# 3 Spending Wisely

**In this session, you will see how to spend money more wisely. You will:**

- Explore the difference between "wants" and "needs."
- Learn how to pinch your pennies.
- Recognize and avoid spending traps.

*How can* **YOU** *spend more wisely?*

**We all want things we don't have. Sometimes we think "things" will make us happy. But what really makes most people happy is having a family and friends, as well as having a future with enough money.**

Most people want to be in control of their lives. Most people want to have choices. Having money gives us more choices. Owing money means having fewer choices.

*You* **can** *be in financial control*

## Wants vs. Needs

Wise spenders know the difference between *want* and *need*. Before you buy an item, ask yourself, "Do I really need this? Or do I just *want* it?" There is a big difference!

Look at the following list. For each item, check whether it is something you need or want.

| Need | Item | Want |
|---|---|---|
| | Reliable car | |
| | Milk | |
| | Bigger TV | |
| | Computer for college | |
| | Disposable diapers | |
| | Lottery tickets | |
| | Telephone | |
| | Cellphone | |
| | Larger apartment | |
| | My own home | |
| | New furniture | |

**You cannot spend more than you have—unless you go into debt.**

One way to decide between a want and a need is to ask yourself these questions:

1. Do I really need it?
2. If I get it, how long will I use it?
3. How long will I enjoy it?
4. Are there other ways to get it? (Can I borrow it? Buy it used? Buy a cheaper one? Buy it with a friend?)
5. What if I don't get it? Will my life still be OK?

Now go back over the want/need questions again. Did you confuse the wants and needs? Remember:

You have a certain amount of money (the WHOLE).

- You can divide it into PARTS.
- You can divide it many ways. (Some people put the PARTS into envelopes marked "food," "rent," etc. They know that's how much they have to spend for the month.)

So you can divide your income into PARTS, but you cannot spend more than the WHOLE. You cannot spend more than you have—unless you go into debt.

## Stretching Every Penny

Have you heard the old saying, “A penny saved is a penny earned”? Know what that means? It means every penny *does* count! Pennies add up to dollars—in fact, they can add up to many dollars.

There are many ways to pinch pennies. One way is to avoid buying on impulse. Sometimes “things” look so nice that we want them right now! But is that the best way to spend your money?

Wise shoppers follow the “Rule of Three.” They compare the prices and quality of at least three items before they buy. They also save up for big items such as a TV. They don’t buy if they don’t have the money.

Here are some tips to help you pinch pennies.

### Saving on Clothes

Think of ways you could save on clothes. Perhaps you could:

- Shop at thrift shops and garage sales.
- Swap clothes with friends.
- Buy clothes that don’t need dry cleaning. Only buy clothes you can wash.
- Make shorts out of pants that have a hole in the knee.
- Hem a long and out-of-style skirt to make a short and stylish skirt.
- Make a new look. Put new buttons on an old jacket, sweater, or coat.
- Save on shoes. Replace heels and soles on old shoes instead of buying new ones.

What other ways can you think of to stretch your clothing pennies? Write them here:

________________________________________

________________________________________

________________________________________

## Saving on Food

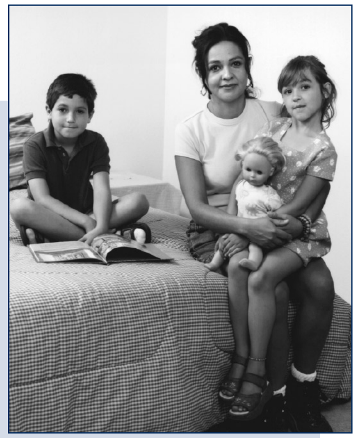
Now think of ways you can save on food. Consider these ideas:

- Make a shopping list—and stick to it! Avoid buying things that are not on your list (impulse buying).
- Compare prices. Store brands are often cheapest.
- Avoid fast food and carryout. They are usually more expensive and not as healthy as buying and preparing nutritious meals at home.
- Look for store specials (two-for-one sales).
- Clip coupons for items you often buy. But don't buy something just because you have a coupon.
- Buy in bulk if you have space to store it, or consider sharing the cost and the items with someone else.
- Don't shop for food when you're hungry. You'll want to buy extras.
- Try not to shop at convenience stores. They cost more.
- Save on lunch and snacks. Take coffee, lunches, and soft drinks from home to school or work instead of buying them.

**Compare prices.**

**Store brands are often cheapest.**

## Anna's Story



Anna used to take her two children out for hamburgers a couple of nights a week. Then she made a spending plan. She added up those dinners. She saw how much that was costing. She also saw that she could make healthier meals at home that cost less.

Now she plans meals for the week. She shops with a list. She buys things that are on sale, but only what she needs. She is saving a little money each week. She is putting that money in a special place for unexpected things as they come up. She feels good about that.

Many people don't like the idea of asking for help. But there are programs designed to help people. Sometimes, everyone needs a helping hand. You also may be able to save on food by:

- Visiting a food bank to get free food.
- Asking if your children can get reduced-cost breakfasts and lunches at school (even in the summer).
- Seeing if you qualify for food stamps. Call your local Department of Human Services.
- Signing up for WIC. The Women, Infants, and Children Program helps women with children under 5 years of age.
- Signing up for public housing or housing vouchers (you may be eligible). Call the housing department of your city or county.

