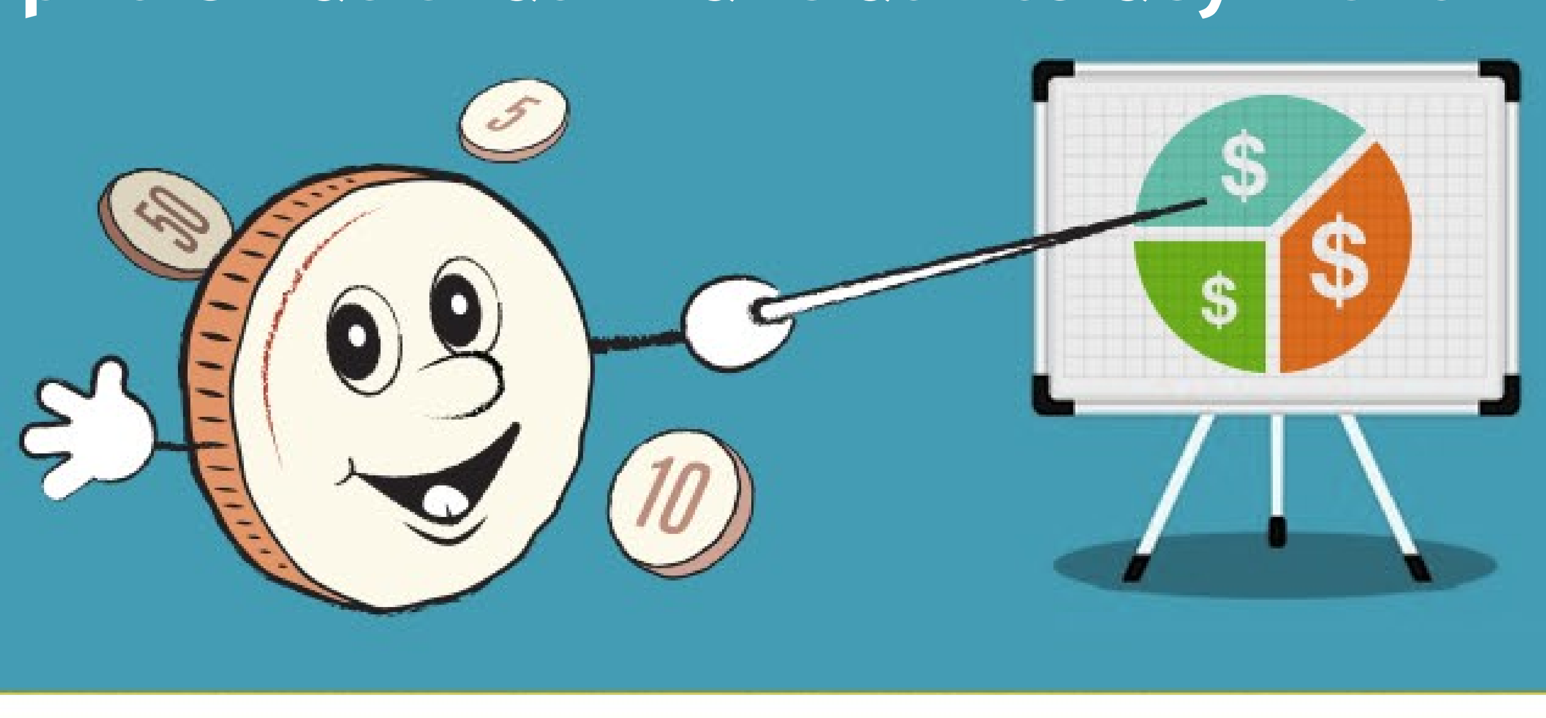
fab gab Outreach + Financial Literacy Newsletter

Spring 2016

April is National Financial Literacy Month



A glass piggy bank, tooth fairy pillow, allowance, or birthday cards—what is the first memory you have with money? We all have one. Mine was the glass piggy bank with no stopper. Money going in wasn't coming out without getting into trouble for breaking the bank. What a concept! To spend the money you would have to literally break the bank.

