Outreach + Financial Literacy Newsletter

Fall 2017

Welcome to the Fall 2017 Edition of FAB Gab!

The Financial Awareness Basics (FAB) Team is excited to share content with you to assist in your outreach efforts this quarter. 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.

Behavioral Economics 101—Status Quo Bias

I was excited to read this morning that Richard Thaler, author of one of my favorite books ***Nudge: Improving Decisions about Health, Wealth and Happiness with Cass Sunstein*** just won the Nobel Prize for his groundbreaking work in behavioral economics. Behavioral economics is a relatively new field that studies the psychology behind our financial decision making.

Have I lost you already?

Let me ask you this: How many times have you decided to save money and never really made it past that decision? Well, that is actually a thing. And that thing is called status quo bias. In layman's terms, it means we prefer things to stay relatively the same. We talk to the same people, drive the same route to work, go through the same daily routine, etc. We enjoy some small changes—like reading a new book or going on vacation—but major changes, not so much.

The problem with status quo bias is that it costs us money. Because we prefer things that are familiar, we often choose to stick with things that are less cost-effective than the alternative. Here are five ways that status quo bias can cost us money.

1. **Keeping the same cable or satellite service**. There's a reason the cable and satellite companies offer amazing introductory deals, but their standard price after a year is really high. They know about status quo bias.
2. **Keeping the same cell phone service**. Just like your cable or satellite service, cell phone companies offer great introductory deals because they know it's likely you'll just stick with what you've got.
3. **Sticking with your current bank**. If you're getting hit with ATM fees, zero interest checking and less than 1% interest on your savings account each month, then your bank is overcharging you. Sure, it's easier to stay put. You don't have to spend an hour of your life switching to a new bank. But is staying put really worth an average of $220 year?
4. **Taking the same way to work**. Usually, the route to work you've always taken is not the most optimal one, so you're losing cash every day simply because it's an inconvenience to try to find a better path.
5. **Always going to the same grocery store**. Instead of comparing costs to actually figure out which store is the cheapest, most people just get familiar with one store and do all of their shopping there. Even for me, this is difficult—I'm trying to transition to using my cheaper local grocery store option as my primary store, but my natural instinct is to continue to shop at the more expensive option because I like their produce.

The solution to fighting status quo bias is simple. Each week, try something new or do something completely different after work, such as going to a new grocery store to see if the prices are better.

Focus on one little change, each week. Repeat that change a few times without reverting back to your old ways. See if it suits you and, if the old way is actually better, then go back to it. But, during the following week, seek another new routine. Eventually, you'll find yourself saving quite a bit. Plus, you just may have found some new routines that you really enjoy. Good luck!

Infographic:

http://talkingcents.consumercredit.com/wp-content/uploads/2014/09/cost-of-coffee-infographic-293x1024.jpg

Are you maximizing your Direct Loan repayment options?

The Direct Loan grace period for the class of 2017 comes to a close this month. Are you ready for repayment? There are several repayment plans available, providing the flexibility you may need. Here are some things you should know:

- You'll be asked to choose a plan. If you don't choose one, you will be placed on the Standard Repayment Plan, which will have your loans paid off in 10 years.
- You can switch to a different plan at any time to suit your needs and goals.

Use the Repayment Estimator

The Repayment Estimator can help you figure out which repayment plan is best for you. Login, and they'll pull relevant information such as your loan amount(s), loan type(s), and interest rate(s). Just enter some additional information, such as your income and family size, and the results will show what your payment will be under each repayment plan.

4 Ways You Can Keep on Track of your Loan Payments

1. Adjust your due date to align better with payday. Do you get paid after your student loan payment is due each month? If so, contact your loan servicer and ask if you can switch the date your student loan payment is due.
2. Sign up for automatic withdrawal through your loan servicer and your payment(s) will be automatically taken from your bank account each month. This way, you never miss a payment. As an added bonus, you'll get a 0.25% interest rate deduction when you enroll!
3. Change your repayment plan. What you pay depends on the plan you choose and when you borrowed. If you need lower monthly payments, consider an income-driven repayment plan that will base your monthly payment on your income.
4. Consolidate your loans. If you have multiple student loans, simplify the repayment process with a Direct Consolidation Loan—allowing you to combine all your federal student loans into one loan for one monthly payment.

What to Do If You Can't Afford Your Payments

Don't ignore your loans if you're having trouble making payments—contact your loan servicer. Each servicer has its own payment process and can work with you if you need help making payments. Your servicer handles all billing regarding your student loan, so you'll need to make payments directly to them.

