



Outreach + Financial Literacy Newsletter

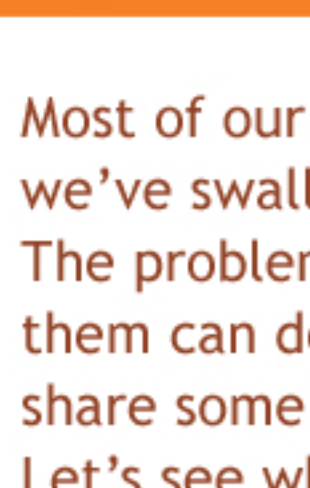
Spring 2018



National Financial Capability Month 2018

Welcome to the Financial Capability Month edition of FAB Gab!

The Financial Awareness Basics (FAB) Team is excited to share content with you to assist in your outreach efforts this month. In addition to our articles and FAB bits, check out our social media pages on Facebook and Twitter for a post each day from our friends at www.financialliteracymonth.com.



Do I need to buy this?

We're also big on lists. In this month's FAB Gab we've sprinkled five important questions to ask yourself every time you think you "need" to buy something. Enjoy!

Big Little Lies: The Money Version

Most of our deep-seated beliefs about money are cultural "norms" we've swallowed hook, line and sinker—without even realizing it. The problem is, these sayings aren't always true, and believing them can do damage to your bottom line. So, this month I want to share some all-too-familiar cop-outs I've heard over the years. Let's see which of these we need to rethink—and which may still hold some truth.

I Don't Have Time to Budget

This isn't about time. We all have time. This is about not wanting to face something that's scary or complicated. It's a matter of willpower. In other words, quit lying to yourself and step up to the plate. It doesn't matter if you're saving for an emergency fund, your kid's college tuition or retirement; everything starts with budgeting. The good news: there are plenty of free, digital budgeting tools online—like Mint—so creating a budget has never been easier. Mint is free and links all your financial accounts (checking, savings, mortgage, etc.) so you can see everything in one place, in real time, and allows you to set up savings goals for special things, like vacations or big-ticket purchases.

I Can't Save for an Emergency on this Salary

You can, as long as you make it a priority. Oftentimes, we think we have to set aside huge sums of money to save, but that's not true. I remember back in my 20s when I was making \$7.45 an hour. I was sure I couldn't afford to save even \$10 a week. But looking back now, I think of all the times I splurged on sushi, or cocktails, and I realize that I could have actually saved that and more if I had adjusted my priorities a bit.

Setting up an automatic monthly transfer for \$50 a month to a savings account will help you save \$600! Many people think of spending as addictive, but savings can be equally addictive too. When you look at your growing balance, you'll feel rewarded and you get excited.

My Entire Family Is Bad With Money

Thinking this way means you're avoiding responsibility and basically saying, "It's not my fault." You're blaming your problems on everything around you instead of holding yourself accountable for your own choices. It's your life. You need to take ownership of your decisions. Maybe try a new motto like: "My family has always been bad with money, but I refuse to let that happen to me." Once your perspective changes, your behaviors will too.

We need to remember that tons of successful people came from families that had nothing. Look at someone like Jay-Z. He grew up poor in the projects in Brooklyn, but between June 2012 and June 2013 he earned \$42 million. That's ONE YEAR! And now he regularly makes the Forbes list of the 100 most powerful celebrities in the world.

I'll Always Be in Debt

This is the mindset of somebody who is afraid to go out into the world and give things a shot on his or her own. Maybe this person feels that Mom or Dad will pull them out of a financial hole. Working on autonomy and independence by taking baby steps is key. For example, you may not be able to get out of debt right away, but if you try putting a small amount of your own money (e.g., \$5 or \$10) toward a debt payment, you may find the sense of accomplishment empowering. Trust us, this far beats waiting to be rescued.

Debt is Always Bad

It's so important to remember that there are two kinds of debt: good debt and bad debt. Auto loans and credit card balances are considered bad debt because they aren't moving you toward building wealth over time—cars depreciate and paying credit card interest means your purchases become more expensive over time. Don't get down on yourself for the bad debt. Just focus on getting rid of it!

