

FINANCIAL EMPOWERMENT WORKBOOK



Presented By: Colonial Savings, F.A.

SETTING FINANCIAL GOALS

Setting financial goals is your first step to managing your financial future. Setting financial goals is not easy. You may save money for months for a vacation only to have an unexpected medical bill knock your fund back to zero. But success can be achieved with the right mindset.

Our focus is to help you be financially prepared to deal with surprises rather than have surprises deal with you.

WHAT ARE GOALS?

A goal is something you're willing to work for. The best way to reach your goal is by making a plan AND following it. When writing financial goals it's best to focus on three types of goals: short-term (0 to 1 month), medium-term (1 to 6 months), and long-term (more than 6 months). All goals must be realistic and actionable. A goal has to be **SMART**.

- S – Specific**
- M – Measurable**
- A – Attainable**
- R – Rewarding**
- T – Timely**

Specific – State your intention. All your goals should begin with “I will...”

Measurable – In order to evaluate how you are doing, you need some measure of your success.

Attainable – Goals can't be so challenging that they are impossible to meet. You need to feel a sense of accomplishment (regularly) after meeting attainable goals.

Rewarding – This feeling is important, as it confirms that your goal is worth achieving. Set priorities to your goals, so you focus on what is most important to you.

Timely – Choose a reasonable timeframe for the achievement of your goals. Goals are frequently classified in terms of how long they will take to accomplish.

SHORT-TERM FINANCIAL GOALS

Short-term goals should be measured in weeks. Short-term goals provide immediate feedback and gratification. The following are examples of short-term financial goals:

- *I will go to the bank and start a savings account with \$50 by next Friday. (3/15/0000)*
- *I will put \$50 into my new savings account from each paycheck starting with the next paycheck. (3/31/0000)*
- *Starting Monday of next week, I will bring lunch to work everyday.*

Write two short-term financial goals that you can accomplish within the next thirty days.

1. I will

2. I will



MEDIUM-TERM FINANCIAL GOALS

Medium-term goals should be able to be accomplished within a 6 month time frame. They are achievement-oriented and provide the opportunity for reflection and feedback. The following are examples of medium-term goals.

- *By the end of three months (June 30, 2022) I will have \$500 in my savings account.*
- *I will shop for car insurance and find ways to save at least 15% on my payment by July 15, 2022.*

Write two medium-term financial goals that you can accomplish in one to six months.

1. I will

2. I will



LONG-TERM FINANCIAL GOALS

Long-term goals can take years to achieve. These include saving money for a down payment on a home, a child's college education, and your retirement. They may also include paying off a car, your student loans or credit card debt. The following are examples of long-term goals:

- *I will be in a new home in two years, with a 20% down payment.*
- *I will pay off one of my credit cards in a one year time frame by cutting up the card so I don't use it again and by sending 1/12th of the total to the credit card company each month.*

Write two long-term financial goals that you can accomplish.

1. I will

2. I will

Reaching your goals may be a challenge, so you'll constantly need to remind yourself of your goals. Envision yourself achieving them.

Here are some tips to stay motivated:

- *Write out your goals and place them in a place where you will be able to see them every day.*
- *Rallying friends and relatives to encourage your goals.*
- *Developing your goals hand-in-hand with your budget and spending plan. Rewarding yourself once a goal is accomplished is a very important part of goal setting. Special rewards should take place when you achieve your medium and long-term goals. However, short-term goals provide immediate feedback and recognition. When you achieve a short-term goal, recognize your achievement and reward yourself right away. Ways to reward yourself include:*
 - *Tell a loved one or friend about your accomplishment.*
 - *Write a "Way to go!" note to yourself and post it on the refrigerator.*
 - *Treat yourself to a special dessert next time you go to a restaurant.*

LAST PURCHASE

Let's look at your last purchase:

What was the last item you bought?

Item _____ Habit or Impulse? _____

Why did you buy this item?

What was the last item you bought that was approximately \$10?

Item _____ Habit or Impulse? _____

Why did you buy this item?



BREAKING SPENDING HABITS

Not all spending habits are bad. The ones that you should aim to break, however, are those based on “wants” instead of “needs.” By denying yourself momentary pleasures, you’ll be able to work toward longer term financial security. Understanding how to save \$5-\$10 a day can result in thousands of dollars saved each year.

