



FINANCIAL LITERACY FOR VETERANS





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What is Financial Literacy?

- Financial literacy is essential to making informed money management decisions
- It can help you understand money management tools to make wiser financial choices such as comparison shopping for big-ticket items.
- Financial literacy is key to protecting low-income veterans' minimal assets and fortifying their financial outlook as they face challenges such as disabilities and unstable housing.

Financial Literacy Agenda

- Setting Financial Goals
- Create and Maintain a Budget
- Understand and Build Good Credit
- Maximize Savings
- Deal with Debt

Setting Financial Goals

- Types of financial goals
- Establishing S.M.A.R.T goals
- Putting goals into action

TYPES OF FINANCIAL GOALS

- Short Term Goals:

Example : Putting together a \$500 emergency fund.

- Mid Term Goals:

- Example: Paying off a credit card debt in one year.

- Long Term Goals:

- Example: Buying a new home.



A good way to start organizing your goals is to make a simple chart.

Sample Short-Term Goal

Goal: Save \$500 for Christmas

Target Date: December 2020

Total Cost: \$500

Monthly contribution to savings: \$100

	July 2020	Aug 2020	Sept 2020	Oct. 2020	Nov. 2020
Contribution amount	\$100	\$100	\$100	\$100	\$100
Met contribution amount?	Yes	Yes	Yes	Yes	Yes
Total Amount saved	\$100	\$200	\$300	\$400	\$500

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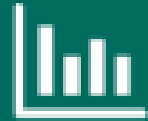
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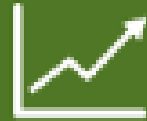
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Specific



Measurable



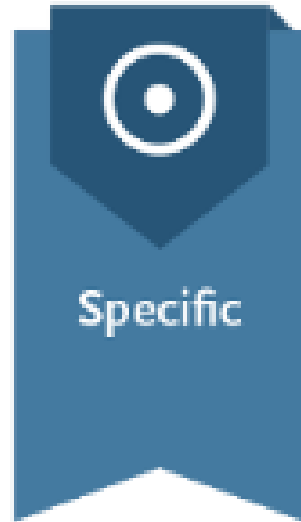
Attainable



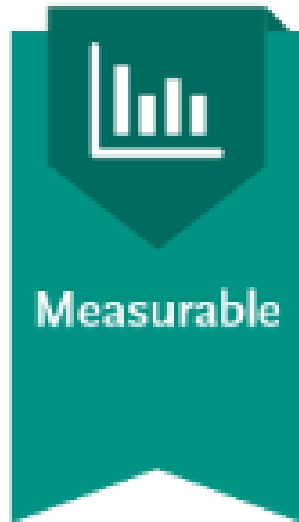
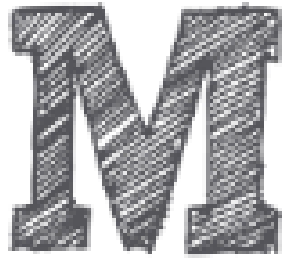
Relevant



Time Based



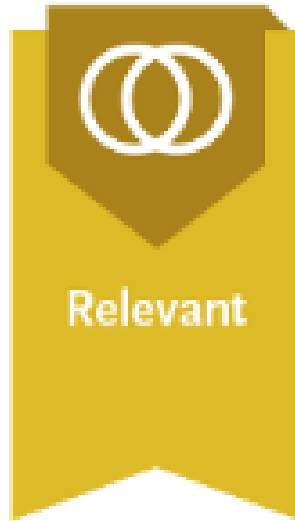
- What will I achieve?
- Who will benefit from the goal?
- What specific thing will I accomplish?



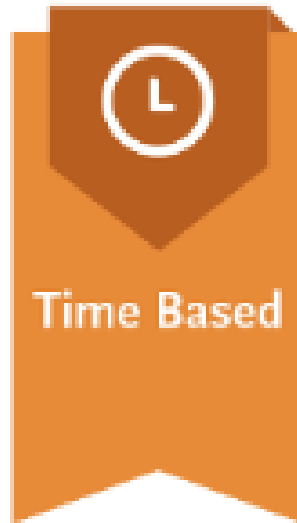
- How much?
- How many?
- When will I know it will be done?



- Is this goal something that I can actually reach?
- Do I have the tools and support I need to accomplish this?



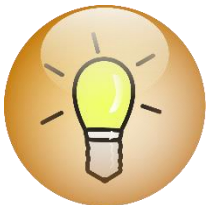
- Is this something that I really want?
- Is now the right time to do this?
- Why is this goal important?



- When will I reach this goal?
- Is the time frame reasonable?

Putting Goals Into Action

- Create an action plan.
- Break up your goal into small, actionable steps.
- Consider what resources you will need to take each step.
- Set a deadline for each step's completion.
- Think about sharing your progress with a friend or family member.



Goals aren't something you can "set and forget." You need to revise them as the situation changes or you may find yourself off track.

