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Just call 1-888-357-7654... or see order blank on next page.
Budgeting To Make Money Stretch

“How can I budget my money so there’s enough to go around?”

The first thing to do is decide what you really want to accomplish in your life. When you plan, you can put your money to work. Your choices can help you accomplish your dreams.

“People don’t plan to fail. They fail to plan!”

A good money plan can help avoid money problems that can keep you from reaching your goals. The plan you make can’t immediately cure money problems that started some time ago, but it can help with better planning.

There’s a long life ahead, not just a year or two. The decisions you make today will affect your future. So . . . first make a road map for your life with goals along the way. Then you can make a budget to help you get there. The time to start is now!

“You will never get where you want to go if you don’t know where you’re going!”

#1 SET GOALS!

As you make your plans, consider your goals. There will be goals that you need for short term (1-4 weeks), medium goals (2-12 months), long term (more than a year.) After writing these down, apply them to the amount of money you have. Keep your goals visible. Look at them often, especially if you start to stray from your budget. You can reset plans, but the change should be worth it.

**SHORT TERM FINANCIAL GOAL**

| MY GOAL: ________________________________ | Estimated Cost: ________________________________ |
| Money needed: ______ | Target Date: ______ | Weekly Amount: ______ |
| Steps to take to reach my goal: ___________________________________________ |
| Where to get help to accomplish my goal: ___________________________________________ |
| Other alternatives: ___________________________________________ |

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Complaining About a Product

If you have a complaint about a product, the Federal Trade Commission (FTC) enforces the guarantee. First talk to your local dealer. (Be sure that you follow the directions given to you!) Take along your sales receipt and warranty. If the problems can’t be resolved, contact the manufacturer by mail. Send only copies of the original receipts. Include:

- Your name, address, phone number, account number, serial and model numbers, date and place purchased
- Explanation of history and facts about the problem explaining whom you contacted and when
- Copies of documents relating to the problem
- Specific action of what you would like the company to do (i.e. return money, send new item)
- Date limit of when you expect them to take action allowing enough response time
- Information on how you can be reached.

If you still receive no satisfaction, contact a radio or TV station that has a consumer advocate dealing with individual consumer problems or get the help of a consumer group. Look in telephone directory under City and County Protection Services or Consumer Groups or write to:

U.S Office of Consumer Affairs  
Department of Health and Human Services  
300 Seventh Street SW  
Washington DC 20004

Finally, if all else fails, try legal action through small claims court.
- Earn-at-home schemes are often frauds. Materials are sometimes sold to make products. When the work is done, it may be refused as unsatisfactory, but the company benefits from the sale of materials. Be sure to check carefully. These companies may work from post office boxes and are not available for communication.

- Club contracts such as those used for books, records, and tapes may or may not be honest. Companies benefit from customers who don’t cancel the next month’s offering by returning the refusal form in time. The merchandise will then be sent along with a bill.

- Learn-at-home schooling can also be a fraud. Check with the Better Business Bureau. Then contact a company that might hire you after your training to see if earned credentials are meaningful.

- Coupon books can be tempting. The merchandise exchanged for coupons may not be needed or located for easy use.

- Watch out for any “good deal.” Watch for products with hype words such as love, beauty, wealth, and admiration. Ask what they are really selling!

- Just because items are advertised in newspapers and magazines doesn’t mean that they are legitimate.

- Beware of special offers such as one for “a huge beauty kit.” Small items can be packaged as huge.

- Chain letters and pyramids are illegal. By the time the chain goes around, millions of people can become involved. The chain breaks so that only the first few people benefit.

- On-the-road-sales-jobs may not allow participants to return home when they wish. High pressure sales encourage joining with promises of big money.

- Sweepstakes offers are especially misleading. The written information is created to confuse the customer and to get an order. The possibility of winning is like a million-to-one shot and is always noted in very, very small print.

- Be alert for counterfeit products. Big name brands are often copied and sold at a much lower cost than normal.

#3 FIGURE YOUR EXPENSES

There are different types of expenses to consider. **Fixed expenses** must be paid regularly (i.e. rent, credit card payments, insurance, loans.) Make **savings** a fixed expense or you may never save to meet your goals. It’s part of the plan! **Flexible expenses** vary each month. Examples are: food, clothing, recreation, and gasoline. Things like utilities can change too. Figure your fixed expenses and subtract them from the total amount of money you have as income. When you find out what you have left for flexible expenses, you can set limits. Try it!

### FIGURING YOUR FIXED EXPENSES

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### FIGURING YOUR FLEXIBLE EXPENSES

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### FIGURING IF YOU'VE BALANCED INCOME AND EXPENSES

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<td><strong>DIFFERENCE</strong></td>
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If you have extra money left, it is easy to find ways to use it. If there is a loss, it’s time to make choices. Do I eat or do I play? Do I pay the utility bill or live without heat? Must I borrow? Do I stop credit card payments and pay late fees? Be realistic. Consider finding new resources and cutting expenses. Here are some ideas:
* Get a second job
* “Housesit” for someone
* Sell something

**#4 FIGURE WAYS TO CUT YOUR EXPENSES**

If you’ve created your first budget and find there is not enough money to go around, figure ways to cut expenses so you won’t end up in debt.