April is recognized as National Financial Literacy Month. The National Endowment for Financial Education first introduced Youth Financial Literacy Day in 2000. In 2003, the U.S. Senate designated April as Financial Literacy for Youth Month. Then in March 2004, the Senate passed Resolution 316 recognizing April as National Financial Literacy Month.

Since that time, individuals, financial institutions and higher education institutions have embraced the month and celebrated in various ways.

April is the perfect time to reflect on financial goals and think of ways to save, reduce debt, increase retirement, and teach children or grandchildren about money. Start one new habit for the month of April—save all single bills or silver coins, track four weeks of spending, open a new special event account for holiday shopping, vacations, or retirement. Celebrate by hosting events at your school, such as a thrift store fashion show, a financial literacy scavenger hunt, or a financial literacy fair that can be built upon year after year.

Remember, don't break the bank! Instead, focus on success. Create your own Financial Literacy Day or introduce students to a new money management technique. Share your school's Financial Literacy Month activities with us on our Facebook page and Twitter. It's time to celebrate your success!

Real ways to save money: Cut the cable

When is the last time you took a close look at your cable bill? Sadly, it's one of those monthly bills many of us are in denial about—particularly if you pay for a "bundle"—which often includes landline phone, cable TV and Internet. The bundle costs can easily be upward of $150 per month, depending on your area and viewing subscription package. If you've been thinking it's too complicated to cut cable or you don't believe you can actually save money, read on.

Cutting cable is as easy as making the decision. Here are the simple steps:

1. Purchase a high-definition antenna.

Start getting free, over-the-air (OTA) TV channels by purchasing a High Definition (HD) antenna. The HD antenna is a one-time purchase that runs between $10-$150, depending on the model and where you live. Amazingly, many people can pick up dozens of OTA channels, including NBC, ABC, CBS, PBS and many more channels in crystal clear, HD. In fact, the quality is better than via cable as cable companies compress their broadcasts, which slightly degrades the quality of the picture. Antenna hook up is simple and can be done in a matter of minutes.

2. Purchase a streaming device

Now, if you want to keep things simple (and FREE), and you're content with the OTA channels you're getting, no need to read further. However, if you want to stream content, like movies and shows on NETFLIX, Amazon Prime, and other services, for example, you'll need a streaming device for your TV. Streaming devices, like the ROKU and Apple TV, allow you to stream content from the Internet to your TV. The streaming device is also a one-time purchase—look for deals that often include a certain number of free months of streaming.

3. Sign up for a streaming service

Streaming services generally charge a monthly fee to subscribe. For example, NETFLIX, Sling TV, Amazon Prime, and others offer TV shows, movies and a wide variety of content. A note of caution, each service charges a monthly fee so do your research to see which best suits your viewing habits. If you're not careful, you can easily wrack up monthly streaming services charges rivalling your cable bill.

So how much can you save by cutting cable? Remember, you'll likely still need Internet service, particularly if you plan to stream content to your TV. Shop around, there may be other internet service providers in your area with great, low prices. Depending on where you live, Internet generally costs between $30-$80 per month. Add the cost of your streaming service (should you choose to go that route) and your monthly costs could be well under $100 per month. How does that compare to the price you previously paid for your bundled cable bill? (Note: if a landline was part of your bundle, you'll need to consider whether to keep or ditch your landline.) In some cases, the difference is more than $100 per month—multiply $100 by 12 months equals $1,200 per year. Does cutting cable still sound complicated?

Student Loan Basics

Borrowing vs. saving: An interesting observation

When it comes to student loan debt, interest and capitalization increase the amount of money you owe. Understanding how this works is key to minimizing your debt. But wait! Interest can accrue on savings as well. What's the difference?

