



Money Management Tool Kit

Steps to Financial Success

FAME Money Management

The **Finance Authority of Maine (FAME)** offers a variety of resources to assist you in managing your money. Visit the financial education page on the FAME Web site at www.famemaine.com/education where you will find valuable tools such as:



Financial Education

Resources and tools designed to help students successfully manage money.



Get A Life

An online financial education game for middle school students.



Financial Aid

A step-by-step guide on how to apply for and receive financial aid.



Scholarships

A Maine-based scholarship search tool to help you start your search.



Tools and Calculators

Useful tools to help students plan for college.



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Steps to Financial \$uccess

Learning how to manage your money is an important step toward taking control of your life. Understanding where your money is coming from and where it's going is critical to help ensure that you achieve your life's goals. It is never too early (or too late) to improve your money management skills.

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Know Your GOAL\$

Setting goals allows you to clearly define your financial priorities. It also helps you identify **where you are headed** and if you are on course—consider it a road map for your financial life. Goal setting also allows you to see the **results** of your hard work when you maintain a budget.

Things to Consider When Setting Your Goals:

- Set short term, intermediate, and long term goals.
- Prioritize your goals to clarify what matters most to you.
- Determine what resources you need to achieve your goals.
- Consider all aspects of your life—establish educational, financial, and personal goals, as they are all interconnected.
- Develop a plan toward your goals.

Are You on Course?

Setting goals will provide you with a road map for your financial life and the ability to see the results of your hard work.

Get Organized

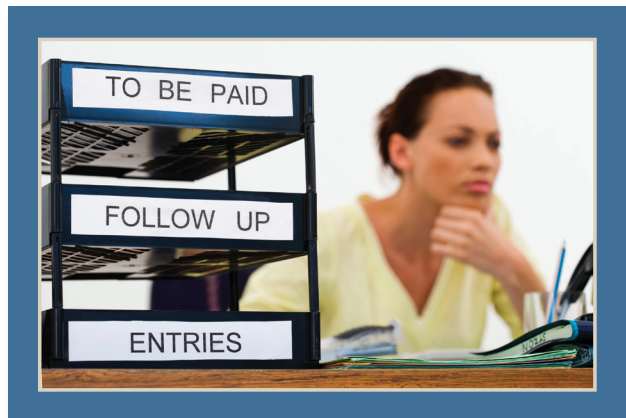
Take some time to get your **financial life** in order. Create a filing system in a convenient location to **keep track** of billing statements, financial information and any other important documents. By **staying organized**, you'll be more likely to pay your bills on time and **remember** important deadlines.

Review your financial records and billing statements regularly and look for any errors or charges that don't belong to you, as well as any untracked payments.

When following up on questions related to your bills or other money-related issues, keep a record of the name of the person you spoke to, the date of the conversation, and any information that you discussed - especially any important instructions.

Take advantage of free online bill paying services to help ensure that you'll pay your bills on time. Designate a time each week to review and pay bills that are not automatically paid through your bank account.

Reduce the amount of paperwork that you have by shredding and recycling credit card offers and other junk mail. Keep important papers such as loan documents.



Track Your Spending

Do you tend to ignore smaller purchases and spending that occurs throughout the month? Have you identified your personal “spending leaks?” **Smaller purchases may not seem important, but they add up over time.**

Examples of Spending Leaks:

- Daily coffee purchase
- Buying your lunch at work or school
- Online music downloads
- Incurring avoidable bank fees (overdrawn account fees, fees for using “other bank” ATMs, etc.)
- Impulse buying at the supermarket (magazines at the register, etc.)
- Unnecessary, discounted or clearance clothing purchases
- Extra purchases at the convenience store when paying for gas (snacks, soda, etc.)

Identify Your Leaks:

- Track your expenses for an entire month. Place all receipts in an envelope or keep a spending diary. Track every penny that you spend.
- Your bank or credit union may have online services to help you keep track, and there are numerous mobile apps available.
- Review your expenses and categorize your spending each month.

Plug Those Leaks:

- Prepare your lunches at home.
- Bring your own coffee from home instead of purchasing it.
- Stay away from clearance sales or impulse buying.
- Ask your bank or credit union if they offer overdraft protection.