**USE THE ECONOMIC PRINCIPLE OF “OPPORTUNITY COST”**

Ask yourself when tempted to buy: “If I buy this, what else will I not have the opportunity to buy?”
This method gives you some comparisons. You may prefer one thing rather than another.

**SUGGESTIONS FOR CUTTING FLEXIBLE EXPENSES**

**Food**
* Carefully look at food budget.
* Stop eating out and buying junk foods.
* Consider carrying your lunch.

**Budget**
* Watch daily expenses closely, but don’t be discouraged by keeping track of every penny.
* Allow yourself only a certain allowance for spending. Follow it!

**Recreation**
* Plan “no” or “low cost” activities (join community groups, volunteers, teams.)
* Review newspapers for ideas.
* Share or borrow equipment. (Buy used.)
* Turn recreation into a money maker (i.e. ski patrol, usher at theatre performances.)

**Shopping**
* Avoid or delay new purchases.
* Don’t carry money with you to avoid being tempted to buy.
* Buy less expensive brands.
* Stay out of stores unless you need to purchase.
* Buy only on sale. Shop for best prices.
* Shop with cash. Cut up credit cards.

**Transportation**
* Find a different car that uses less gasoline and oil and needs fewer repairs.
* Carpool, walk, bike, or use public transportation

**CONSUMER PROTECTION**

Mailboxes fill with advertisements that mislead. Telephones ring with offers to sell and defraud. Even the Internet has dishonest con-artists waiting to get your dollars. You can avoid most of the schemes.

**FRAUDULENT SCHEMES**

“Bait and Switch” techniques offer items at a very low price. When you come to shop, they offer bigger priced items and encourage you to buy. (Used especially for automobile sales.)

“Lo-balling” offers a low price for a service or product and then really charges high prices for other services that are included such as parts and labor. They may also entice with a low price, but when it comes to signing a contract, the price is changed.

Deceptive pricing marks merchandise up in price and then marks the merchandise down so the item looks like it’s on sale.

**Telemarketing fraud** is often a scam. There are things you can do to protect yourself.
* Avoid postcard and telephone scams that offer very good deals at very low prices.
* Don’t be pressured to buy “NOW” because the prices may rise.
* Never give out your credit card number over the phone.
* Double check travel offers by checking them with the Better Business Bureau. Ask detailed questions about hotels, transportation, and check out the places yourself. (Ask about cancellations and refunds.)
* Don’t send money by messenger or overnight mail. Don’t pay in cash. (You can lose your right to dispute a fraudulent claim if you pay cash. People can also disappear with your funds.)
* If in doubt, say “NO!”
* Gifts arriving in the mail do not require payment or return. If item is expensive, it is best to let postal authorities know.
a copy at home along with a note of where the original is kept. Most states “freeze” contents of safety deposit boxes when a person dies until contents are inventoried by an official and a family member.

**Social security records** should be kept and checked at least every three years with an SS form 7004. Errors cannot be corrected after three years, three months, and 15 days.

**Paycheck receipts and year end tax forms from your employer** should be kept for IRA verification of taxes, social security, and income.

**Accurate home improvement records** of property owned should be kept for taxes. The items increase tax base and can reduce capital gains taxes when selling.

**Education records** such as diplomas, SAT scores, classes and conferences attended, and awards should be kept indefinitely.

**Bank records** should be kept indefinitely except checks written out for items such as cash and groceries. The source of a deposit written on a deposit slip or bank savings or check book can help trace checks.

**Receipts** for items such as major purchases, insurance premiums loan payments, and rents should be kept indefinitely. They are important for recovering insurance losses, for problems related to purchases, disagreements, and legal problems. Keep warranties, service contracts, and operating instructions.

**Warranties, service contracts, and operating instructions** should be sorted each year.

**A written or video household inventory** should be kept in a safe place where it cannot be stolen or burned in a fire. If necessary make a second copy. The best place to store it is in a safety deposit box.

**A number list** should be made, with a copy in a safe place, of bank account number, creditors, insurance agents’ telephone numbers, service providers, credit card and insurance policy numbers.

---

**SUGGESTIONS FOR CUTTING FIXED EXPENSES**

**Rent**
* Find less expensive rental.
* Find another roommate.
* Ask landlord if you can do repairs or maintenance in exchange for rent.

**Insurance**
* Check to see if you’re overinsured.
* Find less expensive insurance.
* Check to see if the place you work has a way to insure you.

**Transportation**
* Trade present car for one that is more economical.
* Sell your car.

**Rearrange Credit Payments**
* Make arrangements for small payments.
* Consolidate bills.
* Borrow to pay overdue bills. (Dangerous!)

**GET HELP . . .**
* Talk to a credit counselor. Find free services through the Yellow Pages and/or talk with social service agencies, legal aid societies, public and private family service agencies, Consumer Credit Counseling Services. Find who sponsors programs, charges, and how plan operates. Check the Better Business Bureau.

**#5 CREATE A BUDGET**

Keep track of the way you spend money. Fold a paper into eight sections. Label each section for a day of the week. Carry it in your billfold. Keep track of everything you spend each day. At the end of the week, total expenses. This spending pattern record will help you see where money goes. Then try the next step of budget planning.

When you know your fixed expenses and your flexible expenses, you can make adjustments and do a real budget plan. Things won’t always go as planned. Watch what you planned to spend and what you actually spent. Then plan more efficiently the next month. If you review your total budget closely at the end of three months, adjustments can be made to help avoid crises that can keep you from reaching your goals. (After this, you can make a full year’s plan.)