On the other hand, good debt is the money you borrow to pay for something you expect to increase in value over time. If you are paying on student loans that enable you to get a good education and land a job you like that pays well, then it's a worthwhile investment. Property is another example. If you hold onto it for long enough, your house will most likely sell for a higher price than when you bought it and the profit you make by selling it should make the interest you paid on the loan worthwhile.

Retirement Is Too Far Away to Think About

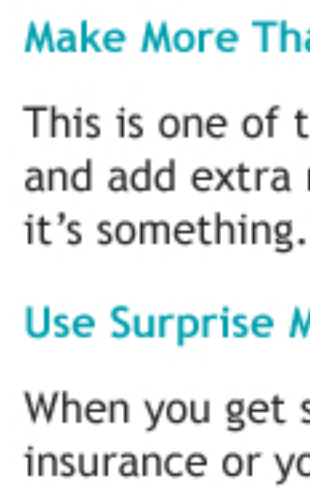
It may be a long way off, but that's exactly why it's important to start saving as soon as possible. You can make major progress with the power of compound interest, where \$200 a month over 30 years can turn into \$300,000. But the secret is starting early. In your 20s, \$200 might not be feasible. However, it is important to start today and increase your contributions over time. To help with your contributions, make small spending cuts by eating out less or taking budget vacations and then put the money you saved toward retirement.

Another one of my favorite money apps is called Acorns. I love it to help me put aside money for retirement. It works just like the savings round up that's attached to your checking account. But instead of depositing the round up into savings, it invests the money into mutual funds. You're making money by spending money!

I Can't Help Impulse Buying

Shopping can be an easy antidote for feeling depressed. Maybe you lost your job or broke up with a partner, so you go to the mall to temporarily perk yourself up. Either way, it's not a healthy way to cope. One helpful tactic is to replace your shopping habit with something else that makes you feel good but doesn't require you to spend money. Maybe try going for a run, reading a book or watching a movie. Another option to curb impulse purchases is to shop with a rule in mind. For example, make it a rule to only buy what you can carry in your hands. It can help prioritize spending.

Think about what you're saying to yourself. If you don't recognize a problem, you're going to go on deceiving yourself and digging yourself into a deeper financial hole. If any number of these statements sound familiar, you may be misleading yourself when it comes to your financial state, and that directly leads to financial trouble. The first step is to simply realize you're doing it—and to realize that it's not helping you with financial success.



Question #1: Can I get it for free?

If you don't need something right away, take the time to search community ad sites like [Craigslist](http://Craigslist.com) or [The Rooster](http://TheRooster.com), sign up with some local [Freecycle](http://Freecycle.com) groups, and ask your friends and family if they are getting rid of whatever you want.

Question #2: Can I borrow it?

For example, if you only need to use a drill once a year when you change apartments and have to reinstall your curtain rods, you can get by with borrowing a drill from someone else. Many home improvement stores also have tools you can rent.

Consumer Financial Literacy Survey

The Financial Brand. "Dollars and Sense: Financial Literacy in the U.S. (Infographic)."

<https://thefinancialbrand.com/32266/financial-literacy-dollars-and-sense/all/>. August 2, 2013.

Defeating Debt

One thing I'm sure we can all agree on: Paying off debt isn't fun. Fortunately, there are actually quite a few options for paying it off faster. Here are five ideas that should work for just about anyone.

Be Smart About Your Debt

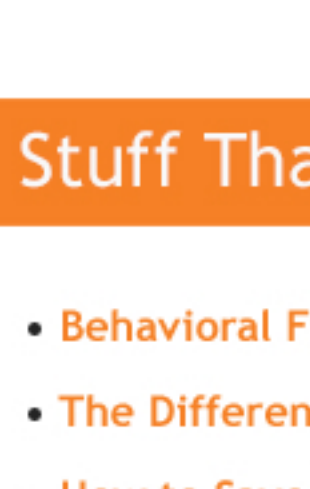
Generally speaking, it makes the most sense to pay off the highest interest loans first. This is called the "debt avalanche" method, where you pay just the minimum on all but the loan with the highest rate. By targeting the loans with the highest interest rates first, you save the most money on interest. The "debt snowball" method pays off loans with the lowest balances first. You won't save as much on interest this way, but you might be more motivated to keep going with more frequent "wins."