What other ways can you think of to pinch your pennies for food? Write them here:

________________________________________

________________________________________

________________________________________

________________________________________

## Saving on Bills

Now think of ways to pinch your pennies on other bills and expenses:

- Reduce your electric and heating bills. Turn off lights when you leave a room. Turn down the heat a little in winter. Use the air conditioner a little less in summer.
- Run the dishwasher and clothes washer only when they're full.
- Wash clothes with the lowest temperature water.
- Stop or cut back on expensive habits such as smoking and drinking alcohol.
- Save on gifts. Don't buy gifts—give homemade gifts instead. Or offer a service, such as a backrub or baby-sitting. Homemade gifts and services show you care.
- Save on entertainment. Rent movies or borrow them from libraries for free. Enjoy them with popcorn at home. Also, borrow books, CDs, DVDs, and magazines free from your local library.
- Save on transportation. Ride your bike, carpool, or take a bus to school or work.
- Buy used furniture from a garage sale or thrift store. Rent-to-own furniture costs a lot in the long run.
- Save on car payments. Buy a used car instead of a new one.
- Put off a purchase for a while. Or buy something cheaper.
- If you have both a cellphone and a "regular" phone, get rid of one.
- Do away with cable TV, or at least cancel the most expensive channels.
- Write e-mails instead of making long-distance calls (many libraries let you use the Internet for free).
- Don't waste money gambling! Lottery tickets are very tempting but the odds that you'll win are very, very low.
- Don't shop to cheer yourself up.

What other ways can you think of to pinch your pennies? Write them here:

## Saving on Taxes

Saving on taxes is another way to save. Most people don't think of this!

If you earn enough to pay federal taxes, you may be able to get a *tax credit*. There are credits for having children. There are credits for getting an education. Talk to a tax advisor, counselor or teacher for help in this area. A tax credit is like someone paying part of your taxes for you. You owe less money for taxes when you take a tax credit.

- You may be able claim a tax credit if you pay for child care.
- You may qualify for the Earned Income Tax Credit (EITC). This is a special tax credit for low-income families. Legal immigrants may qualify. An EITC can save you a lot of money!
- You may also qualify for education credits when paying for college or a trade school for yourself, your spouse, or your children.

The Internal Revenue Service can help you figure out if you can get a tax credit. There is no charge for their help. Contact the IRS at 1-800-829-1040, or visit www.irs.gov on the Internet.

**You owe less money for taxes when you take a tax credit.**


## Avoiding Spending Traps

There are many spending traps that can be expensive options you should try to avoid. Here a few of them. You may be able to think of more.

### The Big Three Spending Traps

The biggest spending traps are check-cashing stores, pawnshops and payday lenders. If nothing else, try to avoid these.

1. *Check-cashing stores.* If you don't have a bank account, it can be hard to cash your paycheck. Check-cashing stores may be nearby, but it's best not to use them. They charge big fees. You might have to pay an 8 percent fee to cash a $100 check.

   $100 check × 8% fee = $8 fee

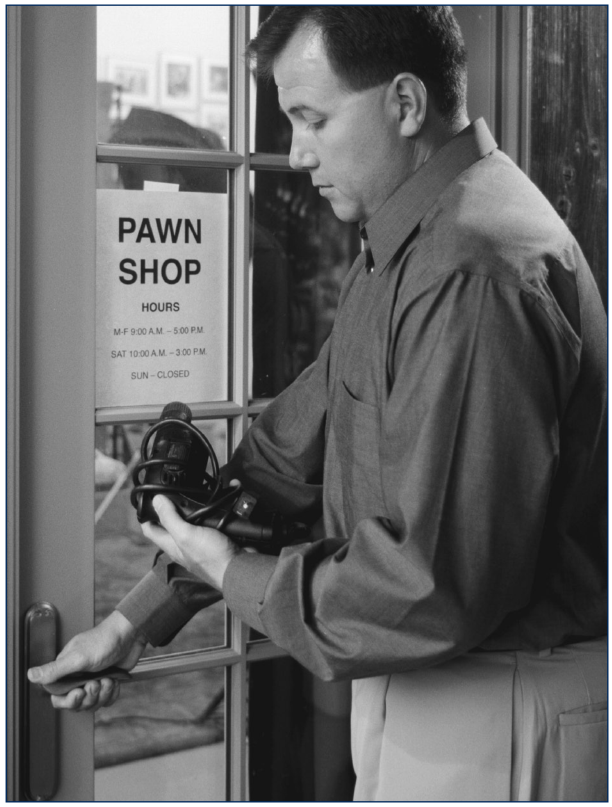
   $100 check – $8 fee = $92 returned to you

   You would pay $8 just to cash a check. All you would get back from your $100 is $92.

   > An $8 fee may not sound like much, but think how it can add up. If you pay $8 a week each week for 52 weeks, that's $416 a year! It would cost less to cash your payday checks at a grocery store or bank.

2. *Pawnshops and finance companies.* They may be convenient. But they are very, very expensive. A loan from a bank will cost less over time.

3. *Payday lenders.* These lenders make loans to people who have a job and a checking account. You write a check with a future date (the date you will get paid). The lender gives you the money and waits to cash the check until that date. They charge a lot of money for a loan. They charge as much as $25 for every $100 you borrow!