What To Do With Your “Found” Money:

- Start an emergency savings account.
- Pay off high interest credit cards or student loans.

Create a Budget

Controlling your finances is about making choices that will allow you to reach your life goals. Ask yourself, *“What is most important to me?”* Your answer will help you develop a clear understanding of your individual **“wants” versus “needs.”** Through this understanding, you will be able to establish a **realistic budget** that you can manage.

Steps to Creating a Budget:

- Track spending for a month
- Determine your income
- Determine your expenses
- Categorize your spending
- Create a spending plan
- Periodically evaluate and adjust your spending plan



Monthly Budget Worksheet

<p>Entertainment:</p> <p>Movies</p> <p>Concerts</p> <p>Sporting Events</p> <p>Dining Out</p> <p>Health Club Memberships</p> <p>Parties</p> <p>Cable Television</p> <p>Theater and Plays</p> <p>Electronic Equipment (software, CD's)</p> <p>Sports/Recreation Equipment</p> <p>Video Games</p>	<p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p>
<p>Child Care and Pet Care:</p> <p>Day Care</p> <p>Baby/Pet Sitters</p> <p>Medical/Veterinary</p> <p>Toys</p> <p>Special Foods</p> <p>Clothes</p> <p>Other</p>	<p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p>
<p>Unexpected Expenses:</p> <p>Late Fees</p> <p>Car Repairs</p> <p>Medication</p> <p>Dental Care</p> <p>Overdraft Fees</p>	<p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p>
<p>Other Categories Unique to You:</p>	<p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p>
<p>Total Monthly Income (your monthly income)</p>	<p>\$ _____</p>
<p>Total Monthly Expenditures (sum of your expenses above)</p>	<p>\$ _____ -</p>
<p>Ending Balance (If negative, you will need to adjust)</p>	<p>\$ _____ =</p>

Reduce Your Expenses

After you have tracked your expenses and created a budget, you'll need to **think carefully** about whether there are any expenses you can control.

Cell Phones, Cable and Internet—Eliminate the extras, such as cable or internet. Do you pay excess fees for texting or data? Can you really afford your phone? Do you need a cell phone *and* a land line?

Personal Expenses—Beyond paying for the necessities, how much do you spend on your wants? Think about purchases you can live without such as clothing, meals out, entertainment, etc.

Travel Expenses—Can you carpool or use public transit? Are you getting the best deal on car insurance?

Housing Costs—Are there ways that you might be able to reduce your rent or mortgage costs? Have you considered a roommate? Are you getting the best deal for renters' or homeowners' insurance?

Food Costs—Are you eating out regularly? Do you pack a lunch or make your own coffee? Do you buy in bulk when possible, cut coupons and shop for sale items?

Reduce Your Utility Costs—Are there ways to reduce your electricity, heat, water or other utilities? Do you turn down your thermostat when you're not at home? Do you turn off the lights when you leave the room? Can you install an automatic thermostat?

Take Advantage of Free Banking—Many banks and credit unions offer free checking and some allow you to earn money on your savings and checking accounts. Be sure to avoid costly overdraft charges.

Complete a “Check-Up” of your monthly expenses such as cable, cell phone, and insurance. There may be lower cost options that could save you money!

Reduce Your Expenses (cont.)

If You Are in College:

The most important money management strategy is to apply for financial aid on time every year. Go to www.fafsa.gov to apply.

Consider living at home and commuting to school. If you live on campus or on your own, be sure to get a roommate!

If you have a meal plan, use it. Every time you purchase a meal off campus at a restaurant or drive-through, remember that you are paying for your meal twice!

If you live on campus, leave your car at home. Gas, insurance, car repairs, and parking permits all add up.

If purchasing a computer, take advantage of student discounts. Can you purchase a used or refurbished computer?

**Save Big! Buy or Rent
Your Books Online.**

www.amazon.com

www.barnesandnoble.com

www.chegg.com

www.half.com

www.textbooks.com

Start Saving—Pay Yourself First!