Setting Financial Goals

- ❑ **Types of financial goals**

- ❑ **Short-term**

- ❑ **Mid-term**

- ❑ **Long-term**

- ❑ **SMART goals**

- ❑ **Easier to achieve**

- ❑ **Specific, Measurable, Attainable, Relevant, Time bound**

- ❑ **Putting goals into action**

Creating and Maintaining a Budget

- Planning for bills
- Creating a spending tracker
- Maintaining a manageable budget

Planning for Bills

- Calculate Income
 - Determine when you receive income (i.e. monthly)
 - How much income is received?
- Figure out what bills are due
 - Due date
 - How much each bill is?
- Create a plan and system in place for paying bills
 - Keep in mind about protecting your money and personal information if you use apps to track or make online payments



If you're able to pay your bills on time each month, speak with bill company about changing the due date to avoid late fees.

Tracking Spending

- Create an expense sheet
- Needs vs. Wants
 - Things you need to live/survive vs. things you would like to have but can survive without
- See where you can try to cut expenses



Before making a purchase you can stop and ask yourself if it's something you need or want. You can also think about if making that purchase is going to make it harder for you to pay all your bills this month.

Maintaining a Manageable Budget

- Resources to look at
 - Monthly bills
 - Monthly bank statements
- Create an income and expenses sheet
 - Include non-cash benefits received
 - Priority bills, obligations and needs
 - Include wants that you already spend on
 - Add a financial goal you're saving for

Maintaining a Manageable Budget

- Calculate your ending balance
 - If it's positive, you have enough income to make it through the week/month. If it's negative, you're falling short.

Adjust budget to fit your needs

- Cut wants, especially extra wants
- Find discounts
- Look at your bank statements to see if you're automatically paying for services you don't use (i.e. gym)

Committing to a Savings Plan

- Achieve a financial goal (short-term, long-term)
- Pay for unexpected expenses and emergencies
- Build a safety net
- Helps you feel financially free

Taking the First Steps to Savings

- Set up a savings account that is separate and apart from other accounts which are used to pay household expenses and make regular purchases
- Commit your tax refund to your savings plan
- Make savings automatic by allotting a certain amount of money each month to be automatically deposited from your VA benefits/income to your savings account
- Decrease spending and put the money “not spent” into savings

Taking the First Steps to Savings



(1) Some prepaid cards have a set-aside feature, sometimes called a “purse” or “wallet.” This feature lets you set aside some of your funds on the card.



(2) Some banks allow automatic transfers from checking to savings. There may be a limit to the amount of times you can make a transfer within a statement cycle and the bank may charge fees if you go over the limit.

Ways to Maximize Savings

- Start small and build up over time
- Find ways to lower the cost of everyday spending by cutting back on purchases, using coupons and shopping around for sales and discounts
- Figure out need versus want. Look to see where you're overspending or purchasing items, goods and services that you want but are not necessary
- Avoid checking, savings, and ATM fees
- Shop around for banks that offer high interest rates on opening a savings account
- Take advantage of cash back rewards from your bank
- Turns coins into cash

Understanding Credit

- Types of credit
- What is a credit report?
- How are credit scores calculated?
- Maintaining good credit

Types of Credit

- Unsecured loans

Loans that are not tied to any property or collateral.

Example: unsecured personal bank loan

- Secured loans

Loans tied to property or collateral

Example: car loan

- Credit and retail credit cards

Typically, unsecured. A credit limit and maximum amount you can borrow is set.

Example: Amazon credit card

Types of Credit

- Payday loans
 - usually a short-term, high cost **loans**
 - typically due on your next **payday**
 - **fees** for payday loans can be very expensive
 - Payday lending is illegal in New York

What is a Credit Report?

- Credit report is your credit file
 - Information regarding your credit, banking, payment history
- Three major credit reporting companies
 - Equifax, Experian, and TransUnion.
 - Get free credit reports from www.annualcredit.com

HOW IS MY CREDIT REPORT USED?

- Lenders use credit reports to help them decide whether to loan you money and what interest rates they'll offer you.
- Other businesses might use your credit reports to determine whether to offer you insurance; approve you to rent an apartment
- If you agree to let an employer look at your credit report, it could also be used to make employment decisions about you.

Negative Information on Your Credit Report

- Can affect your ability to get credit and affect the terms of the loan offers you get.
- A bankruptcy can stay on your credit report for up to 10 years.
- For civil suits and judgments, such as back child support payments, the information can appear on your credit report for seven years

Credit Scores

- Two of the most commonly used credit scores are:
 - FICO
 - VantageScore
- Credit scoring
 - 10% New credit
 - 10% Types of credit used
 - 15% Length of credit history
 - 35% Payment history
 - 30% Amounts owed

What Affects a Credit Score?

- Whether you're paying your bills on time
- Total balance owed
- Credit utilization rate, which is how much of your available credit you're using.
- Length of credit history

Maintaining Good Credit

- Make sure your payments are on time by setting up automatic payments or electronic reminders
- If you've missed payments, get current and stay current
- Create a "Bill calendar" or text alerts to help track when your bills are due and decide when you'll pay them
- Spend under credit limit

Maintaining Good Credit

- Pay off my credit card balance on time each month
- If you apply for new credit, stay within a debt limit that you're able to pay off easily if financial circumstances took a turn for the worse
- Review your credit report and dispute any inaccurate information



Implement these strategies and monitor how your credit score improves.