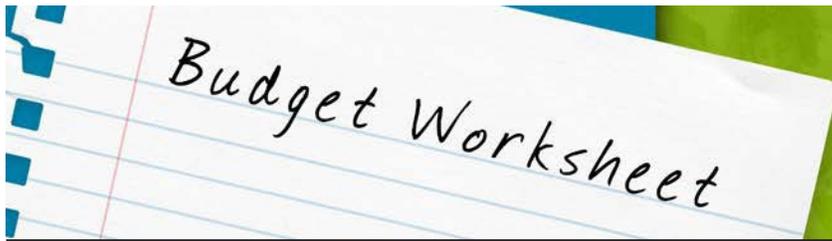
Like with any habit, the hardest part is getting started. The good news is that it only takes a few days to start a new habit (one that doesn’t cost money). So, if you are used to buying a soda at the vending machine every day at work, consider switching to ice water. It’s healthier and could save you hundreds of dollars a year. Challenge yourself to break old habits and create new healthier ones.

Spending Habits Activity

Complete the following activity by writing down three spending habits you’d like to break. Estimate the cost/month. Also, list ways you can help yourself kick the habit.

SPENDING HABIT	COST/MONTH	COST/ANNUALLY
1.		
2.		
3.		

WAYS TO KICK MY SPENDING HABIT



	Month
Monthly Income	
Take Home Pay (self)	
Take Home Pay (spouse)	
Alimony / Child Support	
Social Security	
Other Income	
A: Total Income	
Rent / Mortgage	
Rent	
Mortgage	
Home Maintenance	
B: Rent / Mortgage Total	
Transportation	
Car Payments	
Auto Insurance	
Gas / Fuel Costs	
Parking / Tolls	
Vehicle Maintenance	
C: Transportation Total	
Utilities	
Telephone	
Cellular Phone	
Electric	
Water	
Natural Gas	
Cable / Satellite Television	
Trash Services	
D: Utilities Total	

	Month
Food & Clothing	
Groceries	
Eating Out	
Clothing	
Laundry / Dry Cleaning	
E: Food & Clothing	
Health & Personal	
Medication / Prescriptions	
Doctor Bills	
Health Insurance	
Life Insurance	
Alimony / Child Support	
Education	
Childcare	
Contributions	
Savings	
Other	
F: Health & Personal Total	
Secured & Unsecured Debts	
Credit Card Payment	
Student Loans	
Other	
G: Secured & Unsecured Debts Totals	
Monthly Cash Flow	
H: Total Income (Total From Line A)	
I: Total Expenses (Add Totals From Lines B,C,D,E,F & G)	
J: Disposable Income (Subtract Line I From Line H)	

WHY IS BUDGETING IMPORTANT?

Living life without a budget is like going somewhere without a MAP. You may never reach where you want to go without it.

Personal budgets can help you in four major areas:

1. As a money management tool: By keeping a personal budget, you'll know how much you are spending and where you are spending it.
2. As a way to gain control over your finances: Sticking to a personal budget puts you in charge of your money. By tracking what you spend, you will make better financial choices for yourself.
3. As a way to get organized & de-stress: Personal budgeting allows you to better organize bills, receipts, payments, and any other financial statements you may receive. You'll worry less about bills once you start keeping track of when they are due, which ones you've paid, and which still need to be paid.
4. As a communication tool: Your budget will provide a way for you and your family to talk through financial issues. By learning where and how money is being spent, your family can discuss ways to achieve smarter spending and saving.

MOST IMPORTANTLY, a BUDGET will help you SET and TRACK GOALS!



Once you have written down your monthly expenses, the next step is to take a look and see what areas of your budget can be reduced. You need to ask yourself questions such as:

- Do I spend too much on cable or satellite?
- If I do a bundle package with cable, Internet and cell phone could I save some money?
- How much can I save by using coupons for my groceries? Am I spending too much money eating out?

Take a serious and realistic look at your budget and be willing to make reductions if that is what is needed. The bottom line is that if you want to reach a financial goal, some sacrifices will have to be made. Unfortunately, our generation wants instant gratification and waiting is not an option we like to consider. Once you identify those areas that need reduction, let's see if we can come up with ways to save.