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**THREE MONTH FINANCIAL PLAN**

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<th>FIXED EXPENSES</th>
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I CAN DO IT!

FIXED EXPENSES
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<td>Medical Expenses</td>
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<td>Other</td>
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TOTAL FOR MONTHS

<p>| | | | | | | |</p>
<table>
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<tr>
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</thead>
</table>

* Especially as you are beginning, it is important to start building an emergency fund for unexpected expenses and a reserve fund for expenses that are paid in lumps rather than monthly.

SUMMARY . . .

EVALUATE your three-month spending pattern, subtract to see what’s left over.

Total actual monthly income average
(Add three-month totals and divide by 3) $__________

MINUS total actual monthly fixed expense average
(Add three-month totals and divide by 3) - $__________

Total amount left for flexible expenses after three month period $__________

NOW COMPARE

Actual amount spent for flexible expenses
(Add three-month totals and divide by 3) $__________

MINUS actual monthly amount left for flexible expenses after three month period
- $__________ *

TOTAL LEFT OVER $__________

* If this number is negative, you have work to do. Reset your priorities or goals and readjust your spending patterns. If this number is positive, add the amount to your savings, emergency fund, or investments.

Filing Insurance Claims

If you need to file a claim, first ask your insurance agent or broker what the process is.

- If a claim is for an auto accident, be sure to get the names, addresses, and phone numbers of all persons in the car, especially the driver. Make a diagram of the accident. **Don’t say you are at fault!**
- File the claim as soon as possible.
- Be aware of the insurance coverage of your policy.
- **DO NOT accept the claim check if you are not satisfied. DO NOT sign a claims release form until you are sure of all costs and future possibilities. DO NOT be taken advantage of because of the emotions involved.**

Saving Your Records

Keeping good records becomes increasingly important. In today’s electronic world, there are so many records kept, there are many chances for errors.

Tax returns and documenting materials should be kept indefinitely.

- IRS can go back for six years for gross underpayment of 25% or more.
- IRS can question and do routine audits for three years.
- IRS can go back indefinitely for alleged fraud or non-filing.

Life insurance policies should be kept at home in a metal box to avoid fire damage. Keep policy numbers in a separate place. If necessary, insurance companies can replace the policies.

Original legal papers should be kept in a safety deposit box. Copies and lists of contents should be kept at home. Legal papers include: birth certificates, marriage certificates, military records, stocks and bonds, adoption papers, divorce papers, citizenship papers, contracts, wills. Copies of wills should also be kept with the lawyer who prepared them. (Valid handwritten wills are available at office supply stores for anyone wanting to write his/her own.) There should also be coordination of the policies to cover only 100% of the cost.
coverage. “Replacement coverage” covers replacement of items, not just a portion of used items. A landlord should have some coverage for disasters, but a tenant is responsible if a fire is caused by his/her negligence. Tenants are responsible for their own belongings.

**Homeowner’s insurance** covers not only personal possessions, but also the home. All policies cover some personal liability for accidents that occur at the home to family members or guests. There are different forms of this type of policy. A *basic policy* covers only eight common perils such as fire, theft, aircraft, windstorm. A *broad policy* covers 18 risks and includes such things as collapse of a building, water damage, and freezing. A *comprehensive policy* includes all 18 risks plus specific exclusions from the other types of policies such as earthquake, war, nuclear accidents, or sewer backups.

**Some General Things to Consider with Insurance**

- Read policies each year to see that they are keeping up with the cost of inflation and your needs.
- Do not lie on insurance applications. Usually preexisting conditions are not covered; however, some policies begin coverage if no treatment is given for one or two years.
- Never sign an application for any policy until you have fully read and understood every part of the policy and its benefits. There should never be any blank spaces or incomplete answers recorded.
- Any policy should be delivered to you within 30 days. If it is not, contact the insurer. If you don’t hear within 60 days, contact the state department of insurance.
- If you consider switching policies, be aware of new waiting periods and new exclusions.
- Remember that “dread disease” policies such as cancer insurance are not the same as regular insurance.
- Save mailing costs and money on policy premiums by paying annually or quarterly.
- Photograph or video your belongings noting the costs so you have records for filing a claim.
- When taking out a new policy, take advantage of the “free look” offer. Look policy over, then ask for a refund if you don’t want it. If you do that be sure to cancel the policy within allowed time.
- Don’t carry overlap insurance. Benefits are usually limited to a

---

**EVALUATE YOUR BUDGET**

Continue to evaluate your budget as you go along and change it as necessary. Also evaluate whether you are reaching your goals by checking your previous planning regularly. When checking your original goals, think through your values and your priorities. Sometimes changes will be necessary. Review the whole process if you are not satisfied with your progress. You may even want to ask for help.

