



**HARVARD UNIVERSITY
EMPLOYEES CREDIT UNION**

Personal Money Management

**Focus: Starting and following a Budget and
Managing Personal Credit.**

Presentation Objectives

- Understanding Your Financial Personality
 - Why and where do you spend money?
- Developing a Personal Spending Plan
 - Staring and following a budget.
- Money Saving Tips
- Personal Credit
 - Scores, impacts, tips, your questions.
- Contact Information

About the Credit Union

- The Harvard University Employees Credit Union is a financial institution exclusively serving the students, alumni, faculty, and staff of Harvard University and the affiliated hospitals. Family members are also eligible.
- **Member Owned**
 - Every member is an equal shareholder
 - Volunteer Board of Directors elected by the membership
- **Safety and Stability**
 - Well capitalized
 - Federally insured by the National Credit Union Administration (NCUA)
- **Cooperative Model**
 - Member deposits used to fund loans for other members.
 - All earnings returned to the members in the form of better value and enhanced services.

Learning to Handle Money

- Harvard Student Survey
- Sources of consumer finance education
 - Formal Program – 15%
 - **None – 41%**
 - Parents – 34%
 - Friends – 11%
- “Most people learn how to handle finances from their parents; but this is a problem because the world has changed since they were growing up.”

Elizabeth Warren –
Harvard Law School Professor

Consumer Finance Education

- **Self rating of knowledge of consumer finance topics:**
 - Personal Budgeting: 65% - poor to average
 - Personal Credit: 95% - poor to average (27% poor)
 - Taxes & Insurance: 97% - poor to average (42% poor)
 - Investing: 95% - poor to average (59% poor)

- “There has been a devastating lack of attention, urgency and seriousness of taking on [financial literacy]”

Arne Duncan –
U.S. Secretary of Education

Spending Choices

- Consumer spending decisions are about 95% related to emotional needs.
 - “Retail Therapy” for example.
- Many factors impact consumer behavior.
 - Specific to each individual.
- Understanding why we buy what we buy can help us make smart decisions in the future.
 - Universal.

Advertising 101

- In the store and beyond; online, in apps, social media, billboards, public transportation, magazines, newspapers, T.V...
- Leela: Didn't you have ads in the 21st century?"
- Fry: Well sure, but not in our dreams. Only on TV and radio, and in magazines, and movies, and at ball games... and on buses and milk cartons and t-shirts, and bananas and written on the sky. But not in dreams, no siree.
- The purpose of advertising is to get us to buy.
 - Use emotional appeals and present certain images or lifestyles.
- You cannot avoid advertising (unfortunately) but you can separate emotional appeals from the true value of the product.

Financial Personality

- Critical to understand your financial values.
- Values – fundamental beliefs about what you regard as important
 - Employment, family life, spiritual matters, personal health, education, public policy, credit use, money.
- Values serve as the basis for budgeting and setting your financial goals.

Why is utilizing a budget important?

- Living without a budget is like building a house without a foundation
- Everything built atop it is flimsy
- At a certain point what is built will crumble



What Do You Spend Money On?

- Housing
 - Rent, heat, electricity, water, phone, internet, etc.
- Taxes
- Food
 - Groceries, dining out
- Transportation
 - (auto loan, gas, insurance, parking, T- pass)
- Clothing
- Entertainment
 - Phone, games, movies, sports, vacation etc.
- Debt Payments
- Child Care

Budget Kickoff

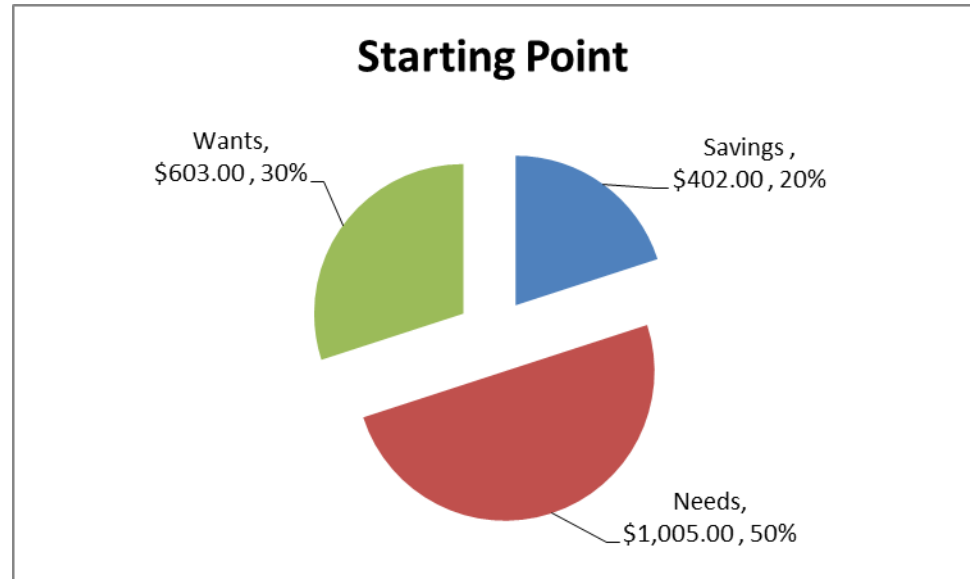
The HMS student budget allows for a living expense allowance of

\$2010.00 a month.

This includes;
housing, utilities, food, clothing, laundry and travel.

Spending Plan Breakdown

- First take a look at how you spend your money. Take an average week and see where and how much of your money goes to maintaining yourself.
- Extrapolate to a month worth of spending.
- Is that sustainable?
- Take stock of that answer and set up a budget.
- Adjust as needed by what is in line with your goals/priorities/values.