If the options above don't work for you and you simply can't make any payments, you may be eligible to postpone your payments through a deferment or forbearance. However, depending on the type of loan you have, interest may still accrue on your loan during the time you're not making payments.

Help is available if you are having difficulty making your payments.

If you are experiencing a financial hardship, going back to school, or are on active duty in the military, deferring your loan payments may be an option. Subsidized Stafford Loans will not accrue additional interest, so your balance after the deferment period will be the same as when it started. However, for unsubsidized loans, interest will accrue during the deferment period, so it's beneficial to pay at least the interest on your loan each month. This will prevent it from being capitalized and causing you to you pay more during the life of the loan.

There is life after default. One way to get out of default is to pay the balance off in full, however that's not a practical option for most borrowers. Rehabilitation is another option. To rehabilitate a Direct Loan, you sign an agreement with your loan servicer to make nine voluntary, reasonable, and affordable monthly payments within 20 days of the due date, and make all nine payments during a period of 10 consecutive months. Once you have made the required nine payments, your loans will no longer be in default.

A third option is Direct Loan consolidation. To consolidate a defaulted federal student loan into a new Direct Consolidation Loan, you must either agree to repay the new Direct Consolidation Loan under an income-driven repayment plan, or make three consecutive, voluntary, on-time, full monthly payments on the defaulted loan before you consolidate it.

Stuff that's FAB!

Want to put your phone to work for you? The FAB team has singled out five apps that, whatever your circumstances, make your life a little easier and help you get more bang for your buck. And best of all, they're all free!

Mint
The king of personal finance apps; this little powerhouse allows you to keep track of all your financial activity from all your accounts: checking, savings, retirement—you name it! Every transaction is automatically recorded and categorized. Mint makes note of your spending patterns and creates a budgetIt is a fantastic way to keep tabs on your overall financial health and be able to spot potential problems.

Acorns
Acorns is modernizing the old-school practice of saving loose change, merging the robo-advisor model with an automated savings tool. The app rounds up your purchases on linked credit or debit cards, then sweeps the change into a computer-managed investment portfolio.

That approach won't get you to retirement, but it's certainly a useful tool to save more. Acorns is free for four years for college students with a valid .edu email address. Other investors pay $1 a month until their account balance hits $5,000, then 0.25% of their account balance per year.

NerdWallet Retirement Caclulator
Many retirement calculators generate a big accumulation goal—say, $2 million—which can be intimidating and difficult to relate to. This NerdWallet tool, by contrast, looks at your retirement preparedness in terms of monthly income and spending. On the basis of just five data points—your age, desired retirement age, income, savings to date and savings rate—it might say you'll need $6,000 a month to live on in later life and you're currently on track to have $4,000. It gives you suggestions to catch up. The simple design gets you thinking about saving for the future.

Amazon
The world's largest e-retailer sells nearly everything you might want to buy. Its app is handy too. You can see prices and product information for items you scan, take a photo of or say out loud to your phone. In a store or on the go, you can access Amazon's massive volume of user reviews and side-by-side product comparisons. You can check your Amazon order history, update your Wish List and browse lightning deals too!

College Abacus
Colleges are required to provide an online calculator that helps students estimate what they would have to pay after scholarships and grants are subtracted from the school's sticker price. But those calculators can be hard to find—and to compare colleges, you have to submit the same personal information on multiple websites. College Abacus makes it easy— it incorporates information from the net price calculators of roughly 4,500 colleges so you can check out multiple schools at once.

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.

Financial Aid Nights 101: Spring is just around the corner. Start prepping your financial aid outreach presentations now and be ahead of the curve. In this webinar, we'll walk you through tried and tested topics and show you how to relay them in a concise, easy-to-understand format that will leave your audience well informed but not overwhelmed.

- November 15, 2017
- Register here

Avoiding the Holiday Spending Hangover: There's nothing more gratifying than showering our family and friends with gifts during the holidays, but at what cost? With the stress and expectations of gift purchasing, lack of time, crowds, parties, and lots of stuff to buy, it's little wonder that many people may seem Grinch-like during the holiday season. We'll share some tips on planning for the holidays and finish up with some smart habits for financially successful holidays.

- November 29, 2017
- Register here

Check out more 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

In our first newsletter for 2018, we'll take a look at some simple budgeting tactics that even the most cash strapped students can follow.

Article suggestions, feedback, or other ideas? We want to hear from you!
Email us at financialliteracy@ecmc.org.