### YEARLY FINANCIAL PLAN BUDGET SUMMARY

<table>
<thead>
<tr>
<th>FIXED EXPENSES</th>
<th>PLANNED</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
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<tr>
<td>Rent</td>
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<tr>
<td>Taxes</td>
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<tr>
<td>Loan payments</td>
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<tr>
<td>Credit card payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
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<tr>
<td>Emergency fund</td>
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<td>Reserve fund</td>
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<tr>
<td>Telephone</td>
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</tr>
<tr>
<td>Donations/ Gifts</td>
<td></td>
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</tr>
<tr>
<td>Renter’s insurance</td>
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</tr>
<tr>
<td>Auto insurance</td>
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</tr>
<tr>
<td>Life insurance</td>
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<tr>
<td>Medical insurance</td>
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<td>Water</td>
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<tr>
<td>Other</td>
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<td><strong>Total fixed expenses</strong></td>
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<tr>
<td>Food</td>
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<tr>
<td>Eating out</td>
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<tr>
<td>Clothing</td>
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<tr>
<td>Transportation (bus or taxi)</td>
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<tr>
<td>Automobile expenses</td>
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<tr>
<td>Recreation/Vacations</td>
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<tr>
<td>Laundry/Cleaning</td>
<td></td>
<td></td>
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<tr>
<td>Tuition/ Education</td>
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<tr>
<td>Books/Supplies</td>
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<tr>
<td>Furnishings</td>
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<td>Personal care</td>
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<td>Hobbies</td>
<td></td>
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<tr>
<td>Medical expenses</td>
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</tr>
<tr>
<td><strong>Total flexible expenses</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL YEARLY EXPENSES</strong></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
SUMMARY OF YEARLY FINANCIAL PLAN

<table>
<thead>
<tr>
<th>Expenses/Income</th>
<th>Planned</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>Total income</td>
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<tr>
<td>Monthly average fixed expenses</td>
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<td></td>
</tr>
<tr>
<td>Subtract to get amount available for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>flexible expenses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

YEARNLY BUDGET SUMMARY

Total Income: $_________
Minus the Total Fixed & Flexible Expenses: - $_________
Balance: $_________

If this balance is negative, you have work to do. Reset your priorities and goals. If it is positive, you can add to your savings, emergency fund, or investments.

BUDGETING HINTS

Envelope budgeting may work for you. Place money to be paid for bills in envelopes marked appropriately (i.e. “Newspaper”, “Laundry/Dry-cleaning”, “Hair cuts”). If you are concerned with leaving cash in the house, prewrite checks and put them in the envelopes.

Understanding Life Cycle Financial Tasks helps you view the use of your money through your whole life.

LIFE CYCLE FINANCIAL TASKS LIST

Ages 18-24 | Ages 25-34
---|---
Establish household | Child bearing, rearing
Career training | Expanded housing needs
Establish financial identity | Provide for expanding career/education
Purchase risk coverage | Invest wisely to cover future costs
Develop effective financial record | |

Ages 34-44 | Ages 45-54
---|---
Build educational fund | Provide for higher education of children
Plan for retirement | |

Ages 55-64 | Ages 65 +
---|---
Meet expanding needs of parents &/or dependents | Finalize plans for sharing estate

MONEY MATTERS

Term insurance is the least expensive type and is most popular with young adults. Protection is for a limited time such as a year and is then renewable at the set amount of payment. This payment may rise with age. If the policy is not renewed or if payments are not paid on time, the policy is dropped. This insurance does not have value at the end of the term designated. Sometimes this type of policy is used to insure a mortgage or other costly contract if the owner dies. Some term policies are convertible which allows you to trade the term policy for a whole life or endowment policy before the end of the conversion period. The new policy will cost more.

Level term insurance has premium (cost) increases each time policy is renewed (usually 1 to 5 years). Check if policy is “guaranteed renewable” so it can be in force if a health problem arises.

Decreasing term insurance gives less insurance as years pass. This is often used for mortgage insurance (when mortgage is smaller, less insurance is needed).

Whole life insurance includes a savings plan with insurance protection. As long as policy terms are followed, protection continues for life. Some policies have cash value that can either be borrowed or cashed in. Some policies continue for a set period of time such as 20 years or to age 65. At the end of the time the policy is “paid up” so that no more payments are necessary. This type of policy can be used as collateral on a loan.

Limited payment insurance has premiums paid for a set number of years or to a certain age, such as 65. The insurance stays in force for life.

Endowment insurance gives a sum of money or income to the holder of the policy at a set time. If the policy holder dies, the money goes to a beneficiary.

Renter’s & Home Owner’s Insurance

Renter’s insurance covers personal possessions in a rented apartment or home. It may cover living expenses if home is not habitable. Items such as expensive jewelry, cameras, and computers may need extra protection.
Health Insurance

Changes are occurring rapidly in the health insurance business. It is best to check with various agents to see what is best for you when you are ready for the insurance. Then you should keep aware of changes affecting health insurance.

Health insurance is usually available through your employer in some form. Check benefits carefully to see that coverage meets all of your needs and that the policy can continue when you leave your job. (An unexpected illness could make you uninsurable with another company.) You may be covered by your family health policy if you are still in school. Student health plans are offered at most universities and colleges. Check into these to see if they will meet your needs. There are various types of insurance.

**HMO (Health Maintenance Organizations)** provides a wide range of medical services from routine check ups to surgery for a fixed fee. Cost is generally lower than standard group insurance. You must use the doctors provided by the organization or pay for an outside doctor on your own.

**PMO (Preferred Provider Organizations)** medical plan is similar to an HMO, but allows patients to choose from a list of “preferred physicians” or to pay a “non-preferred doctor” on fee-for-service basis.

**Hospital insurance** pays for such things as room and board, nursing service, hospital services, lab tests, oxygen and drugs, and medicines.