Managing your plan

- You might not be under budget the first or even second month you try. Review and Update your plan but you should be on point after a couple of revisions, otherwise you've missed the point.
- Understand tradeoffs
- Live within your means
- Prioritize spending
 - Reduce
 - Substitute
 - Postpone
 - Forgo
- Increase your income

Give yourself the 4th degree

➤ Needs vs. Wants / Ask yourself the following.

- 1) Do I really need it?
- 2) Do I have to have it today?
- 3) What will happen if I don't buy it now?
(for better or worse)
- 4) Why have I gotten along without it until now?

Life-time savings goals

- Stage 1 – Save \$1,000
- Stage 2- Pay off debt.
- Stage 3 – Build 6 month security fund to pay must haves
- Stage 4 – Lifetime of wealth
 - Save for retirement
 - Save for your other dreams
 - Residence
 - Children's Education
 - Heart's Desire



Barriers to meeting goals

- What challenges you the most in making progress toward your financial goals?
 - Not having a spending plan/budget
 - Impulse buying
 - Poor use of credit cards
 - Unsustainable spending habits
- All lead to not being able to cope with
 - Loss of job
 - Emergencies



Success in meeting goals

- What helps you make progress to meeting your goals?
 - Having a plan
 - Disciplined approach to meeting objectives
 - Seeing results/ progress
 - Having goals to aspire towards

Budget Saving Tips

- Start with Goal –
 - Saving \$50/month or about than \$2/day
- Start with groceries, dining out, clothes, cosmetics, household items, transportation.
- Example - Groceries
 - Keep away from convenience stores
 - Shop with and stick to a list
 - Eat before you go grocery shopping
 - Avoid buying items from the middle shelves
 - Never buy non-food items at a grocery store

Impact of Small Purchases to Budget

- Coffee \$2.50/ day x 7 = \$910 per year
- Lunch \$10/ three times week = \$1,560 per year
- Dinner \$25/ twice per week = \$2,600 per year

- Total for full year - \$5,070

- Determine what purchases meet your goals.

Signs of Financial Distress

- When Your Credit Card Bill Arrives, You Can't Pay It In Full.
- Your Credit Card Usage Has Become a Necessity Rather Than a Convenience.
- Your Credit Card Debt Is Increasing, but You Only Pay the Minimum Payment Each Month.

Credit Basics

- Credit – Utilizing something now (e.g. education, car or home) and paying for it over a period of time.
- 3 C's of Credit
 - Character – How well do you honor your financial obligations
 - Capacity – How easy will it be for you to repay the debt
 - Collateral – Will the loan be secured by something

Types of Credit

- Unsecured Credit
 - Credit Cards, Personal Loans, Checking Overdraft
- Guaranteed Loans
 - Some Home Improvement Loans, pre-2010 student loans
- Secured Loans
 - Backed by pledge of investments or deposits
- Collateral Loans
 - Backed by liens or titles – Homes and Cars
- *All extensions of credit must be legally disclosed*

Credit Cards & Debit Cards

- *“Is that debit or credit?”*
 - What it says on the card matters
 - Debit cards will always be identified.
- Debit Card
 - Money on deposit
- Credit Card
 - Loan
- Track your spending on-line
 - Every transaction is recorded
 - Categorize all expenses

Managing Money

*Most people
will spend more with credit than debit
and
more with debit than cash.*



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Personal Credit Report

Credit Character

Credit Bureau Companies

- Three Major U.S.
 - Trans Union
 - Experian
 - Equifax
- Company that collects information from various sources
- Data furnishers are typically creditors, lenders, utilities, debt collection agencies and the courts
- Provides consumer credit information on individual consumers for a variety of uses
- Compiles reports and scores using proprietary algorithms.

Who Reviews Your Credit?

- Financial lenders
- Employers
- Landlords
- Automotive dealers
- Professional licensing boards
- Insurance companies



What's on the Credit Report?

➤ Personal Information

- Names, current & previous addresses, employers, DOB, SSN.

➤ Credit Information

- Credit granted and history & timeliness of repayment, revolving, installment or open ended, payment patterns for past 7 years

➤ Public Record Information

- Records found on public documents: bankruptcies, tax liens, collection accounts, overdue child support

➤ Inquiries

- List of creditors and agencies who have requested your credit report

How long is information kept on a report?



Open accounts in good standing	Indefinitely
Closed accounts in good standing	10 years
Late or missed payments	7 years
Collection accounts	7 years
Civil judgments	7 years
Chapter 7 bankruptcy	10 years
Chapter 13 bankruptcy	7 years
Unpaid tax liens	10 years
Paid tax liens	7 years
Credit inquiries	2 years

Getting Your Credit Report

- www.Annualcreditreport.com
 - Receive a free copy of report from each of 3 bureaus.
 - Order report every 4 months to check for inaccuracies.
- Equifax – Atlanta, GA
 - (800)685-1111
- Experian (TRW) – Allen, TX
 - (800)Experian
- Trans Union – Springfield, PA
 - (800)888-4213



www.annualcreditreport.com

Annual Credit Report.com - Home Page - Windows Internet Explorer provided by HUECU

https://www.annualcreditreport.com/index.action

Annual Credit Report.com

The only source for your free credit reports. Authorized by Federal law.

Home All about credit reports Request yours now! What to look for Protect your identity Frequently asked questions Contact us

Don't be fooled by look-alikes.

Lots of sites promise credit reports for free. AnnualCreditReport.com is the only official site explicitly directed by Federal law to provide them.

About AnnualCreditReport.com

PLAY SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

Request your free credit reports

FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

BROUGHT TO YOU BY

Experian

TransUnion.