Make More Than the Minimum Payment

This is one of the easiest ways to reduce your debt. Just take the payments you have and add extra money to the payment. Even if you can only afford an extra \$20 a month, it's something. Start there, then gradually work on increasing your extra payments.

Use Surprise Money

When you get surprise money from lottery winnings, an inheritance, a lawsuit, insurance or your annual raises, you might be tempted to spend it. Instead, use it to pay off your loans faster. What about your tax refund? Put at least some of it toward paying down your loan debt, even if it's not 100 percent.



Question #3: Can I negotiate a lower price?

You probably already know not to pay the sticker price on a car or house, because negotiation is standard practice. However, there are plenty of situations where you need negotiate, even in a retail store. For example, imperfect items tend to be more difficult to sell—ask about taking 10% off for the damaged item. Also, if a salesperson wants you to bundle extras with a new computer or cell phone plan, ask for a discount—he/she may be allowed to offer discounts in order to close the deal on big-ticket purchases.

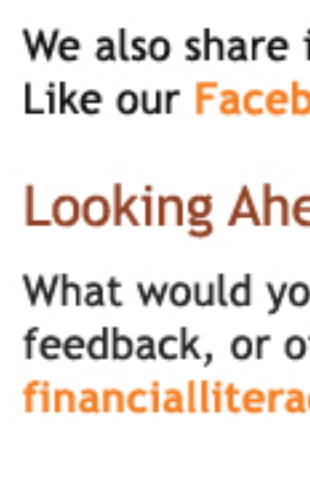
Trim Your Budget

If you want to find more money but can't easily increase your income, decreasing your budget is an option. While it may sound extreme, some have trimmed their budget drastically by moving to a cheaper apartment, and skipping happy hours and dinner out. You only have to do this in the short-term. Even if you can only handle it for a month at a time, it can still help your loan repayment.

Pay Every Two Weeks

A final strategy is to make a loan payment every two weeks. You don't need to pay your monthly payment to make this work. Instead, split your monthly payment in half and make a payment of that amount every two weeks. By doing this, you'll make a full extra payment over the year. The real strength of this strategy is that if you receive a paycheck biweekly, you shouldn't feel the pain of paying the extra amount.

Now, close your eyes and imagine what your life would be like when your most hated thing is gone. How will your life change for the better? Will you be happier? With some hard work, it can become reality sooner than you think.



Question #4: Do I really want this?

By keeping a never-ending wish list, you're less likely to buy items that have not been contemplated for at least a month, which provides sufficient time to decide whether the item is a necessity or just a want.

Stuff That's Fab

- **Behavioral Finance and Financial Health**
- **The Difference between being Fugal and being Cheap**
- **How to Save Money without Giving up Quality**
- **How to Stick to Your Grocery Budget**

Question #5: Can I find a coupon for this somewhere?
Combine sales with coupons to save more. If you have time to look through a few pages of content, then sites that offer free printable coupons, like Coupans.com, could be a good option for you too. When shopping online, search for the store's name plus "coupon code" before making a purchase. It's always worth taking a few minutes to look.

FAB Bits

Webinars

Did you know that Outreach and 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.

- 04/25/18 - FAB Life. **Register**
- 05/23/18 - Student loan counseling strategies. **Register**
- 05/30/18 - Identity theft and steps to take to repair your credit. **Register**
- 06/06/18 - Understanding consumer credit reports and scores. **Register**
- 06/13/18 - Money personality. **Register**
- 06/20/18 - Need or greed: Recognizing spending creep. **Register**
- 06/27/18 - Free and at your fingertips: An overview of ECMC resources. **Register**

Check out a sample of our upcoming topics and register at ecmc.org/schools/training.html.

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

What would you like to hear about over the summer? If you have article suggestions, feedback, or other ideas, we want to hear from you! Email us at financialliteracy@ecmc.org!