## Other Spending Traps

Some other spending traps that can nickel and dime you—and add up to big bucks.

- *Money orders.* Some people use money orders to pay their bills. These are sold at the post office and at convenience and grocery stores. They cost from 30 cents to $1. That doesn't sound like much. But remember how small amounts can add up. A checking account might be better if you buy a lot of money orders.

- *Rent-to-own stores.* These stores rent furniture, TVs, etc. Their things may be nice. But did you know they charge up to 10 times more than the items really cost? Save your money. Maybe a family member or friend can loan you some furniture. Or maybe you can buy furniture at a garage sale, a used furniture store, or a thrift store instead.

- *Catalog companies.* Catalogs make items look so nice that you really want them. But be careful what you buy. Be sure you can afford what you order. Add the shipping fee to the cost. Pay with a check or money order. If you use credit from the catalog company, you can end up owing hundreds of dollars if you don't pay off the entire charge when the bill is due.

- *Mail-order companies.* Some companies send special offers such as "10 music CDs for $5." But there's a catch. After the first 10 CDs, they send another CD every month. You have to pay full price for these, or you have to pay to mail them back. It's best to avoid these offers. Most public libraries have CDs, magazines, and DVDs you can borrow for free.

- *Advertising.* We see ads all the time. They are on TV, radio, billboards, and the Internet as well as in newspapers and magazines. Follow the "Rule of Three" before you buy. Compare at least three items at different stores to find the best price before spending your money.

- *Children.* Children can be spending traps, too. They also see many ads. They want to have many things. Teens especially want things that others have. It's OK to tell your children "no." Explain that you can't afford it now. Help them learn to save for the things they want. Be a role model for them.

- *Shopping malls.* Many people go to malls to have fun. But you can be tempted to buy things at a mall. If you go to a mall, take a list. Stick to it. Don't buy on impulse. Avoid temptation! Find other places to have fun. Find places that won't tempt you to spend money.

- *Pets.* People love pets, but they cost money. You have to pay for food. You may have to pay for a license, veterinary bills, adoption, and/or neutering. Be sure you can afford a pet before you adopt one.

**Be sure you can afford a pet before you adopt one.**

- *Phone sales.* Salespeople often call to get you to buy things. Don't buy over the phone. You don't know the caller. The call could be a scam.

- *Checks from credit card companies.* Sometimes credit card companies send checks in the mail. All you have to do is sign them, and you get money. But that money is not free. It's a loan. You will have to pay it back—with interest. Don't use the checks. Tear them up!

- *Health club memberships.* These usually require a contract for several months or longer. If you sign, you have to pay even if you stop going to the club. It's usually cheaper to go to your local YMCA, YWCA, or public recreation center.

- *Cellphones and pagers.* These are handy tools, but they can be expensive. You have to sign up for a service plan. And you have to pay for that plan even if the phone or pager is lost or broken. So think hard before signing up for a cellphone or pager. If you do have a cellphone, watch how many minutes you talk each month. It's expensive to use minutes over your plan.

- *Cable TV.* Cable can be a good thing. It lets you watch movies at home. But with extra (premium) channels, the cost goes up. Pay-per-view also adds to the cost. Be aware of the cost before you sign up.

- *Buy-now-pay-later.* You might see an ad for furniture that says, "No payments for one year!" Don't be fooled. You pay extra for these offers. The extra cost is hidden in the price.

- *Buying a car.* If you need a car loan, try to get one from a bank or credit union. They usually cost less than a loan from a car dealer. Don't let a salesperson pressure you into signing anything. Understand everything in a contract before you sign. Verbal promises don't count. Only the signed contract counts.

- *Friends and family members.* Even friends and family members can be money traps. Some will borrow money from you but never pay it back. Some will come for meals, but never help pay for food. Some may even want to move in with you and not pay rent. Don't loan money you can't afford to lose. And before anyone moves in, set ground rules about what costs they will share.