MONTHLY CASH FLOW

The last section in the budget worksheet is the monthly cash flow. For each month, you add up your total income and expenses. Then calculate the difference. The difference will be your Disposable Income. Your Disposable Income should be positive. If it is positive, you can then decide to enter the amount into your savings, pay more on certain bills, or reward yourself for a budgeting job well done.

SAVINGS ACCOUNTS

When you start a personal savings account, you should have a clear understanding of what you are saving for. Understanding your saving goals will help provide the drive and motivation to save. For example, your goal may be to save for a home, for emergencies, or for college.

There are many reasons why people have savings accounts. You should save money for emergencies to avoid going into debt to pay for them. This could involve any number of unexpected issues: a job layoff and sudden loss of income, an accident resulting in out-of-pocket medical expenses, or other costly issue you can't avoid.

SAVING MONEY

Saving money can be difficult if spending on immediate needs always seems to take priority over saving. However, if you are serious about saving money, you must make a commitment to doing so. The amount you can afford to save may seem small at first, it will add up over time.

There are two ways to save money:

- *The first is to save before you spend.*
- *The second is to save after you spend wisely.*

Both ways of saving money require you to have a spending plan and to budget effectively. The first method of savings is to pay yourself first.

Save before you spend: Prior to paying any of your bills and other expenses, you literally pay yourself first. As soon as you are paid, put your pre-determined amount aside, ideally in a separate savings account, before you pay your bills.

Save after you spend: First spend more wisely. For example, you take a look at your spending plan for a first month and you see that you spent \$60 on snacks during work. Ouch! For the next month, you budget to spend only \$30 on snack food. At the end of the month, you'll have \$30 extra you didn't spend that can go into savings!

Effectively managing your spending plan helps save you money. Some months you may not be able to save as much as other months, but keep your goals in mind and try to adjust your spending so you can save as much as possible.



5 REASONS WHY AMERICANS CAN'T SAVE MONEY

1

Lifestyle maintenance

Most people increase their expenses as quickly as they increase their income. The problem is that they can't give up their improved lifestyle when they face financial hardship.



2

Instant gratification

"On demand video", "instant pain relief", "fast food", and "buy now, pay later". Not only do we want it, but we want it NOW!



3

Plastic doesn't feel like real money

A wallet doesn't get lighter when you charge things to your credit card. It makes it a lot easier to spend more than you can afford.



4

Advoiding the truth

How can you fear what you don't know? Some people are unaware of their financial situation and are afraid to find out. They just pay their minimums and ignore their growing debt.



5

Keeping up with the Jones'

We want to feel as successful, or more successful, than those around us. What we don't realize is that the neighbors probably can't afford that new boat either.



OPENING A BANK ACCOUNT:

Once you start saving money in a savings account, you should also set a goal to have free checking. Free checking is a checking account with no fees. Generally, you need to have a minimum deposit before a bank will grant you free checking.

Checking account fees are often referred to as “Monthly Maintenance Fees.” The average \$11.75 monthly fee charged by banks is \$141 for a calendar year. That’s \$141 that could be in your savings account!

Two of the most common ways to get free checking are:

- *Maintain an average minimum balance in your checking and/or other linked accounts. Check with different banks to find out what this balance is.*
- *Agree to have your pay direct deposited to the bank or credit union.*

QUESTIONS TO ASK

1. Do you offer no-fee checking accounts?

If no: leave.

If yes:

- What is the minimum balance I need for free checking?*
- Can a portion of the minimum balance be held in a linked savings account?*
- How much do you charge to cover an overdraft?*
- How much do you charge for non-bank ATM withdrawals?*
- How much do you charge to receive paper statements?*

2. Do you offer no-fee savings accounts?

If no: leave.

If yes:

- What is the minimum balance I need for free savings?*
- Will you pay me interest? If so, how much?*

Interview AT LEAST two banks before opening an account.