EQUIFAX

start | Inbox - Murphy, Tom ... | Annual Credit Report... | Re: Graduate school ... | 12:57 PM

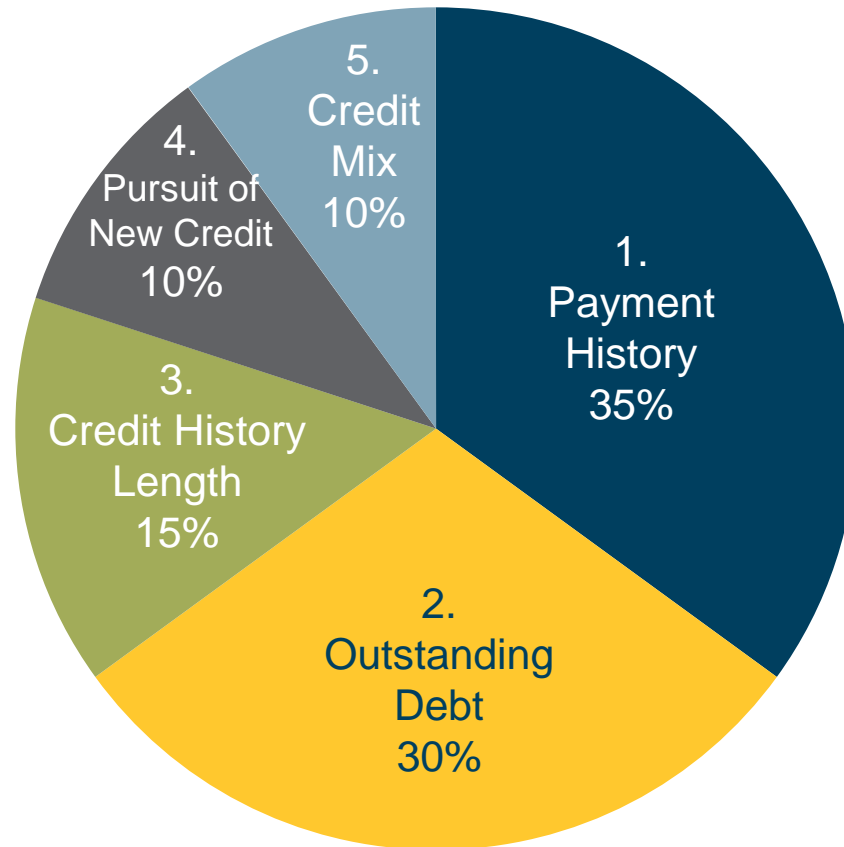
What Is Your Credit Score?

- Forecast of how well you will repay a loan as agreed during the next 24 months
- Snapshot of your credit history at a particular point in time
- Only includes factors related to an individual's credit
- Always changing

Credit Score Ranges

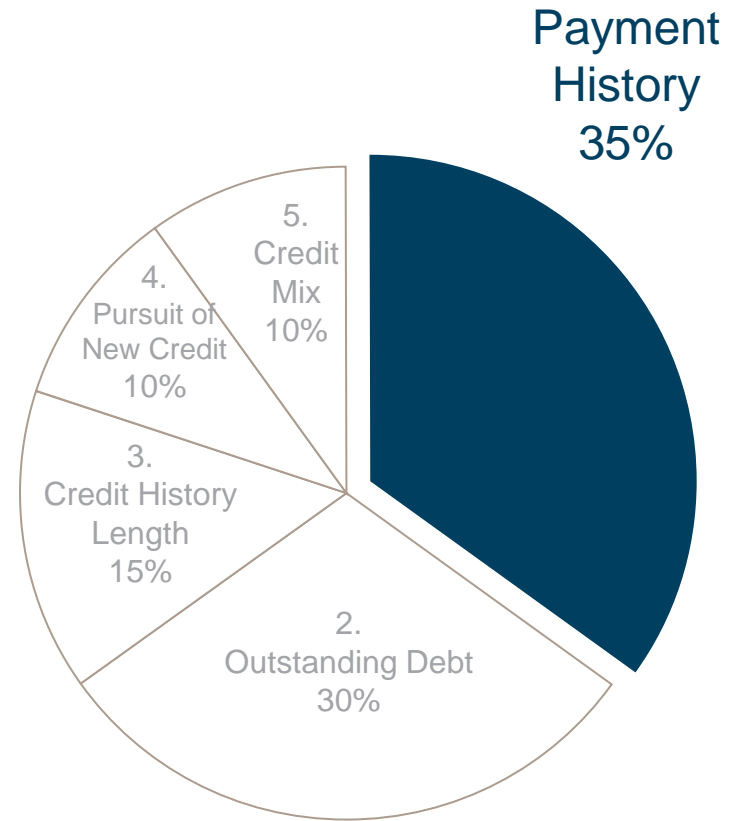
- FICO Scores range – 300 to 850
- Only 18% of population have a FICO Score of 800 or better
- 7% of population have scores below 500