Loan interest

When you borrow money, the lender charges you interest on the principal amount of the loan. It begins to build up (accrue) as soon as your loan is disbursed. Your total loan payment includes principal plus interest. Charging interest on loans is one way lenders earn revenue.

The amount of interest you pay over the life of the loan depends on several factors.

- The amount of money you borrow (*principal*)—the more you borrow, the more interest you'll accrue.
- The rate at which interest is charged (*interest rate*)—the lower your interest rate, the less interest you'll pay.
- The extent of time it takes you to repay the loan—the faster you repay your loan, the less total interest you'll pay.

Loan capitalization

Capitalization is when unpaid interest is added to your loan principal. This can happen at specific times during the life of your loan, such as when your loan enters repayment for the first time, or after a deferment or forbearance period ends. When you're in school at least half-time or you're in your grace period (the six months after you leave school full-time) you usually don't have to make payments on your loan. Before your first payment is due, any unpaid interest that has built up is added to the amount you borrowed (capitalized). From that point on, interest accrues on the higher balance, so you end up paying interest on interest.

Savings interest

Savings accounts allow you to keep your money in a safe place while it earns a small amount of interest each month. These accounts usually require a minimum balance, like $25. You open a savings account at a bank. The bank pays you interest on the money you deposit and leave in that account. The bank then loans that money out to other people, only they charge a slightly higher interest rate on the loan than what they pay you for your account. The difference in interest they pay you verses the interest they charge others is part of how they stay in business

Savings compounding

Compound interest is interest calculated on the principal amount of savings, which is then added to the principal amount, and compounded again. It can be earned daily, weekly, monthly or yearly. If you leave an interest-earning account alone (by not removing money from it), you begin making more money on the savings because the interest you earn is added back to the principal amount. The more money you save, the more your money increases by earning interest on interest.

So in a nutshell, interest means an increase. That can be a good thing or a bad thing, depending on whether you're borrowing or saving. Would you rather pay or earn?

Stuff that's FAB!

CAN'T is a four-letter word
www.kars4kids.org/blog/

Smart borrowing and the future of repayment (video series)
www.igrad.com/Resources/smart-borrowing-video-series-episode-guide-1-4

The Annual Conference on Financial Education (April 13-15 in Orlando Florida)
https://acfeonline.org/

Having kids while in debt (video)
www.youtube.com/watch?v=cSX_LjVut2A

Great web series on minimalism—Where's my office now?
www.youtube.com/user/WheresMyOfficeNow?feature=hovercard

Tips for Financial Literacy Month

FAB Bits

Webinars

Did you know that Outreach & Financial Literacy hosts a FREE weekly national webinar? It's TRUE! These are turnkey presentations delivered in a Train the Trainer format. Once completed, we share the presentation with you, including all speakers' notes.

Check out a sample of our upcoming topics and register here:

In observance of National Financial Literacy Month, we are pleased to present our five-part series based on the Federal Financial Literacy and Education Commission's "**My Money Five**." These sessions will cover how to manage and grow your money, and how to make the most of what you earn by understanding your pay and benefits.

Earn - Wednesday, April 6 at 1:00 p.m., PT

Save and invest - Wednesday, April 20 at 1:00 p.m., PT

Protect - Wednesday, April 27 at 1:00 p.m., PT

Spend - Wednesday, May 4 at 1:00 p.m., PT

Borrow - Wednesday, May 11 at 1:00 p.m., PT

We also share important money management tips on social media. To stay up to date, Like our Facebook page and follow us on Twitter.

Looking ahead

College textbook buying is an expensive routine for every student. Take advantage of online tools and use them to shave some serious money off of your textbook purchases. Even by saving a few hundred dollars per semester, you can reduce your student loan burden, and that adds up to thousands over the course of college and thousands more in saved interest over the subsequent years. In this quarter's feature article, we'll share some great strategies we've used that have really worked.

Contact ECMC's Outreach and Financial Literacy team at:
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