**Surgical insurance** pays all or part of doctor’s fees except for surgery.

**Major medical insurance** pays for the cost of extended illness not covered by normal insurance.

**Disability insurance** pays a designated amount of income to cover the loss of wages if you become unable to work.

Life Insurance

Life insurance is used for paying bills incurred before death or as a protection for dependents. It can also be used for forced savings and equity for loans. There are three basic types of life insurance. Each type pays a set amount of money to the beneficiaries at the time of

BANKS

“How can I keep my money safe and have it work for me?”

Banks can be used to help you manage your money and to help it grow. Banks help keep your records, give you opportunities to save, keep your money safe, give special services, make loans, and advise about growth investments. If you want your money to work for you to help meet your goals, comparison shop for services, understand how banks and credit work, and plan carefully.

**TYPES OF BANKS**

Banks are controlled by the government to protect your money. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to $100,000 in banks. There is also a similar service provided to savings and loan associations and credit unions. Make sure your bank is protected. Banks are often chosen for convenience of location or services. Shop around. Services and costs differ.

**Commercial or full service banks** provide individuals and businesses with a full range of services: loans, money deposits, trust services, savings, credit cards, traveler’s checks, safety deposit boxes.

**Mutual savings banks** are non-profit and are owned by depositors. They offer varied services including checking and some commercial loans (i.e. home improvement, home and commercial mortgages).

**Savings and loan or building and loan banks** may be owned by depositors or by stockholders. They have various services, but the main service is loans on homes for mortgages and improvements. They are insured by FSLIC (Federal Savings and Loan Insurance Corporations).

**Private banks** are rare. They are usually partnerships. They take deposits, are not insured, and do not generally make small loans. They may pay higher interest rates, but are more risky.
Credit unions are set up by special interest groups and are owned by their members (i.e. trade unions). Members set rules by voting. Deposits are insured by various groups. Services vary: regular banking services, discounts, group insurance, special information.

CHECKING ACCOUNTS
Advantages of having checking accounts include valid receipts, spending record, awareness of amount of money left, convenience of not carrying money, and paying bills by mail. Compare bank services by figuring and comparing the costs. Look at:

- Availability and cost of services
- Process and cost of “bouncing” or canceling a check
- Return of cancelled checks (Is a charge made for copies except for IRS purposes?)
- Direct deposit service and time frame for crediting account
- Cost of checks (Banks may have free checks unless fancy ones are ordered)
- Interest given on savings and checking accounts
- If checks can be started with large number to avoid check cashing difficulty of a new account
- Time lapse required before new account can be used.

Regular checking accounts require you to pay a small amount for each check you write. This may be the least expensive way for you to do your banking if you write very few checks per month.

Special checking accounts may require you to keep a minimum balance in the account. These usually allow free check writing. Sometimes the requirement is a minimum balance in a savings account for the free checking. If you drop below the minimum balance required, a service charge is made for checks.

NOW accounts (negotiable order of withdrawal) tie checking and savings together with no money kept in the checking account. Funds are automatically transferred from the savings account when checks are written. You receive a set percentage of interest from the savings account. Charges are made if a high enough balance isn’t maintained. Interest can be figured on average daily balance, minimum balance, or other method.

TYPES OF INSURANCE

Automobile Insurance
Automobile insurance is required in most states. Shop for this insurance the same as you would for any other important purchase that you make.

Liability insurance provides protection when you are at fault (liable) in an accident. The coverage in a policy is designated by three numbers (i.e. 10/20/5).

- The first number tells the amount of money paid for bodily injury for one person (i.e. $10,000).
- The second number is the amount paid for liability for all injuries in one accident (i.e. $20,000).
- The third number is the amount of property damage that is covered ($5,000).

Collision insurance pays for damage to the automobile even if you are responsible. There is usually a deductible clause included that requires you to pay a certain amount of the cost of any accident (i.e. $100, $200, $500). A lower deductible amount is more costly since the insurance company must pay more of the costs.

Comprehensive or Physical Damage pays for the costs of damage to your car not covered by collision insurance (i.e. theft, hail, vandalism).

Medical Payment pays for such things as hospital expenses, funerals, X-rays, and medicines for persons in your car. It usually covers you if you are driving someone else’s car, walking, or riding a bicycle.

Uninsured motorist covers you as a driver or a hit-and-run victim if you have an accident with someone who doesn’t have insurance. No-Fault insurance is available in certain states. It protects you no matter who is at fault. Rates are generally lower on this insurance.

Government insurance is available, usually through a state, for those who are not insurable under usual policies, and/or have poor driving records. This is very expensive insurance because of the risk.

Motorcycle Insurance
Motorcycle insurance is very much like automobile insurance. Since there are several important differences and limits in different policies, check carefully with your insurance agent.
PROTECTING YOUR MONEY AND YOUR FUTURE

“What can I do to protect myself from unexpected financial problems?”

Insurance helps you plan for the unknown. Accidents, death, fire, theft, economic changes, and illness happen. If you have no protection, you can be in financial trouble for years. Policies available from the government, employer, or family are limited. It is best to create a personal insurance plan that will give you all of the protection that you need no matter what the future holds.