**Don't loan money you can't afford to lose.**

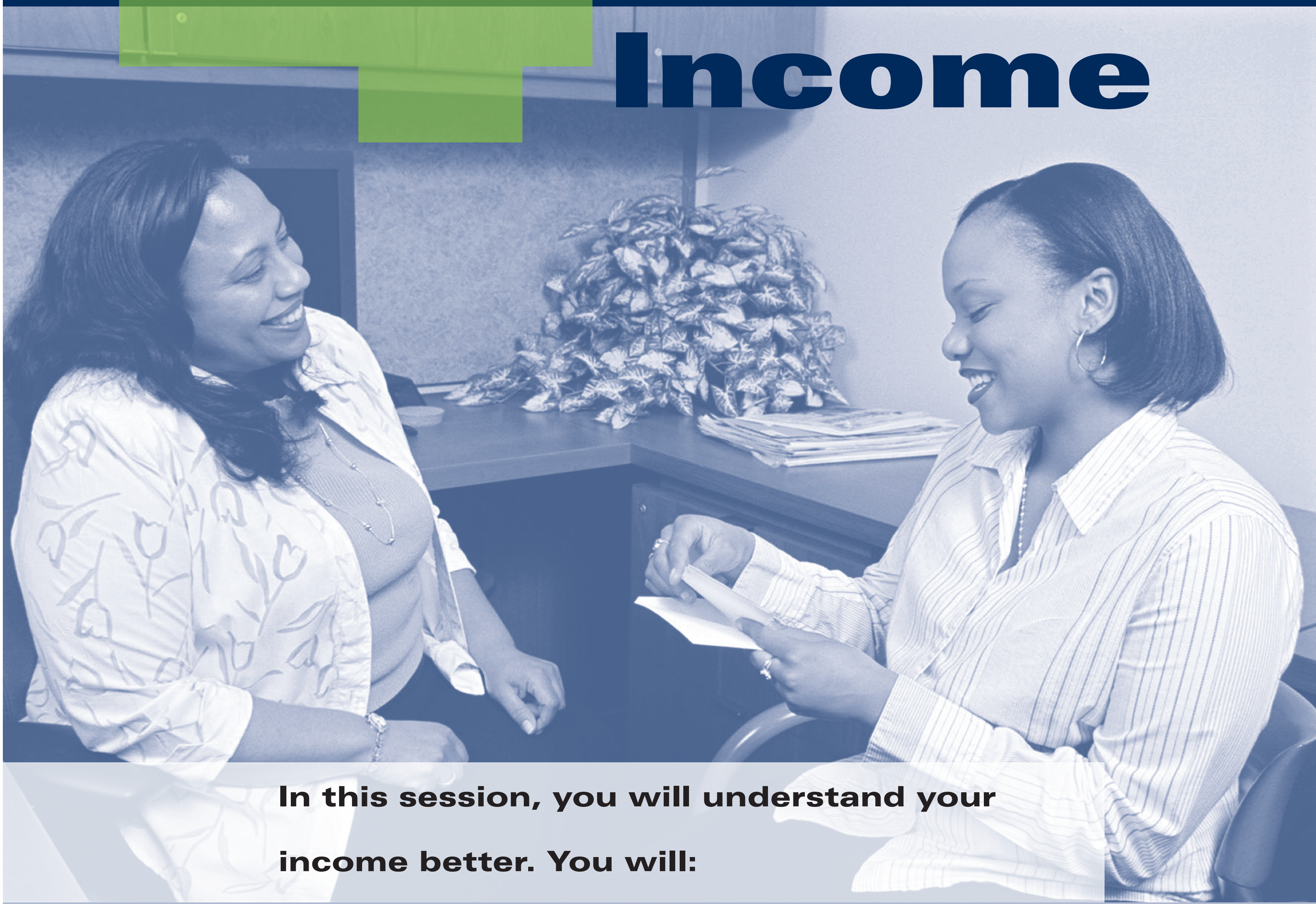
Things I can do to avoid my personal spending traps are:

## Action Plan

Based on what I learned today, before the next class I will write down ways to:

- Pinch my pennies for clothes.
- Pinch my pennies for food.
- Reduce my other expenses.
- Avoid my personal spending traps.

# 4 Understanding Your Income

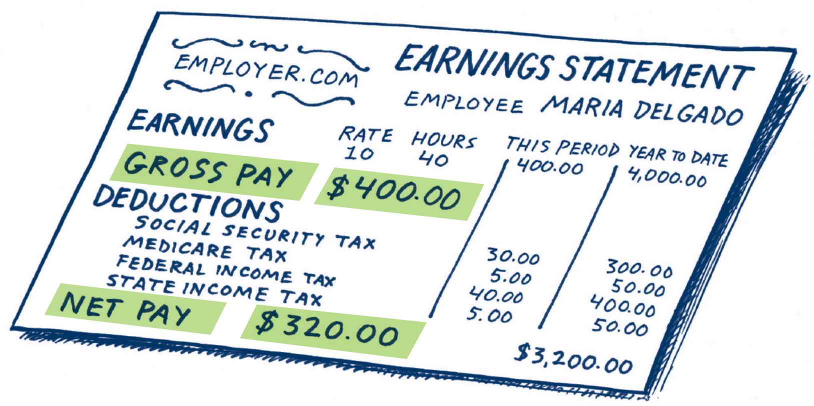


**In this session, you will understand your income better. You will:**

- Learn to read a pay stub.
- Know the difference between gross and net pay.
- Understand the benefits on the pay stub.

*How can* **YOU** *understand income better?*

**When you get a paycheck, you get a *pay stub* with it. That's a record of what you earned and what is taken out. There are a lot of figures on that stub, and they can be confusing.**




## Gross vs. Net Pay

One important figure is your *gross pay*. That's the total amount you earned in the pay period. It is the WHOLE of your paycheck. If you worked 20 hours at $10 per hour, your gross pay (the WHOLE) would be $200.

20 hours × $10 per hour = $200 gross pay

But do you get to keep $200? No! Some money is taken out of your paycheck each month. Those are called *deductions*. They are subtracted (deducted) from your gross pay.

Taxes that may be deducted include:

- State and federal income taxes. These are often the largest deductions.
- Local taxes.
- Medicare tax and Social Security tax (also known as FICA). These pay for half of your future Social Security and Medicare benefits. Your employer pays the other half.

Other deductions may include:

- Insurance (health, dental, disability)
- Child support
- Union dues

What's left after the deductions is your *net pay*. That's the amount you get to take home.

## Employer Benefits

Some employers offer *benefits*. These are things in addition to pay. Some common benefits are vacation time and paid sick leave.