FICO Credit Score Factors



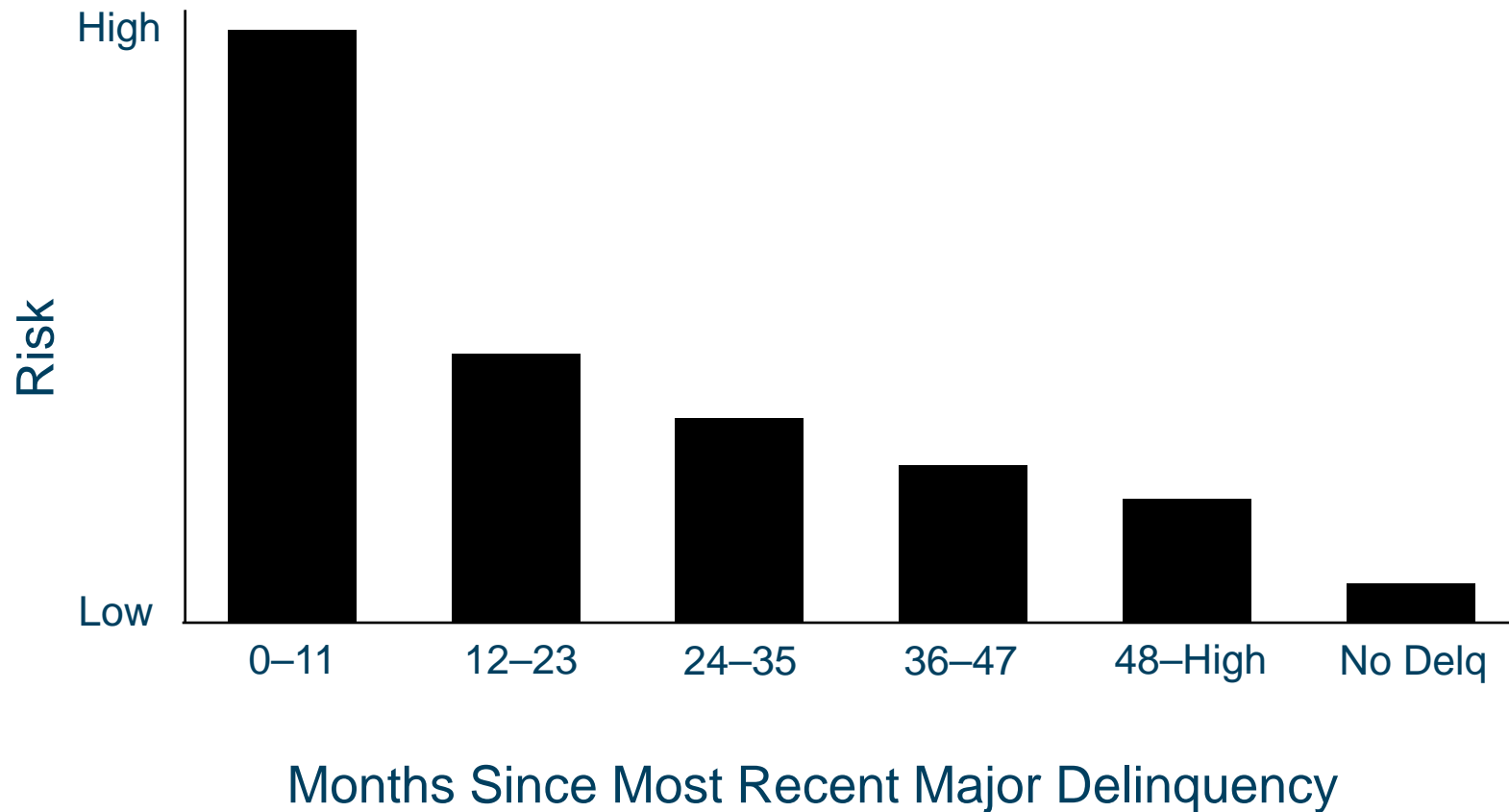
1. Payment History

- **Key Factors**
- How recent is the most recent delinquency, collection or public record item?
- How severe was the worst delinquency—30 days, 90 days?
- How many credit obligations have been delinquent?