Where to Get Insurance

Family
When you start out on your own, your family’s insurance does not normally cover you unless there are provisions in the policy. Check to see what coverage you will retain. Once you have reached the age of eighteen and are off on your own, you are responsible for your own well-being. When in school, medical or household insurance of your family may cover you for some time. There are limitations to consider if you marry, become pregnant, or drop out of school.

Employment
If you are covered with life and medical insurance through your employment, consider what will happen when you leave. If you become uninsurable due to illness, you may not be able to get insurance again. There may be alternatives of continuing the insurance when your employment stops, probably at higher rates. Check these limits and see if you need to carry additional insurance. Consider the worst scenario and prepare for it.

Yourself
If you are not covered with insurance by family or employment, choose a recommended insurance agent to help make a plan. Choose an agent in the same way you would choose a doctor. If you already have family coverage, an agent can help you look at alternatives.

MONEY MATTERS

Super NOW accounts pay a rate of interest usually comparable to certificates of deposit (CD). They require funds to be tied up for varying time periods. Usually a large minimum balance is required to earn the higher interest rate. If the balance falls below the requirements, the interest is dropped.

Free checking accounts are not easy to find, but are available in some communities. There is no required minimum balance or service charge except for “bounced” checks.

Transaction accounts require no minimum balance. All funds earn interest. All transactions have charges (i.e. checks, deposits, withdrawals, transfers). A report is sent each month. If the transactions are greater than interest earned, a charge is made on the difference. If transactions are smaller than interest earned, the difference is added to your account.

Share draft accounts are available with savings accounts through credit unions. A draft is used that is similar to a check.

HOW TO WRITE CHECKS

John Jones
250 Cozy Cove Rd. Lodi MI 22566
Pay to the Order of Strong Insurance Co. ———— $ 12.95
December 6 2002
John Jones
Policy #10-243-65
Electronic Code Number Personal Account Number

1 Write in black or blue ink. (Avoid erasable ink pens!)
2 Write clearly. (If numbers are not clear, the written amount of the check will be used.)
3 Always start writing at far left of line so changes can’t be made by someone else.
4 Always sign your name as written on bank records. NEVER sign your name if there are empty spaces on the check.
5. Indicate the purpose for the check to help your records (i.e. account numbers, rent period for payments, insurance policy numbers).
6. If you make a mistake, mark “VOID” across the check and rip it up before throwing it away.

HOW TO RECORD CHECKS ON CHECK REGISTER

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Description of Transaction</th>
<th>Payment/Debit</th>
<th>Deposit/Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/4</td>
<td></td>
<td>Deposit</td>
<td>$</td>
<td>$35 87</td>
<td>198 37</td>
</tr>
<tr>
<td>1023</td>
<td>1/6</td>
<td>Strong Insurance</td>
<td>12 95</td>
<td></td>
<td>185 42</td>
</tr>
<tr>
<td>1024</td>
<td>1/9</td>
<td>Apple Creek Shoes</td>
<td>27 00</td>
<td></td>
<td>158 42</td>
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<tr>
<td>1/10</td>
<td></td>
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<td>216 66</td>
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<td>1/19</td>
<td></td>
<td>Check Charges</td>
<td>2 00</td>
<td></td>
<td>214 66</td>
</tr>
</tbody>
</table>

1. **Immediately record** all written checks, deposits, and ATM transactions in check register. Then figure the balance so you don’t over spend.
2. Record date, check number, and purpose of checks.
3. Record date and source of deposits. If using ATM machine, record deposit or withdrawal and location of machine used. Keep deposit and withdrawal slips.

HOW TO RECONCILE YOUR CHECKBOOK WITH YOUR BANK STATEMENT

Reconcile your account balance with the bank statement each month to make sure there are no errors.

Avoid spending money you don’t have. Don’t write “bouncing checks” that cost money and harm credit ratings. Check the amount of money you have left in your checkbook account every month with the bank.

---

**LOANS**

**Family loans** are often an excellent source of funds. Trust is the most important part of this type of loan. The loans do, however, have emotions attached.

**Education loans** are available through the government. The STAFFORD loans do not require interest to be paid until the loans are due. The government pays the interest during this period of time. For information, contact college financial aid offices or call NELLIE MAE at 1-800-9-TUITION.

**Bank loans** usually require collateral such as a house or car (when you are buying one), stocks, or bonds.

**Credit union loans** are available to members only. The rates are usually the lowest you can find.

**Small loan or finance company loans** usually have high rates because they loan to poor credit risk people. Check the reputation of any finance company.

**Pawn Shops** are quick to use but very expensive. They do not report to credit bureaus.
- Tear up carbons, if there are any, when you get your credit card receipt.
- Never sign a blank receipt. Draw a line through any blank spaces above the total on receipt.
- When you receive a bill, check against your receipts and note any unauthorized charges or errors.
- If you question charges, notify the issuer of the card right away. Then, before 60 days have passed, write your concerns and send in separate envelope.
- Never give your credit card number to anyone over the phone unless you’ve made the call.
- Sign a new credit card immediately. Cut up old credit cards. Cut up and return any unwanted cards.
- When you’ve cleared all charge slips, rip them up in tiny pieces or shred them so your number can’t be found.

If your credit card is lost or stolen, report it immediately by phone to the company or bank that issued it. (Keep telephone number of the company and the card number in a place that is easily accessible, but not with the credit card!) Then write to the issuer of the card stating the number of the card and the date that it was lost. This should protect you from any charges that are made on the card by anyone else. There is usually no charge for the loss, but if there is, it should be no more than $50.00.