Some other benefits your employer may pay *part* of are:

- Health insurance
- Disability insurance
- Child care
- Counseling (Employee Assistance Program)
- Job training
- College tuition/training expenses

*Health insurance* is an important benefit. It helps pay medical bills. It can mean the difference between life and death. If you get it through work, you may have to pay part of the cost. But it's worth it! It will be far cheaper than buying it on your own.

*Disability insurance* is also very important. It replaces part of your pay if you get sick or hurt and can't work. If your employer doesn't offer it, you can buy it from an insurance agent.

If you're not sure, ask if your employer offers any of these benefits.

## Public Benefits

If you have children, your income is low, and you need assistance, you may qualify for Temporary Assistance for Needy Families (TANF). TANF doesn't give you a check. It gives you a *Quest card*. This is a debit card.

It works like this. The Department of Social Services puts TANF money into a special bank account for you. You then get a Quest card. You use it to get cash from an ATM machine. You agree to a contract with your commitment to work, volunteer, go to school, and the number of hours you are required to do this each week. If you don't living up to the terms of your contract with TANF, the amount of money in your account may be cut or suspended totally (sanctioned).

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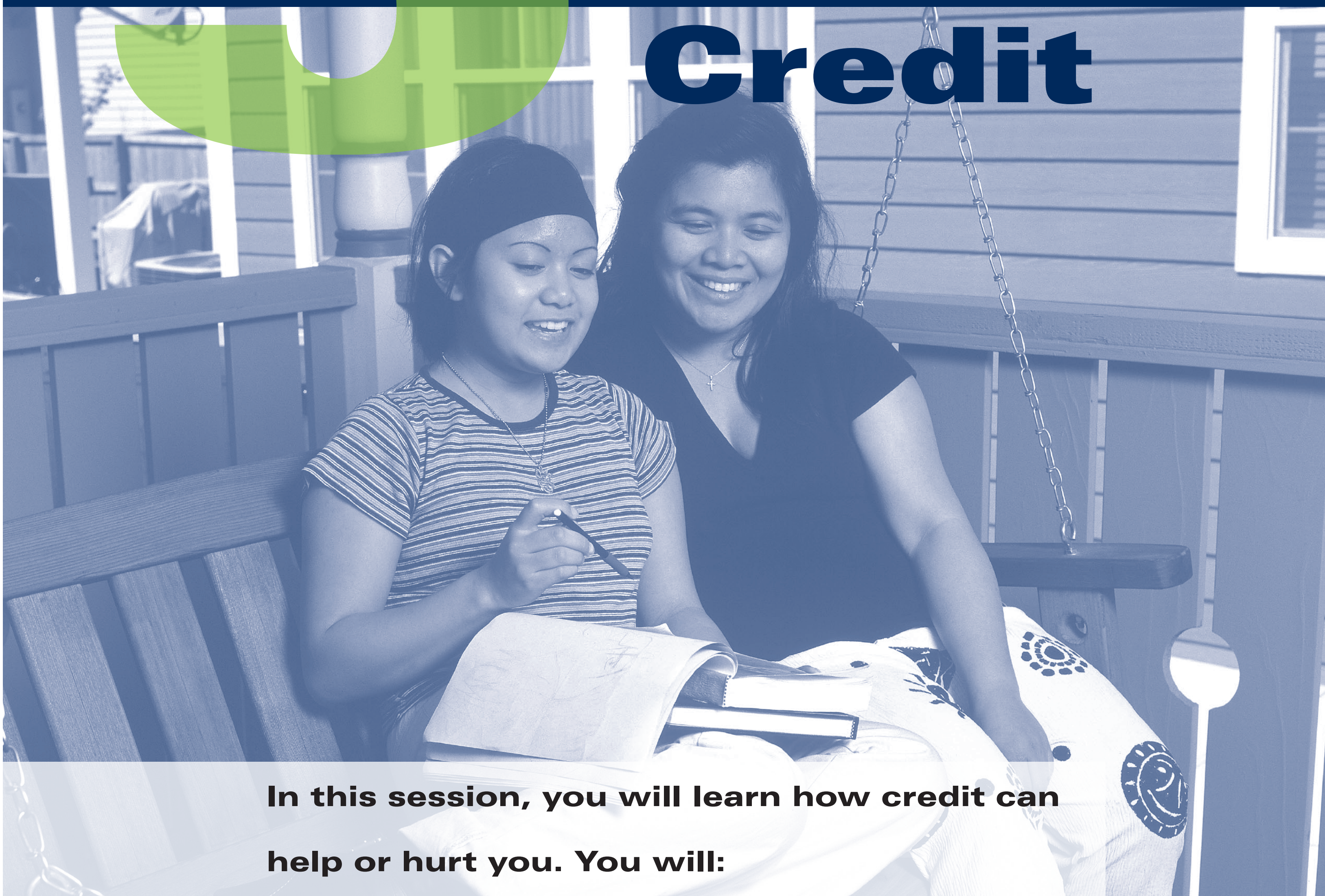
## Action Plan

Based on what I learned today, before the next class I will:

- Look at my pay stub.
- Circle my gross pay.
- Circle my net pay.
- Write down the benefits I see on my pay stub.