Payment History

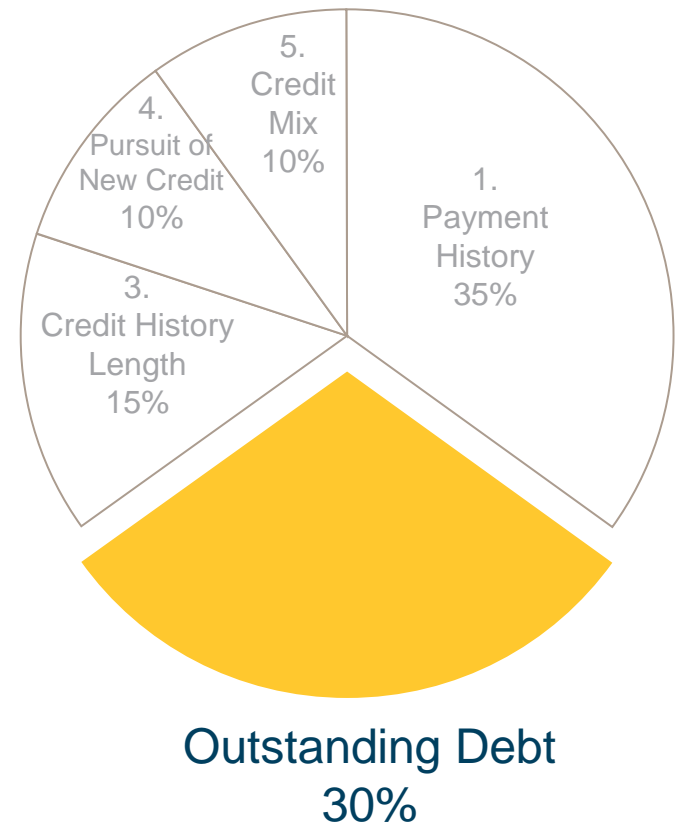
Example



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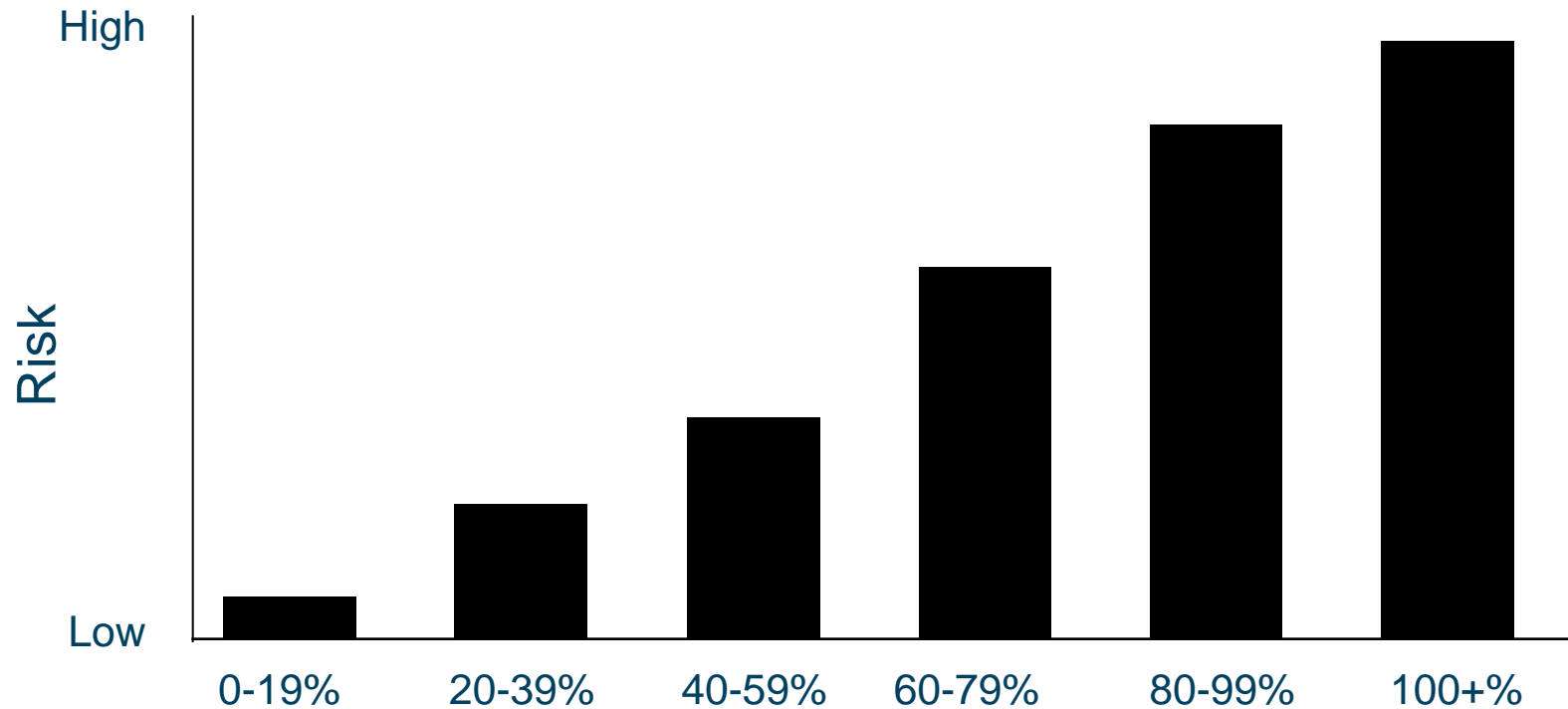
2. Outstanding Debt

- **Key Factors**
- How much does the consumer owe creditors?
- What percentage of available credit card limits is the consumer using?
- What percentage is outstanding on open installment loans?



Outstanding Debt

Example



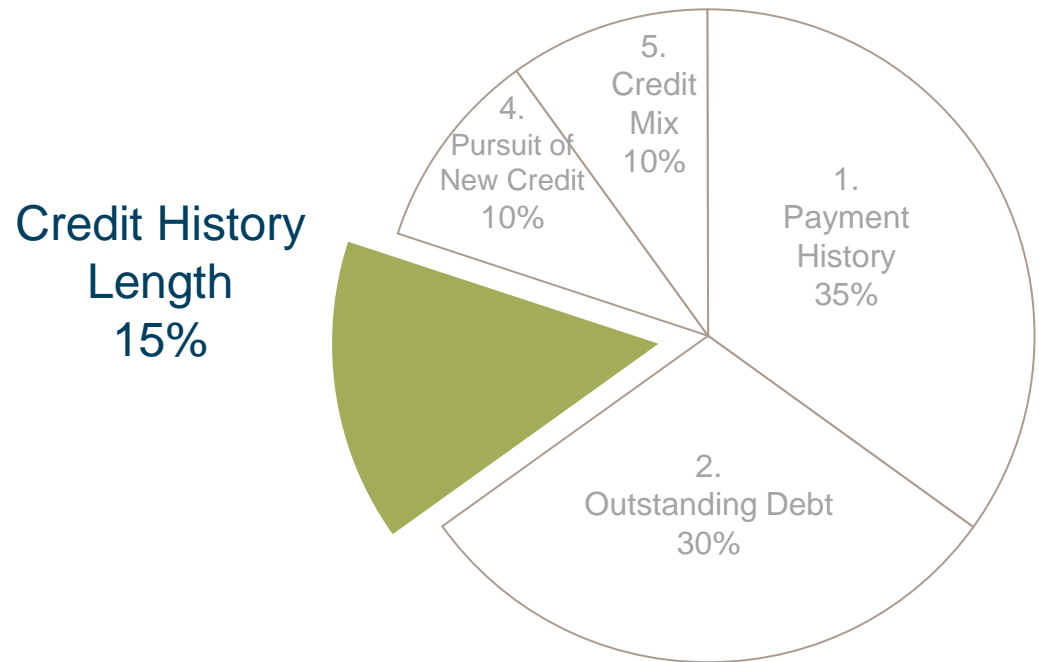
Ratio of Total Balances to
Total Limits on Revolving Accounts