Now that you have identified spending leaks and created a budget, it's time to **focus on savings**. Saving each month is important, even if it's just a small amount. Saving can help you **reduce dependency** on credit cards and other types of borrowing. Start by saving at least \$500 to \$1,000. Follow these helpful tips:

Open a savings and checking account, especially if you are responsible for paying regular bills.

Savings generated from work earnings (especially full-time summer earnings) can help reduce the amount of student loans that you need to borrow. At a minimum, plan to purchase books and supplies with cash.

Consider setting up a direct deposit of your pay to a special savings account designated as “savings only” and don't connect it to your checking or debit account. Watch the money grow over time.



Did You Know?

If you eliminate your daily \$2 cup of coffee and instead invest that \$2 per day in a savings account with a 3% return on your investment, you will save over \$7,300 in just ten years!

Save for College

Creating saving and investment plans for higher education helps reduce the need to borrow. **Families who have college savings are always in a better position when it comes to paying for college costs.**

A Section 529 Plan is a tax-advantaged investment plan available through most states to **help students and families prepare for college expenses.** For information on Maine's Section 529 Plan, the NextGen College Investing Plan®, visit www.famemaine.com.

A Coverdell Education Savings Account (ESA) allows contributions of up to \$2,000 annually on behalf of a designated beneficiary who is younger than age 18 to pay qualified education expenses. Although contributions are not tax deductible, qualified distributions are exempt from federal income tax, including earnings, if any.

A Traditional or Roth IRA withdrawal before age 59 ½ is allowed without the 10% early withdrawal penalty if funds are used for qualified education expenses. These withdrawals may still be taxed as ordinary income.



Protect Your Identity

Identity theft occurs when someone uses your personal information to **commit fraud**. Victims of identity theft are often left with **debt and credit problems**. To prevent identity theft, follow these important rules:



Shred all financial documents and paperwork with personal information before you discard them.

Don't carry your social security card in your wallet or write your social security number on a check. Only give it out when absolutely necessary.

Don't give out personal information over the phone, through the mail, or over the Internet unless you know who you are dealing with. Don't click on links sent in unsolicited/unknown email messages.

Use firewalls, anti-spyware, and anti-virus software to protect your home computer.

Don't use obvious passwords like your birth date, your mother's maiden name, or the last four digits of your social security number.

Keep your personal information in a secure place at home, especially if you have roommates. If you are away, have your mail held at the post office.

Regularly monitor your financial information and act quickly if you suspect identity theft.

Review Your Credit Report

Your credit report is a collection of information about you and your credit history that impacts your life in numerous ways. It's your **financial report card**. Credit scores range from 300 to 850. A score above 700 usually suggests good credit management. You should **review your credit report** at least once per year to make sure the information is accurate.

Who looks at my credit report?

Your credit report may be reviewed by potential creditors, landlords, current or potential employers, government licensing agencies and insurance companies.

What is on my credit report?

Your credit report includes your name, social security number, date of birth, current and previous addresses, and employers. It also includes credit account information, such as date opened, credit limit, balance, monthly payment, and payment history. It will also include bankruptcy, unpaid taxes, and, in some states, overdue child support.

What does my credit report say about me?

Your credit report reflects whether or not you pay your bills on time, credit cards that you hold, the total amount of credit extended to you, and how much you owe on all of your accounts.

What are the consequences of credit mistakes?

Negative information found on your credit report (late payments, bankruptcies, too much debt, etc.) can have a serious impact on your ability to borrow money, get a job, advance in your current job, and rent or buy a home. This information is used for loan approvals, interest rates and some fees.

Request Your Free Credit Report:
www.annualcreditreport.com

Review Your Credit Report (cont.)