Dealing with Debt

- Types of Debts
- Tackling Debts
- Dealing with student loans
- Bankruptcy as an option

Types of Debt

- Unsecured debt
- Secured debt
- Debts you co-signed on
- Student loans

Unsecured Debts

- Debts not attached to property or collateral
- What can a creditor do?
 - Refer your debt to collection agency
 - Sue you in civil court
 - Garnish your wages, seize your bank account if the creditor obtains a court order

Secured Debts

- Types of secured debt
 - Mortgage
 - Car loan
 - Pawn shop loans
 - Rent-to-own(lease-to-own) loans(i.e. furniture)
- Debts are attached to property or collateral
- What can a creditor do?
 - Creditor can take back the property
 - Pursue you for the remaining debt
 - Refer your debt to collection agency
 - Sue you in civil court
 - Garnish your wages, seize your bank account if the creditor obtains a court order

Co-signed Debts

- Any debt you signed/guaranteed
- What can a creditor do?
 - You and the co-signer are both jointly and individually responsible for the debt
 - Creditor has the same rights as those listed under secured and unsecured debts



Be careful when adding authorized users to your account, because they can create added debt that you will then have to pay. If someone added you as an authorized user on a credit card, you aren't generally responsible for paying past due balances.

Student Loans/Educational Debts

- Types of debts
 - Private student loans
 - Federal student loans
 - Post 9/11 GI education debt
- What can a creditor do?
 - Private Student loans
 - Refer to collection agency for collection practices
 - Must sue you in court and get court order to garnish wages, freeze accounts
 - Cannot garnish government benefits
 - Federal Student loans
 - Garnish wages, freeze assets, take your benefits and tax refunds without suing you in court
 - GI Education Debt
 - Garnish SS and some VA benefits and intercept tax refunds without suing you in court

Avoiding Problems with Debt

- Stay current on your bills and outstanding debts
- Create an action to tackle debt
 - Paying the credits card with lowest balances first and working your way up
 - Building a savings plan to pay debt
- If you are unable to make payments, contact your creditors right away for options

Avoiding Problems with Debt

- Avoid taking out new debt to pay old debt
- If you are considering borrowing money, think about why you're borrowing it, whether it is necessary and consider other alternatives
- Do not co-sign on any loans for others or add authorized users on your accounts



Create a budget, list all expenses. If you have a deficit or are just getting by, then you cannot afford to carry on cc debt.

Dealing with Debt

Create a “tackling debt” plan

- Pay down debt with lowest balances first and work your way up
- Add this as financial goal – putting money in a savings plan
- Contact your creditors for repayment options, reduction in interest rate, or settlement of debt

Debt consolidation

- Take out one loan to pay off many others
- Can be harder to pay off with time

Debt settlement services

- Renegotiate, settle, or change the terms of your debt (reduce debt, interest rate)
- The fees can be costly
- Some creditors might agree to renegotiating but not all; still leaving you with debt.

Repaying Federal Student Loans

- Educational loans guaranteed by the federal government.
 - Direct Loan, Stafford, PLUS, or Perkins.
- Options to consider
 - Income-driven based repayment – repayment based on your income
 - Extended or graduated repayment – extends the length of time to repay back student loans
 - Forbearance/deferment – temporary pause on repayment
 - Forgiveness of student loans

Student Loan Forgiveness

- Total and permanent disability
- “Veteran’s qualify for a TPD discharge by providing documentation from the VA that shows you have received a VA disability determination because you
 - (1) have a service-connected disability that is 100 percent disabling; or
 - (2) are totally disabled based on an individual employability rating.”
- In August 2019, President Trump signed a Presidential Memorandum that will automatically discharge veterans student loan debt under TPD unless they decide to opt-out of the process.
- Disabled veterans will not owe any federal income taxes on discharged [student loan debt](#).
- Others who qualify:
 - Borrowers who receive [Social Security Disability Insurance \(SSDI\) or Supplemental Security Income \(SSI\) benefits](#)
 - Borrowers certified as “totally and permanently disabled” by their doctors

Other Educational Debt

- Private student loans
 - Repayment increases or decreases over life of loan because of the variable interest rate.
 - Private student loans don't generally offer the flexible repayment terms
 - If you're having difficulty paying back a private loan then it's important to communicate with your loan servicer right away
- GI Bill educational debt
 - The VA Debt Management Center (DMC) is offering temporary financial relief if you are unable to pay your GI Bill benefit debt during the COVID-19 crisis.

Bankruptcy as an Option

- Chapter 7

- Discharge of consumer debts
- Must be eligible based on income
- Does not discharge taxes, student loans, child support or spousal support arrears
- Some assets are liquidated to pay off creditors

- Chapter 13

- Opportunity to reorganize debt
- Pay back creditors, especially most of non-dischargeable debt, between 3-5 years
- Keep assets you might lose in a Chapter 7 bankruptcy

Summary

- Setting Financial Goals
- Create and Maintain a Budget
- Understand and Build Good Credit
- Maximize Savings
- Deal with Debt

Q&A