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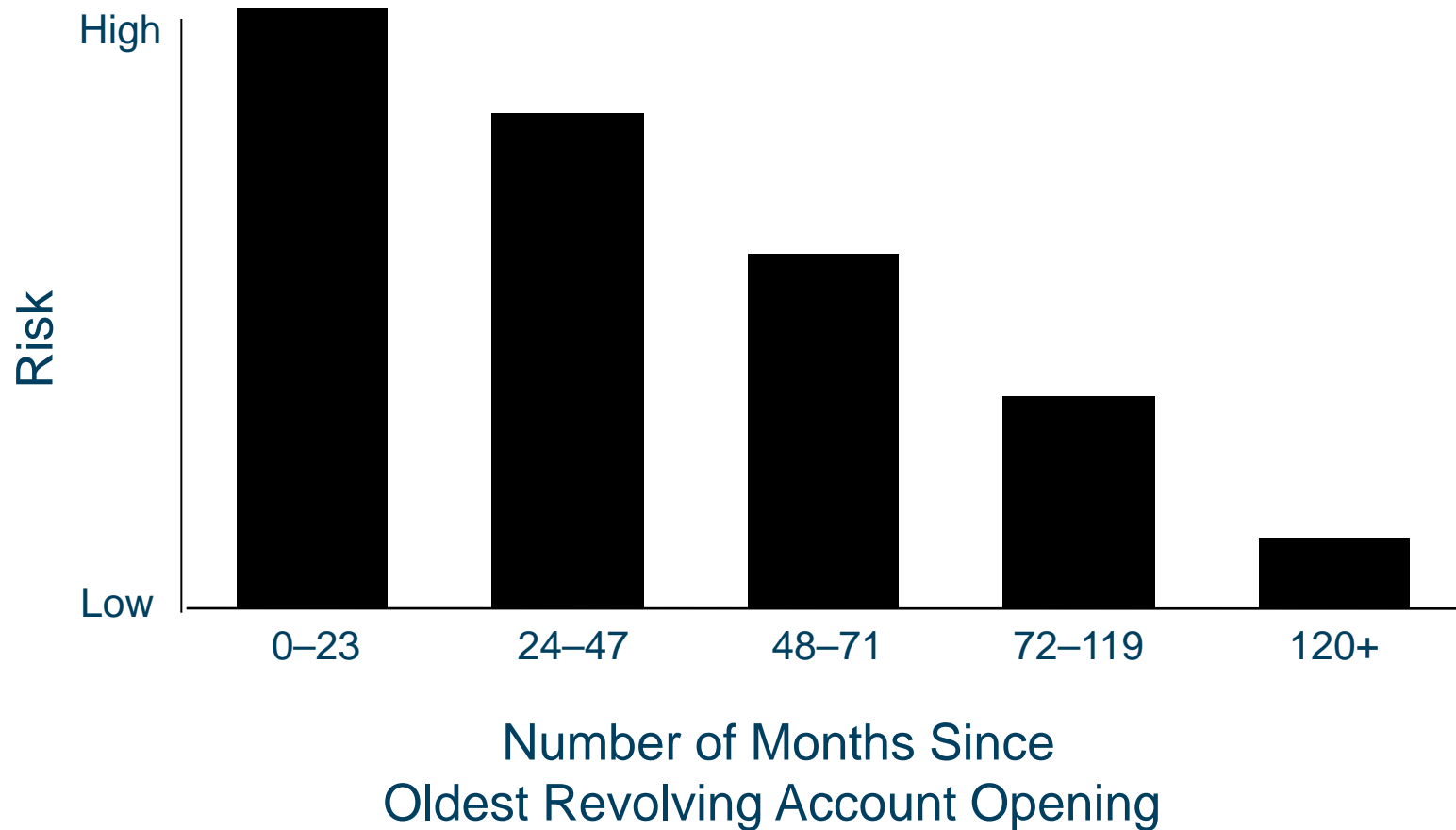
3. Credit History Length

- **Key Factors**
- How long have accounts been established—average number of months accounts have been open
- New accounts—number of months since most recent account opening



Amount of Credit History

Example

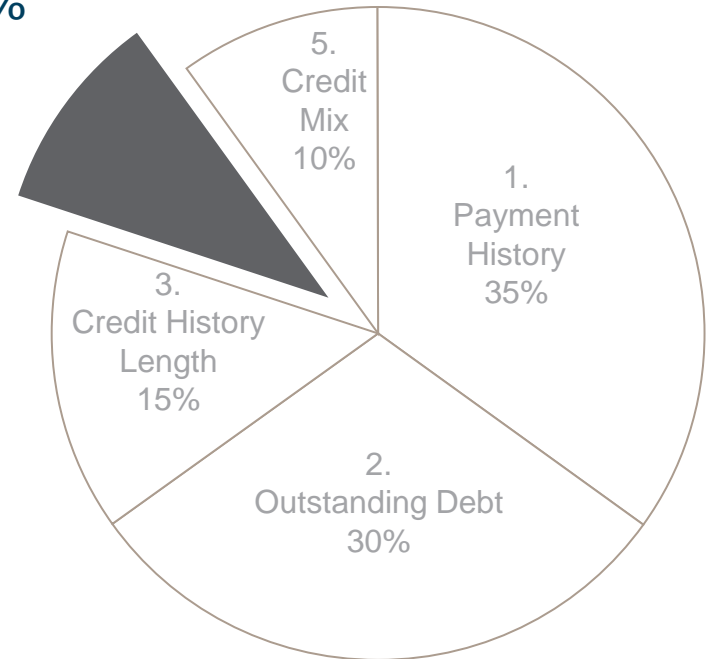


4. Pursuit of New Credit

➤ Key Factors

- Inquiries:
Number of recent inquiries (12 months)
- New accounts—
number of trade lines opened in last year