When you do open an account:

1. **DO NOT** sign up for overdraft protection.
2. **DO** check your statements each month – if you see fees, inquire about them.
3. **DO NOT** carry an ATM card or checks to your savings account. This will help you stay away from spending your savings.
4. **DO** set up an automatic transfer from your direct deposit to your savings account each month: **make saving automatic.**

THE JONES FAMILY

Maria knows she needs to save for emergencies and her retirement, but at the end of each month she has no money left over. After attending a personal finance course, she made a goal to save \$1200 in one year (\$100/month). Here is her monthly budget:

Income:	\$ 1800 per month
Expenses:	
Rent:	\$ 750
Cell Phone:	\$ 60
Cable:	\$ 45
Food:	\$ 150
Daycare:	\$ 650
Utilities:	\$ 75
Transportation:	\$ 70

Based on her budget above, list three ways Maria could save:

1. _____

2. _____

3. _____



WHAT IS A CREDIT SCORE?



- Rating used to predict the risk a lender assumes in granting you credit
- How likely you are to make your payments on time in the next two to three years
- Based on a complex mathematical model that evaluates many types of information found in a credit file
- You have more than one credit score but FICO® scores are used by over 70% of nation's creditors

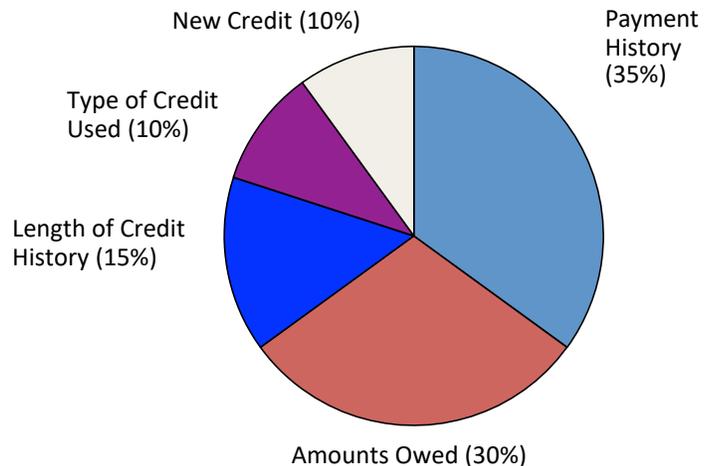
Facts About Your FICO® Score

- Ranges from 300 to 850, the higher the score the lower the credit risk
- Majority of scores in 600s and 700s
- For a score to be calculated, your credit report must
 - Contain at least one account that has been open for six months or more
 - At least one account that has been updated in the past six months
- Scores are dynamic and change as data is updated by credit reporting company

What is “Good Credit” and why do I need it?

FICO SCORES		
300 – 499	Bad	2%
500 – 549	Bad	5%
550 – 599	Bad	8%
600 – 649	Fair	12%
650 – 699	Fair	15%
700 – 749	Good	18%
750 – 799	Good	27%
800 – 850	Excellent	13%

What Factors Affect a FICO® Score?





GOOD CREDIT VS. BAD CREDIT

Benefits of Good Credit

- Easier to get a job (many employers check credit history)
- Qualify for lower interest rates on all kinds of loans
- Lower car insurance premiums
- Lower home insurance premiums

Cost of Bad Credit

- Harder to get a job
- Hard to get credit when you need it
- Credit will cost you more
- Higher car insurance premiums
- Higher home insurance premiums
- Higher deposits to establish new services

Recipe for GREAT Credit

1. ALWAYS pay your bills on time
2. Borrow as little as possible
3. Keep your oldest card open forever (if no annual fee)
4. Don't apply for new credit too often

Percent of Population FICO Score Range

Top 20% Above 780
Next 20% 740-779
Middle 20% 690-739
Next 20% 620-689
Bottom 20% Below 619

Credit report dispute

This guide provides information and tools you can use if you believe that your credit report contains information that is inaccurate or incomplete, and you would like to submit a dispute of that information to the credit reporting company.

It is important to dispute inaccurate information with both the credit reporting company that created the report and the company that first reported the inaccurate information, often called the furnishing company. While this packet provides information about disputing inaccurate information with a credit reporting company, you can find information about disputing inaccurate information with a furnishing company at files.consumerfinance.gov/f/documents/092016_cfpb_FurnisherSampleLetter.pdf.

Background

You can contact the nationwide credit reporting companies online, by mail, or by phone. When disputing, refer to your credit report so that you can correctly and fully identify the information that you are disputing. Your report contains a consumer identification or report number that should be included with your dispute to allow the credit reporting company to identify you. There is no charge for submitting a dispute. Ensure the error has been removed by requesting confirmation from the consumer reporting company.

