Financial Wellness 101

April 21, 2020

Amanda Temple
Student Finance Counselor, Office of Student Finance

Betsy Everts
Assistant Director, One Stop Student Services
Agenda

- Budgeting
- Saving
- Credit
- Loans

Covid19 Resources
Budgeting

• Importance
  ○ Helps you achieve your financial goals
  ○ Keeps you in control of your money

• Determining financial goals
  ○ Having an end game helps keep you on track
# Budgeting

## Gross Pay

- **Taxes/Deductions**

  **“Take Home” Income**
# Budgeting

## Personal Monthly Budget

### Projected Monthly Income

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income 1</td>
<td>$3,300.00</td>
</tr>
<tr>
<td>Extra income</td>
<td>$300.00</td>
</tr>
<tr>
<td><strong>Total monthly income</strong></td>
<td><strong>$3,600.00</strong></td>
</tr>
</tbody>
</table>

### Actual Monthly Income

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income 1</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>Extra income</td>
<td>$300.00</td>
</tr>
<tr>
<td><strong>Total monthly income</strong></td>
<td><strong>$4,300.00</strong></td>
</tr>
</tbody>
</table>

### Projected Balance
- (Projected income minus expenses) $2,405.00

### Actual Balance
- (Actual income minus expenses) $3,064.00

### Difference
- (Actual minus projected) $659.00

### Monthly Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Projected Cost</th>
<th>Actual Cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOUSING</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage or rent</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Phone</td>
<td>$54.00</td>
<td>$100.00</td>
<td>-$46.00</td>
</tr>
<tr>
<td>Electricity</td>
<td>$44.00</td>
<td>$56.00</td>
<td>-$12.00</td>
</tr>
<tr>
<td>Gas</td>
<td>$22.00</td>
<td>$28.00</td>
<td>-$6.00</td>
</tr>
<tr>
<td>Water and sewer</td>
<td>$8.00</td>
<td>$8.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Cable</td>
<td>$34.00</td>
<td>$34.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Waste removal</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Maintenance or repairs</td>
<td>$23.00</td>
<td>$0.00</td>
<td>$23.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ENTERTAINMENT</strong></th>
<th>Projected Cost</th>
<th>Actual Cost</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video/DVD</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>CDs</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Movies</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Concerts</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Sporting events</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Live theater</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Other</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
Budgeting

Savings: 20.0%
Needs: 50.0%
Wants: 30.0%
Different budgeting methods

- Apps
- Excel
- Envelope Method
Saving

- 3-6 months worth of expenses
- Separate bank account specifically for savings
- Understand the terms of account
- “Pay Yourself First”
Investing

- The earlier, the better
- Employer match
- Vesting
- Financial planners
Pre-Tax
Money taken out before you are taxed

- 401K, 401A
- Optional retirement accounts
  - 457
  - 403B
- Health Savings Account (HSA)

After-Tax
Money taken out after you are taxed

- Roth IRA
- Traditional IRA
- Taxable brokerage account
<table>
<thead>
<tr>
<th></th>
<th><strong>Index Fund</strong></th>
<th><strong>Mutual Fund</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment objective</strong></td>
<td>Match the investment returns of a benchmark stock market index (e.g. the S&amp;P 500)</td>
<td>Beat the investment returns of a related benchmark index</td>
</tr>
<tr>
<td><strong>Invests in</strong></td>
<td>Stocks, bonds and other securities</td>
<td>Stocks, bonds and other securities</td>
</tr>
<tr>
<td><strong>Management style</strong></td>
<td>Passive. Investment mix is automated to match the exact holdings of the benchmark index</td>
<td>Active. Stock pickers (fund managers/analysts) choose fund holdings</td>
</tr>
<tr>
<td><strong>Average management fee (expense ratio)</strong></td>
<td>0.09%</td>
<td>0.82%</td>
</tr>
<tr>
<td><strong>After-fee return of $1,000 annual investment earning 7% average annual return over 30 years</strong></td>
<td>$99,000</td>
<td>$86,000</td>
</tr>
<tr>
<td><strong>Amount lost in fees over 30 years</strong></td>
<td>$1,800</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

Saving Potential

● Difference in saving $100 a month starting at 25 vs 35 until 65
  ○ This represents a 5% annual compounding rate of return

● This shows the benefit of saving early, even if it is only a little

Credit

Credit: the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future. Credit score is like a real-world GPA.

What is a credit report?

- Financial resume
- Credit history
- Indicates risk
The Benefits of a Good Credit Score

- Lower credit card and loan interest rates
- Easier approval for rental houses and apartments
- Better car insurance rates
- Utilities and cell phone contracts without security deposits

https://www.thebalance.com/having-good-credit-score-960528
How to manage credit cards/bills

- Pay off the balance in full each month if possible
- Set up auto pay
- Check statements regularly
- Ask for fees to be waived/lower interest
- Check [annualcreditreport.com](https://annualcreditreport.com) to see your credit report for free - if there is something wrong, follow up!
Loans

- Federal vs private
- Overview of repayment options
- Covid-19 special circumstances
  - Reliable site for updates in resources guide
    - [https://ticas.org/covid-resources-for-student-loan-borrowers/](https://ticas.org/covid-resources-for-student-loan-borrowers/)
Payment Plans

- Standard repayment
- Extended repayment
- Income based/income contingent
- Pay as you earn

As your status changes, so can your repayment
## Student Loans - Repayment (Federal)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>First Monthly Payment</th>
<th>Last Monthly Payment</th>
<th>Repayment Period</th>
<th>Total Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$317</td>
<td>$317</td>
<td>120 Months (10 Years)</td>
<td>$38,018</td>
</tr>
<tr>
<td>Extended</td>
<td>$167</td>
<td>$167</td>
<td>300 Months (25 Years)</td>
<td>$50,122</td>
</tr>
<tr>
<td>PAYE</td>
<td>$177</td>
<td>$317</td>
<td>120 Months (10 Years)</td>
<td>$29,361 (assumes $11,549 in PSLF)</td>
</tr>
</tbody>
</table>

**Student Loan Repayment Calculator**

*Source: NSLDS.ed.gov*
Student Loan Forgiveness

Public Service Loan Forgiveness

- [8 Common PSLF Mistakes - Dept of Ed.](#)
- [PSLF FAQ - StudentAid.gov](#)

Educator student loan forgiveness

- [Teacher Loan Forgiveness Program](#)
- [Perkins Loan Teacher Cancellation](#)
Financial Aid History

- Went live in 2019
- Students can now access current and past user financial aid amounts
- Studentaid.gov will show your federal loans and how to contact the servicer
Debt Repayment Philosophies

● Strategies for repaying debt
  ○ Snowball vs. Avalanche
  ○ Work toward loan forgiveness, where applicable
● Investing vs. paying down debt vs savings
  ○ Emergency fund and pay bills
  ○ Balance
● It’s all a personal choice - if you’re doing any of this, you’re doing great!
Questions?
Contact Information

Betsy Everts
everts@umn.edu

Amanda Temple
ateemple@umn.edu