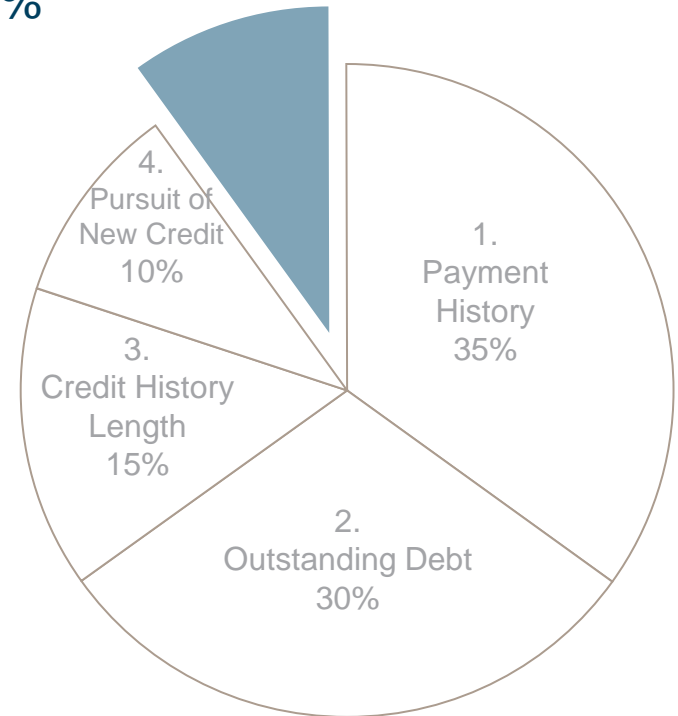
Pursuit of
New Credit
10%



5. Credit Mix

- **Key Factors**
- What is the mix of credit product types?
- Revolving credit—number of bankcard trade lines
- Installment credit—percent of trade lines that are installment loans

Credit Mix
10%



Credit Impact: Slow Payments

- One 60 day delinquency can decrease a credit score by...
 - 50...
 - 75...
 - even 100 points!

Credit Impact: Rates and Payments

Credit Score	APR	Monthly Payment
720-850	4.23%	\$741
690-719	5.68%	\$757
660-689	7.73%	\$780
620-659	11.29%	\$822
590-619	16.28%	\$882
500-589	17.71%	\$900
<500	Not eligible	

Source: Myfico.com – 36 month car loan - \$25,000

Poor Credit: Costs

- Mortgage costs – extra \$200 to \$300 per month per \$100,000 borrowed
- Insurance costs, credit card costs, other borrowing - \$100's extra per month
- Pay extra for borrowing or pay yourself by planning for purchases and using savings.

Common myths about credit reporting

When paid, the bad debt will go away on my credit report.

Not paying off the full balance of my credit card balance (not paying in full) each month helps my credit score.

Using my debit card but saying “credit” at the store checkout puts the info on my credit report.

A divorce decree separates joint accounts

Requesting your own report harms your credit history



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Credit Card 101

Statistics – Students & Credit Cards

- Only 26% of college students surveyed nationally understand credit- card fees and interest
- 60% of undergrads surprised at how high their balance had reached
- 98% of student credit cards have an over-limit fee (not HUECU!)