CREDIT ACCOUNTS

Regular or 30 day accounts must be paid in full each month on the date designated on the bill. No finance charges are paid if the bill is paid on time.

Revolving or optional accounts allow you to charge to a set dollar limit. You pay a specified amount plus interest on the remaining balance each month. You can pay the balance in full or in a smaller percentage balance.

Installment or time payment accounts are paid in predetermined amounts over a set period of time.

statement that is sent to you. Bank statements vary in form. Each, however, includes a record of your cashed (cancelled) checks and other debits and deposits with check numbers, dates, and amounts. Here is an example.

<table>
<thead>
<tr>
<th>STATEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Jones</td>
</tr>
<tr>
<td>250 Cozy Cove Rd</td>
</tr>
<tr>
<td>Lodi MI 22566</td>
</tr>
<tr>
<td>Date of statement January 21, 20___</td>
</tr>
<tr>
<td>Account number 12679-08</td>
</tr>
<tr>
<td>Previous Balance $162.50</td>
</tr>
<tr>
<td>Checks &amp; Charges 41.95</td>
</tr>
<tr>
<td>No of Deposits 1</td>
</tr>
<tr>
<td>No of Checks 2</td>
</tr>
<tr>
<td>Deposits &amp; Credits 35.87</td>
</tr>
<tr>
<td>Balance at this date 156.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHECK #</th>
<th>Checks and other charges</th>
<th>Deposits and other credits</th>
<th>Date</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1023</td>
<td>12.95</td>
<td>35.87</td>
<td>1/4</td>
<td>198.37</td>
</tr>
<tr>
<td>1024</td>
<td>27.00</td>
<td>1/9</td>
<td>158.42</td>
<td></td>
</tr>
<tr>
<td>2.00 (check charges)</td>
<td>1/19</td>
<td>156.42</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. In your check register, check box marked “T” for each cashed (cancelled) check that has been enclosed with your bank statement. Make sure any check amount, check register, & bank statement agree.
2. Look on the bank statement for any bank charges. Write these charges in your checkbook register and subtract them from the balance. (Some statements include interest for special types of accounts such as a NOW account. Watch for this and add this amount to your register for a new balance.)
3. On the back of your statement, there will be a method of checking your check register with the bank statement balance. It will direct you to:
   a) Enter statement balance as shown on bank statement $156.42
   b) Add deposits made after the bank statement was issued + 74.78 $ 231.20
   c) Subtract total of all outstanding checks (checks that are not recorded on the bank statement plus any checks from a previous month that were not cashed) - 16.54 $ 214.66*

* The bank statement and your register should have the same balance. If not, recheck figures. (If you find an error that you can’t correct, call the bank.)
HOW TO ENDORSE CHECKS

Special endorsement: allows you to sign a check you received and turn it over to someone else.

Pay to order of
Space Shop
John Jones

Restrictive endorsement: means that the check can be used only as directed (i.e. For deposit only means it can only be deposited in your account. If you mail a check it is best to use this endorsement in case the check is lost.)

For deposit only
John Jones

Blank endorsement is your signature only. Once it is signed it is the same as money since anyone can cash it.

John Jones

SAVINGS INSTRUMENTS

Savings are an important part of your financial plan. Follow the PYF Plan, “Pay Yourself First”, before you pay other bills. If you do not create this safety net, you may not be able to carry out your goals and protect yourself in case of unexpected problems. The amount you save depends on the goals and time line you have allowed yourself. You need funds for your goals and an emergency fund that can be used immediately when needed.

You can work toward saving enough to start out by staying home a while longer, sharing your living space, getting extra jobs, or investing wisely. It may seem that saving money doesn’t help your assets to grow if you have only a little to invest. A chart follows to give you some idea of how even small investments grow.

MONEY MATTERS

If you are in financial trouble:

• Don’t wait to be turned over to a debt collector
• Ask your creditors for a smaller payment plan
• Talk to a credit counselor to see about consolidating your debts so there is only one payment in a smaller amount per month. (Check the cost of the loan and know that you can meet the payments.) Consumer credit counselors should be listed in the Yellow Pages under social service agencies, legal aid societies, or consumer credit organizations
• Sell your car to pay off a car loan debt. (If a car is repossessed, you pay additional fees.)
• Find a part-time job to pay outstanding bills
• Look at all alternatives for cutting your budget immediately.

CREDIT CARDS

Many people get in serious financial trouble because of overuse of credit cards. Many end by ceremoniously cutting them up! The most important rule is “Do not buy what you can’t afford!”

If you choose to use a credit card, comparison shop. Consider:

• Fees required for credit card use
• When bills are due and what the grace period is for the payment of the bill
• APR (annual percentage rate) that is charged and method used for charges: average daily balance, previous balance, or adjusted balance
• Requirements for purchase of insurance such as disability, accident, or death
• The credit limit (amount you can borrow)
• Reputation of issuer of the card and the card’s acceptance by various businesses.

If you buy with a credit card and pay your statement promptly with no interest fee, you receive free credit for a few days, depending on when you purchase compared to the billing date.

Keep your credit card safe and avoid charges made by someone else.