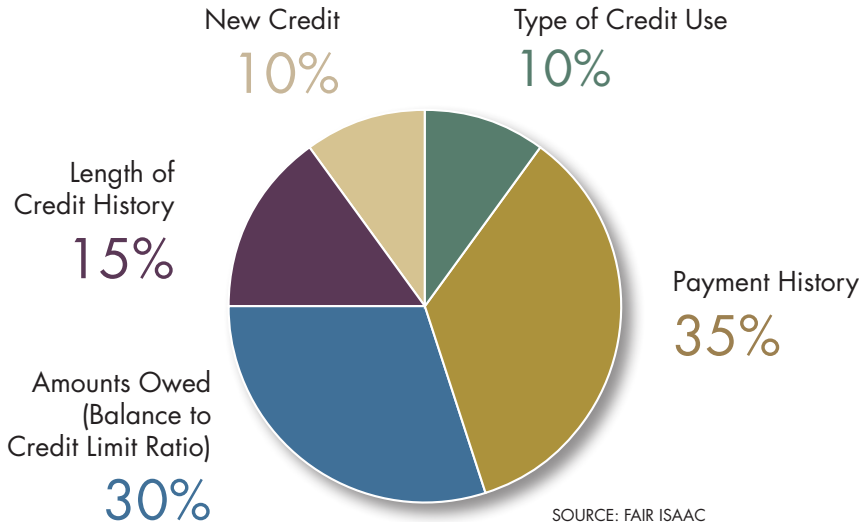
How long does information stay on my credit report?

Positive information remains on your credit report indefinitely. Credit inquiries are included for six months to two years. Most negative information stays on your report for seven years; however, some bankruptcies and foreclosures may remain for as long as 10 years.

How can I build a good credit report?

Be sure to pay bills consistently and on time. Remember, a little late is bad, but a lot late is worse (with late fees and interest penalties). You should avoid “maxing out” a credit card or other lines of credit and pay off card balances instead of moving debt to other cards.

WEIGHTING OF YOUR CREDIT SCORE



Take Control of Your Debt

While some level of debt may be necessary, such as borrowing for a home or college, you need to be sure that you **don't borrow more than you can afford** to repay. A good rule of thumb is that if it takes longer to pay for it than it lasts, don't pay for it on credit.

Avoid using credit cards to pay for things such as meals and vacations, as there is no faster way to fall into debt.

Watch out for the minimum payment trap, as it could take years to pay off your balance and you'll end up spending a lot more than the original amount you charged.

Only spend what you can pay off at the end of the month. Don't fool yourself into thinking you will just pay it off next month.

When purchasing an automobile, be sure to shop wisely to ensure you get the best deal.

Take a few days to think about a purchase before you follow through with it. This will give you time to decide if you really need the item.

Focus on paying off your higher interest rate loans and once the high-interest debt is paid down, focus on paying off debt with lower interest rates. Higher interest debt is "more expensive" money that you borrowed.

Get help if you need it and reach out to a reputable debt counseling agency or talk to your bank or credit union.

Ways to Discover "Found" Money

- Declutter your life and sell unwanted items at a yard sale or online.
- Babysitting, yard work, photography, music lessons, etc. are great ways to earn extra cash!

Take Control of Your Debt (cont.)

A word about student loans...

While student loans are an investment in your future, it is important to remember that **most students spend 10 to 20 years** repaying their college loans. It is important that you borrow responsibly.

Consider student loans ONLY after you have applied for all types of free financial aid, such as scholarships, grants and work-study.

BORROW FEDERAL DIRECT LOANS FIRST and only borrow what you need to cover direct educational expenses.

Don't borrow private/alternative loans until you have considered all other financing options. These types of loans have fewer repayment options and should only be considered as a last resort.

Determine how much you can afford to borrow and how much you can realistically repay.

Know what you owe and what you'll earn!



Track Your Federal Student Loans at:
www.nslds.ed.gov

Use Additional Resources

Credit Bureaus & Reports

www.annualcreditreport.com
www.equifax.com
www.experian.com
www.myfico.com
www.transunion.com

Banking

www.bankrate.com
www.consumerfinance.gov
www.aba.com
www.maine cul.org

Financial Education and Money Management

www.360financialliteracy.org
www.bankrate.com
www.jumpstart.org
www.jumpstart.org/states-maine.html
www.mappingyourfuture.org
www.mymoney.gov
www.nefe.org
www.practicalmoneyskills.com
www.saltmoney.org

Savings

www.americasaves.org
www.collegesavings.org
www.famemaine.com/nextgen
www.militarysaves.org
www.savingforcollege.com

Track Your Loans

www.nsls.ed.gov

Higher Education Tax Benefits

www.irs.gov/individuals/students
www.opportunitymaine.org

Business & Education at Work for Maine



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