Credit Card Payment Behavior of Students

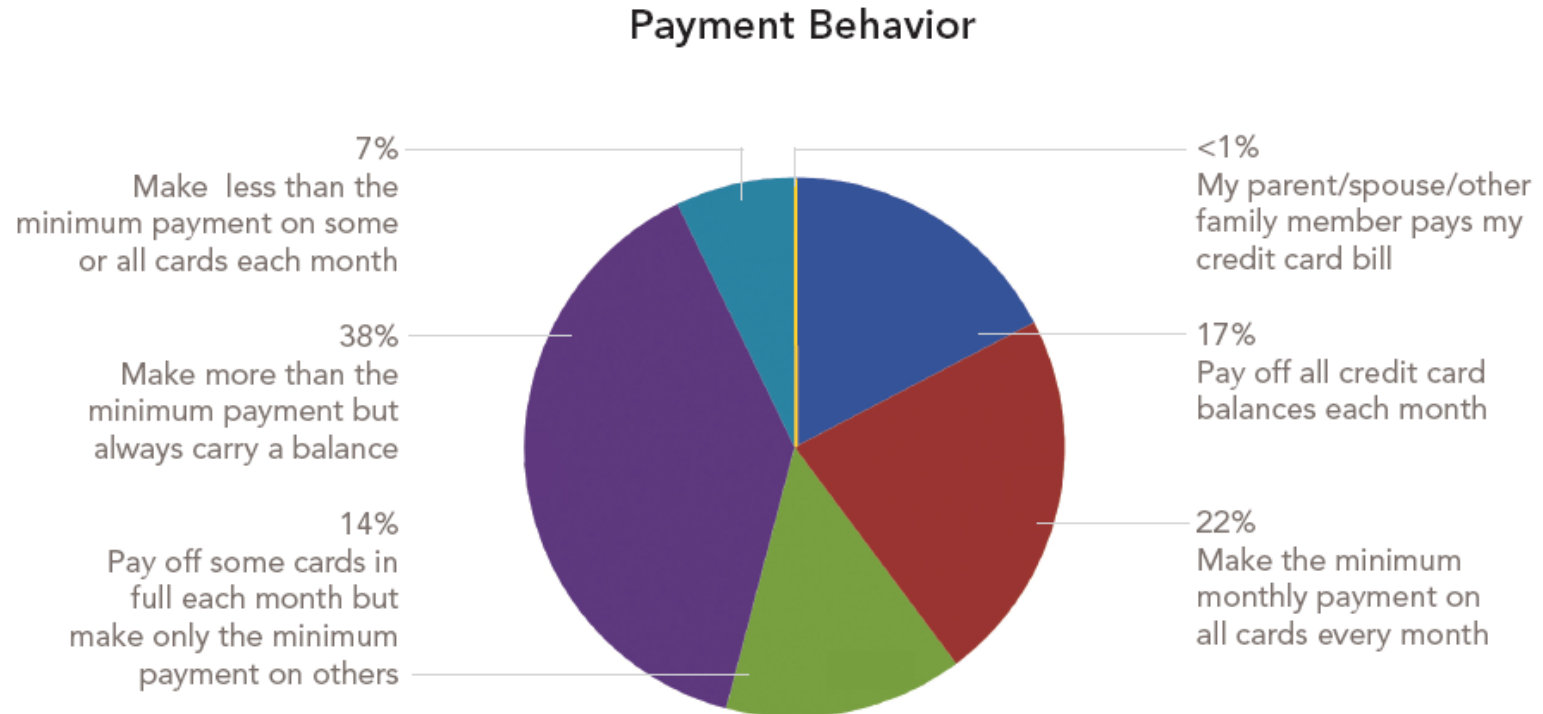


Figure 10: Percentage of students who say their credit card payment behavior most typically resembles that described; source: self-reported survey

Types of Credit Cards

- General; which covers cards with rewards, travel bonuses, cash back, and straight no frills.
- Limited purpose (store cards).
- Secured (Cash in an account determines limit).
- Others: Business, premium.

Anatomy of a Credit Card

- Introductory Rate
- Annual Percentage Rate
- Universal Default Rate
- Variable Rate
- Grace Period
- Cash Advance Fee
- Late Fee
- Over-the-Limit Fee
- Expedited Payment Fee
- Foreign Transaction Fee
- Annual Fee

Having a Plan for Your Credit Card

- Determine when and for what you will use the card for each month.
 - Small monthly charges paid in full may help your credit score.
- Avoid “treating yourself” with a credit card.

Making Choices

- Look a card's Terms & Conditions before applying.
- Weigh the benefit of rewards programs vs a lower interest rate with no rewards program.
- Understand that rewards will only benefit you if you pay off your full balance every month.

Interest Rates

INTEREST RATES AND INTEREST CHARGES

Purchase Annual Percentage Rate (APR)	15.24% . This APR will vary with the market based on the Prime Rate. ^a
Balance Transfer APR	15.24% . This APR will vary with the market based on the Prime Rate. ^a
Cash Advance APR	19.24% . This APR will vary with the market based on the Prime Rate. ^b
Overdraft Advance APR	19.24% . This APR will vary with the market based on the Prime Rate. ^b
Penalty APR and When It Applies	<p>29.99%. This APR will vary with the market based on the Prime Rate.^c</p> <p>The Penalty APR will be applicable to your Account if you:</p> <ul style="list-style-type: none"> • fail to make any Minimum Payment by the date and time due (late payment); • make a payment to us that is returned unpaid; or • do any of the above or exceed your credit limit on another account or loan you have with us or any of our related banks. <p>How Long Will the Penalty APR Apply: If your APRs are increased for any of these reasons, the Penalty APR will apply indefinitely.</p>
How to Avoid Paying Interest on Purchases	Your due date will be a minimum of 21 days after the close of each billing cycle. We will not charge you periodic interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on balance transfers, cash advances, and overdraft advances on the transaction date.
Minimum Interest Charge	If you are charged periodic interest, the charge will be no less than \$1.50.
Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard .



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Fees

FEES	
Annual Membership Fee	None
Transaction fees	
Balance Transfers	Either \$5 or 3% of the amount of each transfer, whichever is greater.
Cash Advances	Either \$10 or 3% of the amount of each transaction, whichever is greater.
Foreign Transactions	3% of each transaction in U.S. dollars.
Penalty Fees	
Late Payment	Up to \$15 if the balance is less than \$100; up to \$25 if the balance is \$100 to less than \$250; up to \$35 if the balance is \$250 or more.
Return Payment	Up to \$35 .
Return Check	Up to \$35 .



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Cost of Credit Card Minimum Payment

- Making only minimum monthly payment will take you years to payoff a balance.
- \$2,000 balance
 - 18% interest rate
 - minimum payment
 - Over 30 years to payoff!
 - \$7,000 total paid!
 - This assumes no new spending
- Add \$50/ month to payment
- \$50 more per month
- Reduces payoff time to Less than 3 years with substantial savings.

Managing Your Personal Credit

- Pay your bills on time.
 - Missed or late payments have a high, negative impact.
- Check your credit report for accuracy.
 - Address anything you believe to be in error.
- Payoff debt, rather than transferring it around.
- Don't get a credit card if you don't need it or think you need it too much.
- Utilize Balance Counseling

HUECU's BALANCE Counseling

- BALANCE is a financial education and counseling service available as a benefit of the Harvard University Employees Credit Union
- Money management counseling
 - Personal budget development
 - Debt repayment options
 - Credit report review
 - 888-456-2227 - Harvard University CU Referral; Have to be a Member to take advantage.

Contact Information

- HUECU.org
- (617) 495-4460
- HUECU_LOAN_SERVICES@harvard.edu

Thank you for attending!