• Watch your credit card after giving it to a clerk. Take it back promptly and check that it’s yours.
Establish credit so you have it when you need it. There will be times that you really benefit from borrowing, especially when buying large items such as a car or a house. You can establish credit by:

- Creating a steady work record on a job
- Always paying your bills promptly
- Never bouncing a check
- Starting a savings account and a checking account
- Applying for credit at institutions such as department stores, banks, or credit unions. (You may need a friend or relative to co-sign.)
- Buying something or taking out a loan, then repaying promptly or ahead of time
- Getting your name on a prompt paying relative’s account
- Repaying a student loan ahead of time with a few extra payments.

If you are denied credit, find out why. If it’s because of information supplied by a credit bureau, find the problem. A credit report can be requested within 30 days of receiving a denial letter. (In case of error, credit bureaus must notify any creditor who has checked your file in the last month.) Talk with the companies involved. If you can’t agree, you may file a statement of up to 100 words telling your side of the story.

Check your credit ratings with credit bureaus at least every 3-4 years for incompletes and inaccuracies. As you are starting your credit, you may want to check yearly. Look in the telephone directory for “Credit and Debt Counseling Services” or ask for a name to contact at a bank or place of business. The three main credit bureaus are: TRW, Equifax Options, and TransUnion.

Credit ratings are created by credit bureaus who sell information to banks and retailers who grant credit. The bureau keeps track of the history of payment of all bills and records any bills that are overdue or any actions taken to collect bills. Some creditors use a scoring system to predict credit risk. The information includes age, income, debt, assets, and reliability of paying bills on time.

If you want a simple way to estimate the way your money can grow, use the:

“Rule of 72”:

- Divide 72 by the interest rate you expect to earn to see how many years it will take to double your money.
- Divide 72 by the number of years in which you want to double your money to get an estimate of the percentage you will need to earn to do this.

Savings account types

Passbook or statement savings accounts are available at most savings institutions. They offer low interest rates, immediate withdrawals, low minimum balance or no balance requirements.

Credit union accounts are available only at credit unions. There may be some restrictions on the account. Interest rates are usually low to medium.

Certificates of deposit commit funds for a specific period of time (30 days to 8 years). You may take the money out, but you pay a penalty if cashed before maturity. Longer term CD’s usually have higher rates. Rates usually lock in, which may be an advantage or disadvantage.

Money market accounts have variable interest rates. There is a minimum deposit required. If the account drops below minimum, the interest usually goes to lower rates. Often transactions are limited in number. There may be checking privileges.

Money market funds are available from a mutual fund or stockbroker. They generally offer a high comparative yield, but rates fluctuate. Check writing is often limited. Funds are not insured. There is no penalty for withdrawal. No sales commission is required.

Christmas Club accounts are offered for year-end or holiday use. The
bank usually sends a check to the depositor at year’s end. The money can be deposited directly into another account. **Cookie jar funds** are a tried and true method of saving. Drop your change into a jar and watch it grow!

**Before choosing a savings account, you should ask:**

- Is a minimum balance required?
- Does the annual yield fluctuate or stay fixed?
- Is interest compounded; if so when and on what balance? How often?
- Is it possible to withdraw funds or transfer funds to another account?
- What is the cost of transferring funds?
- Are there any extra fees?
- Is account covered by FDIC insurance?

**INVESTMENT OPPORTUNITIES**

Banks offer investment counseling if you have enough money to invest for profit. Comparison shop.

- **U.S. Savings bonds:** U.S. government investment with set maturity date at price below face value.
- **Certificate of deposit (CD):** Specific amount of money for set time and interest rate.
- **Treasury issues:** Treasury department bills, notes, or bonds of $1,000 to $1 million that mature from 30 days to 5 years.
- **Bonds:** Corporation or government certificates of debt that pay interest plus original investment on a specified date.
- **Stocks:** Share of ownership of a company. Value increases or decreases according to success of the corporation.
- **Mutual funds:** Pooling of dollars that are placed in various investments by professionals.
- **Commodities:** Speculative contracts on future world demands of basics such as food and metals.

**CREDIT**

Credit has become an established way of doing business today. It can help you reach your goals or can keep you from reaching them. It becomes a part of your total financial plan. A good credit rating is necessary for emergencies when you must borrow money. Since credit is based on future earnings, it should be used with great care.

You can’t read the future!

**Credit is tempting and dangerous** . . . especially when you have little money to do all of the things that you want. **Credit seems simple but isn’t.** You as a consumer are encouraged to purchase with promises such as “Only $12.00 per month!” without information about the total cost of an item. That item may end up costing more than the original price. Long-term credit can be more expensive than a direct bank loan. Buying more than you can afford can destroy your credit rating so you can't get credit when you need it. Credit ratings last for several years, so mistakes are not easy to erase. Buying on credit takes discipline that many people do not have.

**When thinking of buying on credit** consider the “opportunity cost” of the item. Ask yourself, “What will I not have the opportunity to buy if I buy this?” “What would I rather have?” “Will this purchase help me reach my goals?” Other things to think about:

- Decide if you are impulse buying with an “it would be nice to have” attitude rather than real need.
- Consider other alternatives.
- Know the full cost of credit before accepting it.
- Consider the whole cost of the article by including the credit charges.
- Comparison shop for lowest interest costs and consider how to pay bill off as early as possible.

**If you absolutely must use credit,** a rule of thumb recommends that the total credit payments you have per month should not exceed 15% to 20% of your income after taxes and housing have been paid.