (i.e. credit cards) and installment loans (i.e. mortgage) are included in payment history calculations. Although installment loans take a bit more precedence over revolving credit. That's why one of the best ways to improve or maintain a good score is to make consistent, on-time payments.

Amounts Owed – 30%

This category is basically credit utilization or the percentage of available credit being used/borrowed. Credit score formulas "see" borrowers who constantly reach or exceed their credit limit as a potential risk. That is why it's a good idea to keep low credit card balances and not overextend your credit utilization ratio.

Length of Credit History – 15%

This factor is based on the length of time all credit accounts have been open. It also includes the timeframe since an account's most recent transaction. Newer credit users could have a more difficult time achieving a high score than those who have a credit history. Since those with a longer credit history have more data on which to base their payment history.

Credit Mix – 10%

FICO® Scores consider the combination of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Credit mix is not a crucial factor in determining your FICO Score unless there's very little other information from which to base a score.

New Credit – 10%

Today's higher use of credit factors into FICO® Score calculations. Still, opening several new credit accounts in a short period of time can signify greater risk – especially for borrowers with a short credit history. So how one shops for credit and within what timeframe can affect a FICO Score in a number of ways.

QUESTIONS?

Amanda Seeholzer, CCUFC

Amanda.Seeholzer@eastrise.com

(P) 802-764-2674