Online and phone disputes

EQUIFAX

Online: equifax.com/personal/credit-report-services/credit-dispute/

By phone: Phone number provided on credit report or (800) 864-2978

EXPERIAN

Online: experian.com/disputes/main.html

By phone: Phone number provided on credit report or (888) 397-3742

TRANSUNION

Online: transunion.com/personal-credit/credit-disputes-alerts-freezes.page

By phone: (800) 916-8800

Disputes by mail:

You can download each company's dispute form or use the [letter included in this guide](#), which provides the credit reporting company with enough information to identify you and the specific accounts or tradelines that you are disputing. To make it easier to identify the items that you are disputing, consider including a copy of your credit report with these items marked or circled. You may also wish to include copies of any supporting documentation, such as a statement from your lender, which demonstrates the incorrect information you are disputing.

How to use the template:

1. In the sample letter, fill in your personal information. Edit the information in [brackets] to address the specific inaccuracies that you are disputing. Note that requirements may vary by company, so it's always good to doublecheck with each company to ensure you are providing all of the information they require.
2. List each item on your report that you believe is inaccurate, the account number and the specific reason you feel the information is incorrect.
3. Print and mail the letter along with one copy of a government issued identification card, (such as a driver's license or state ID card, etc.), and one copy of a utility bill, bank or insurance statement, etc. You can find the address for the three nationwide credit reporting companies below:

EQUIFAX

Download the dispute form at files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingDisputeLetter.docx.

Mail the dispute form with your letter to:

Equifax Information Services LLC
P.O. Box 740256
Atlanta, GA 30374

EXPERIAN

Download the dispute form at files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingDisputeLetter.docx.

Use the address provided on your credit report or mail your letter to:

Experian
P.O. Box 4500
Allen, TX 75013

TRANSUNION

Download the dispute form at files.consumerfinance.gov/f/documents/092016_cfpb_CreditReportingDisputeLetter.docx.

Mail the dispute form with your letter to:

TransUnion LLC
Consumer Dispute Center
P.O. Box 2000,
Chester, PA 19016

4. You may consider "return receipt requested," for proof that the credit reporting company received it. Keep a copy of the letter for your records. If you send any information with the letter, send copies and keep your originals.

Note that if your complaint involves identity theft, you may want to take additional steps. You can visit the FTC's website [identitytheft.gov](https://www.ftc.gov/identitytheft) to find out how to combat identity theft.

1 Identifying information

- Your full name
- Consumer report/id number
- Date of birth
- Your address
- Driver's license number (optional)
- Social security number (optional)
- Today's date

2 Company information

- Name of company
- Company Address

3 Disputed items

- Your account number
- Dates of disputed information
- Explanation of inaccuracy
- Company that provided the disputed information
- Type of disputed information

4 Enclosures

- List any documents that are included

1 Sue A. Jones
Account # 1234-56678
DOB 12-01-1984
1234 Main Street
Columbus, Ohio 43215

3/10/2016

2 Equifax Information Services, LLC
P.O. Box 740256
Atlanta, GA 30374

Dear Equifax:

I am writing to request an investigation of the following information that appears on my Equifax consumer report:

Dispute 1

- Account #: 1234-56789
- Dates associated with item being disputed: 12/01/2015
- Explanation of item being disputed: The account with Ficus Bank in question is showing as settled for less than full value, but I paid the full amount owed. Please update to show it as paid in full.

Enclosures:

- Copy of credit report with report number # 1234-56678
- Last billing statement from Ficus Bank
- Payoff Statement from Ficus Bank.

Thank you for your assistance.

Sincerely,
Sue A. Jones

FINANCIAL TRACKING & BUDGETING TOOLS

MINT - For just about everything

GOODBUDGET - For hands-on envelope budgeting

YNAB - For hands-on zero-based budgeting

EVERYDOLLAR - For simpler zero-based budgeting

POCKETGUARD - For a simplified budgeting snapshot

HONEYDUE - For budgeting with a partner

SIMPLIFI BY QUICKEN - Best budgeting app 2 years in a row