# 5 Understanding Credit



**In this session, you will learn how credit can help or hurt you. You will:**

- Learn about interest.
- Learn about your credit rating.
- See how you can establish a good credit rating.

*How can* **YOU** *understand credit better?*

**You get *credit* when you take out a loan.**

**You also get credit when you use a credit card to buy something.**

**When you use a credit card, it may seem like free money. But it's not free!**

## Understanding Interest

Think of credit as renting someone else's money. You have to pay it back. And you have to pay back some extra money as well. This extra cost is called interest.

Credit cards can be very expensive. Some credit card companies charge 18 percent interest (or more). Suppose you buy a $100 dress with a credit card. If you don't pay off the entire cost the first month, you will have to pay back $118 dollars a year later!

**Year 2**

$100 dress × 18% interest = $18 interest

$100 + $18 interest = $118 total owed after a year

*You* **can** *reach your dreams*

If you don't pay off any of the whole $118 bill that year, you will be charged another 18 percent. The percentage will be charged on the new total.

**Year 3**

$118 bill × 18% interest = $21.24 interest

$118 + $21.24 interest = $139.24 total owed after the third year

So, by the end of the third year, your $118 dress costs almost $140!

And it can get worse!

- Some lenders also charge a fee if you pay even one day late. That fee could add another $30 to the cost of the dress.
- Some lenders also charge an "over-limit fee." Suppose the limit on your credit card is $1,000. If you charge $1,050, you will be over your limit. The lender may charge you an "over-limit fee" of as much as $30.
- And there may also be a yearly fee for a credit card. Some yearly fees are as much as $75!

**Wouldn't it be better to save up to buy the dress for cash instead of using credit?**


## What Is a Credit Rating?

Many people find it hard to manage credit. They buy more than they can afford. When they can't pay their bills on time, they have to pay interest. Their debt from interest and late fees gets bigger every month. They end up in serious money trouble. This can lead to a bad *credit rating*.

A credit rating is a score from 300 to 900. It's a score of how well you use credit. Most Americans have credit scores between 600 and 800 with 720 considered high. It covers the last seven years. It shows if you pay your bills on time. It shows how often you ask for credit. It shows how much debt you have. It shows if you've been bankrupt or owe child support. It shows if you have unpaid taxes. It shows if you owe money from a lawsuit.

You get points for making all your debt payments on time each month. The more points you have, the better your credit rating. If your payments are late, you'll have points subtracted. If you miss payments, you'll also have points subtracted.

## Why Does It Matter?

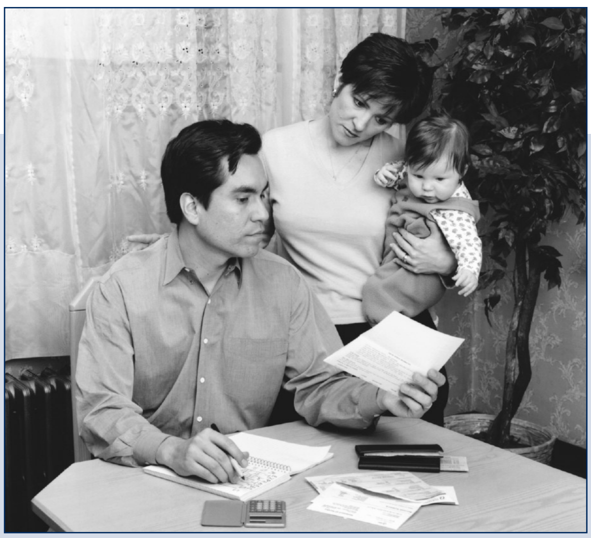
A credit rating matters a lot! Mortgage companies use it to decide whether to loan you money to buy a house. Car dealers use it to decide whether to loan you money to buy a car. Banks use it to decide whether to loan you money for college.

Your credit rating is also used by some companies to decide if they will hire you. That may sound unfair. But your credit rating tells people if you can manage money. It tells people if you are dependable. They use it to predict if you will make payments on time.

Your credit rating affects where you will be able to live. It can affect whether you get a job. It affects how much you pay for things you need. If you have bad credit, people won't trust you. You may have trouble renting an apartment or getting a job. You may have trouble buying a car. You may have trouble getting a college loan.

There are simple ways to get and keep a good credit rating. Here's how:

- Pay off your loan or credit card bill every single month.
- Pay all your bills on time (rent, lights, water, etc.).
- Mail payments a week ahead of time so they arrive *before* the due date.
- Apply only for credit you really need. Don't ask for credit for small stuff.



## Allyson's Story

Like many people, Allyson wanted nice clothes, a nice car, and lots of things. She used credit cards to get them. Then one day she and her husband wanted to buy a house. When she applied for a loan, the bank said "no." They showed Allyson her credit report.

Allyson was shocked when she saw all the money she owed. She thought about what was really important to her—things or a home of her own. She began to buy fewer things. She paid off her debts. She saved some money each week. And before long the bank said "yes" to her request.

Today Allyson and her husband now live in their new home.

## How Can I Find Out My Credit Rating?

To learn your credit rating, contact a credit-reporting agency and ask for your *credit report*. It's best to do this once a year. Sometimes the companies make mistakes. Check each year to make sure there are no mistakes on your credit report. Federal law entitles you to one free copy of your credit report from each agency every 12 months. To request the copy, call 1-877-322-8228 or visit www.annualcreditreport.com. You can also contact the individual credit-reporting agencies:

For your credit report, contact:

- Equifax, 1-800-685-1111, www.equifax.com
- Experian, 1-888-397-3742, www.experian.com
- TransUnion Corporation, 1-800-916-8800, www.transunion.com

You'll have to give the company your:

- Name (and maiden name if you've married and changed your name)
- Social Security number
- Date of birth
- Addresses for the last five years

You will not have to give a credit card number to receive your free credit report. Do not use other websites or phone numbers that advertise credit reports or scores as they may be fraudulent.

If information in your credit report is wrong, you can change it. Follow the companies' instructions on how to report a mistake. They have to fix mistakes for free. And they have to report the change to the other credit reporting companies.

## Establishing Credit

Maybe you don't have a credit rating because you've never borrowed money. That's OK. You can begin to build credit. You can do this by borrowing a little money and paying it back in full and on time every month.

### Tsegai's Story

Tsegai came to the United States from Ethiopia. He wanted to go to college to be an engineer. He needed a loan to go to college but he couldn't get one. He didn't have a credit rating.

A friend told him to get a small loan from a bank. Tsegai got a loan for $500 and paid it off each month. When he finished paying the loan, he had a good credit rating. Then he was able to get a bigger loan so he could go to college.

You can start small. Get a gasoline credit card and only use it to buy gas. Or get a credit card from your favorite discount store and buy a few small items.

**What's important is that you pay off the bills on time, every month.**

Or, you can take out a *secured loan* and make monthly payments. A secured loan is a loan on something you own, such as a car or house. It's called "secured" because the car or house can be taken away if you don't make payments.

Another way to get a credit history is to take out a *secured credit card*. That's a card with a low limit, like $200 to $500. Usually you have to deposit the money equal to your credit card's spending limit in a savings account in advance. Then use the secured credit card to charge just a small amount, and pay it off on time every month.

Any one of these steps will help you get a good credit rating.

## Action Plan

Based on what I learned today, before the next class I will:

- Apply to get my credit report.
- Start building a credit history.

*You*
**can**
*improve your credit*

# 6 Banks: Why Do You Need One?

**In this session, you will learn how you can use banks to build your future. You will:**

- Know how banks, credit unions, and savings and loans work in the U.S.
- Learn about the services that credit unions and banks offer.

**Many people don't use a bank.**

**Maybe their parents didn't use one.**

**Maybe they don't know how banks work.**

**Maybe they think banks are only for rich people.**

Credit unions and banks are for anyone. They know that many people have questions. They want your business and are happy to answer your questions. Even people with only small amounts of money are welcomed at banks.

There are many good reasons to use a bank. Some reasons are:

- They keep your money safe, so it can't be lost or stolen. The United States government backs up your money so it cannot be lost.
- Many paychecks and government checks can be deposited directly. The checks don't come to you. They go right into your bank account. The money gets to your account sooner, and it can't be stolen or lost. You can go to the bank or ATM and get the cash you want the same day.
- A checking account is usually cheaper than buying several money orders and it can be free.
- You can safely transfer money to family members in other countries.
- With checks, you have proof that you've paid your bills.

*Banks* are in business to make a profit. Anyone can open a bank account. Most banks want you to put in a minimum amount of money to start.

*Credit unions* are nonprofits. They are formed by a church, a company, or a community. You have to be part of the church, company, or community to join a credit union. Usually loans and fees are cheaper at a credit union than a bank.

## Ahmir's Story

Ahmir is a refugee from Africa. He lived through a terrible civil war there. He saw the government take money from the banks. People lost their savings. So he didn't trust banks when he came to the United States. He put his money under his mattress.

One day he came home and found that he had been robbed. Someone had taken his money. He was very upset. A friend told Ahmir that banks are very, very safe in America. Now he keeps his money safe in an American bank.

## Savings and Checking Accounts

Banks offer many services. The ones most people use are savings accounts and checking accounts. It's easy to open an account. Here are some tips.

### Savings Accounts

Let's look at *savings accounts*. Savings accounts are like a piggy bank, except the bank keeps your money safe. It also pays you while it keeps your money. The money you are paid is called *interest*. Usually, you have to keep a minimum amount in your savings account to earn interest. The longer your money stays in the savings account, the more interest you will earn and the more money you will have.

Suppose you open a savings account by putting in $200. The credit union or bank will promise to pay you a small amount of interest each month that your money is in the account.

**End of Year 1**

$200 in your savings account × 1% interest = $2 interest

$200 + $2 = $202 total in your savings account

**End of Year 2**

$206 in your savings account × 1% interest = $2.06 interest

$206 + $2.06 = $208.06 total in your savings account

**End of Year 3**

$212.18 in your savings account × 1% interest = $2.12 interest

$212.18 + $2.12 = $214.30


As you can see, your savings account will grow slowly and steadily. It will grow the longer you keep the money in the savings account. It will grow even more as you add more savings each month. Check which bank or credit union is giving the highest interest rate in your area.

## Checking Accounts

*Checking accounts* are different. Checking accounts let you pay for things without handling cash.

Here's how it works. When you open a checking account, you give the bank some money. To spend the money you have given the bank (deposited), you write a *check*. When you write a check, you are telling the bank to take that amount of money from your account and give it to someone else. That way you don't have to carry cash around. You can send checks safely in the mail, too. If a check gets lost in the mail, you won't lose the money.

Some banks charge a fee for each check you write. Try to find a bank with free checking. Sometimes a bank will give you free checking and allow you to write a small number of checks a month (such as 10). Many banks also offer free checking accounts to students or people who have their paycheck automatically deposited.

You will have to pay to have checks printed. You'll also have to pay a fee if you want to "stop" or cancel a check after you write it.

## Opening Accounts

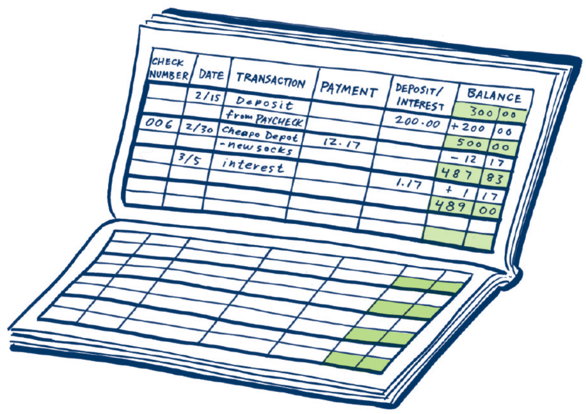
Don't worry if you've never opened a savings account or a checking account. The bank will help you. They will be glad to have your business.

To open a savings or checking account:

- You will have to make a minimum deposit. Different credit unions and banks have different rules on this amount. (After your account is open, you can put in any amount of money any time you want to.)
- You must give your Social Security number.
- People under age 18 will need an adult to sign with them on the account.

Banks will send you a monthly or quarterly report by mail or e-mail. It will show you how much money you have in your account(s).

The bank also will give you a *check register* for your savings and checking accounts. This is a small book to keep track of your money. It's very important to write down the amount every time you put money in or take money out of your account. Otherwise, you might write a check for more money than is in your account. Then your check will *bounce*. The business you wrote the check to will be unhappy and will charge you a fee. And the bank will charge you a fee. This can also affect your credit score, if your bills are not paid on time. So keep careful track in your check register!




Do you have trouble keeping records? Order *duplicate checks* to help remember the checks you write. When you write a check, special paper makes a copy right underneath it.

## Credit and Debit Cards

Credit unions and banks also offer *credit cards*. When you use a credit card, you are taking out a loan. You have to pay back anything you charge with a credit card. As you've seen, it's easy to get into debt with credit cards. It's better to save up cash to make a purchase rather than to use credit cards. Save the credit card for an emergency, such as paying for major repairs if your car breaks down.

Credit unions and banks also offer *debit cards*. You don't pay back these cards. Instead, you put money into a checking or savings account first. When you use the debit card, the money is taken out of your account (just like if you write a check). You can use a debit card just like a credit card at the grocery store or gas station. But with a debit card, you're not getting credit, you don't pay interest, and you don't risk going into debt!

## Overdraft Protection

Are you worried that you might *bounce* a check? (That means you write a check for more money than is in your checking account.) If so, ask your bank about *overdraft protection*. This plan lets you write checks for more than you have in your checking account. Instead of charging you for bouncing a check, the plan gives you an instant loan. The interest rate will be very high, so it's best to pay it off quickly. Some banks charge a fee for using overdraft protection. But it still should be cheaper than paying for a bounced check.

## ATMs

*Automated Teller Machines* (ATMs) let you take your money out of a checking account without writing a check. A bank will give you an ATM card. You'll need a Personal Identification Number (a "PIN" number) to use the card. The PIN usually has four numbers. Memorize it and never tell anyone what it is!

There may be a fee for using an ATM. Ask your bank.

An ATM card is safer than a debit card. If someone finds or steals your ATM card, they can't use it without your PIN number. With the debit card, they could buy things and empty your checking or savings account. Sometimes, your debit card and ATM card are the same card.

## Loans

Both credit unions and banks also offer *loans*. When you get a loan, you're asking someone to give you money. And you are promising to pay it back plus some extra money (interest).

Businesses such as car dealers and furniture stores also give loans. (Usually a loan from a bank is cheaper.) They make you sign a legal contract for your loan. Loans can be complicated. So be sure you know what you are promising to pay—and when. Take an experienced friend with you if possible. Don't believe what a salesperson tells you about a loan. It's what's written in the contract that counts.

Do your best to make your loan payments on time. And pay all of each payment each month if possible. Otherwise, your interest costs can go sky high. If you get too far behind in paying, the item you took out the loan to buy can be taken back *(repossessed)* by the lender. You may know someone who had their car repossessed. They lost both their car and the money they had paid.

Interest is payment for using someone's money. It works two ways:

1. You can earn interest from a bank for saving your money there.
2. You pay interest to a bank or loan company for buying something before you have the cash to pay for it. The interest on your loans is another PART of your WHOLE expenses each month.

## Action Plan

Based on what I learned in this lesson, before the next class I will:

- Visit a bank or credit union.
- Find out how much money I need to open a savings account.
- Find out how much money I need to open a checking account.
- Learn about the fees and rules for these accounts.
- Find out what interest savings earn.