

# Budgets, Credit, Debt and You

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Together we'll go far



# Congratulations

You're ready to move on. You're done with school (temporarily or permanently) and ready for the "real world."

Today we'll cover some things that are good to know, and some things that are "must-do's."

Without further ado – let's talk.

# Must-do



# Validate

## Know your lender.

Did you borrow from a different lender for each year of school?  
Did you always use the same loan program?

It may seem like a no-brainer to know your student loan lender, but in today's world where it's common to borrow multiple loans and when loans are often sold, it's smart to double-check this.

**Make a list** of all your loans and lenders. If you're unsure of any, check with your financial aid office for help.

# Required action

## Call your lender.

Or get in touch another way: email, or sign up for their online billing or servicing center. **Make sure they know** that you're done with school and that they have your current address and phone number.

Not only is this a good idea, you probably agreed to do it when you signed the paperwork to get the loan (so yes, **it's required**).

P.S. If you sign up for online service, **invite your cosigner** to sign up as well. He or she has a vested interest in keeping track of your loan.

# Another requirement

## Repayment is required.

When you signed your consumer credit agreement or promissory note, you made a legally binding agreement to **repay the loan**.

Your agreement to repay your loan applies even if:

- You don't have a job or are underemployed
- You're not satisfied with your education
- You didn't complete your education

Nice to know



# Do yourself a favor

## Save some money.

When you got your private student loan, you might have noticed your lender offered **repayment benefits**.

If you meet the requirements to get these benefits, you might be able to **reduce your interest rate** — and the lower your rate, the less money you have to pay back.

Good? Yes! If you don't remember what benefits your lender offers, check their website or call them to find out.



# Not required, but smart

## Get organized.

- **Get copies** of your credit agreements/promissory notes and read them again. It's smart to know the details.
- **Keep a record** of the following:
  - Where to send payments
  - Where to send correspondence
  - Your lender's website and customer service number
- If you weren't required to make payments while you were in school, make sure you know how long your **grace period** is.
  - Grace is a period of time when the lender doesn't require payment
    - Typically after school, you have up to six months of grace

# Take a daily trip to the mailbox

## Open your mail.

You might not be used to paying attention to snail mail, but it's critical that you **open and read everything** that comes from your lender.

- If you signed up for electronic statements, make sure the emails from your lender don't go to 'junk' — add them to your address book.
- You'll be getting a repayment schedule before your first payment is due. For most lenders, it will typically show your:
  1. Loan balance | Estimated total interest
  2. Number of monthly payments | Amount of each payment
  3. Date that your first payment is due

# Get interested

## In your interest rate, that is.

- Know when your interest is **capitalized** (that means added to your principal balance). If you can afford to pay a portion of your interest before this happens, it will result in a lower total amount that you pay back.
- Is your rate **fixed or variable**? Fixed rates stay the same, and variable rates fluctuate with market conditions.
- **Prime or LIBOR**? Both are rates that banks use to charge interest on the money that you borrowed. Variable rates are usually based on one of these.

# Prepare mentally (and fiscally)

## Savings and insurance.

- Pretend that you're making payments now by putting money into savings to get in the habit. (*Cushion theory* — this helps if you run short on your monthly budget.)
- Check to see what your lender's loan forgiveness policy is in the event of permanent disability or death. It's not a fun topic, but if your loan isn't forgiven, you could put the burden of debt on your cosigner (if you have one), or your loved ones.

Be assured, even in  
uncertain times



# If you run into trouble

## No one is perfect.

Almost everyone runs into a financial rough spot at some point in life. Your lender is there to help. If you have trouble making a payment, **call them** and let them know.

Not making a payment can impact your credit. Find out what your options are — **never 'skip' a payment.**

If you're having trouble making payments, your lender may offer a forbearance (a period of time when payments can be suspended, but interest continues to accumulate) or a period when you can make interest-only payments. Be sure to check with your lender on available options.

# Ongoing budget woes

## Find options.

Consolidation takes one or more private student loans and creates one new loan. This new loan may have a **lower monthly payment**, but may also have a **longer repayment period**.

If you get a longer term, it may result in an **overall higher loan cost**. Check to see if there's a penalty for early repayment if your situation improves.

If your credit has improved since you were in school, you might qualify for a lower interest rate on a consolidation loan.

Tip: **Never** consolidate federal and private loans.

# Poised for success





# Budget, planning and thrift tips

## Real life. More ramen?

Living like a student is hard — being on a strict budget isn't a blast. But, continuing to be thrifty can help you out in the long run.

Don't over-borrow or put your life on a credit card.

The most important lesson: **Live within your means.**

Healthy debt-to-income ratio: 36%

In the safe zone: 42%

In the red zone: 49%

# Does a budget sound boring?

*Let's call it a 'spending plan' instead*

## You know the basics.


- Spending shouldn't exceed your income
- Keep track of what you spend
- Know the difference between **needs** (food, shelter) and **wants** (concert tickets, a daily mocha). Plan accordingly.
- A spending plan is a great way to **understand the details of where your money goes**. It can help identify areas where you can cut expenses and increase savings.
- Check with your bank. They may have easy **online tools**, and some can translate your current transactions into a spending plan.

# Write it down

Pencil to paper can help.

We have an online budget center with a guide, a worksheet to download and other great general information.

[wellsfargo.com/student/money](http://wellsfargo.com/student/money)

		<b>Monthly Cash Flow Worksheet</b>	
<b>INCOME</b>			
		Monthly income/salary from all sources	
		Investment income	
		Other income	
		<b>Total Monthly income</b>	
<b>EXPENSES</b>			
<b>Food</b>		<b>Housing</b>	
Groceries		Rent	
Eating out		Other	
Other			<b>Total Housing</b>
			<b>Total Food</b>
<b>Utilities</b>		<b>Transport/Auto</b>	
Laundry		Public transit	
Gas/electricity		Car loan(s) or leases(s)	
Water		Car insurance	
Garbage		Maintenance	
Phone		Parking	

# Top 5 budget and personal finance apps for iPhone

- iReconcile (\$2.99)
- Expenditure (\$1.99)
- Moneybook (\$2.99)
- Toshl (free)
- Mint (free)

# Plan for the future

## Where do you want to be tomorrow?

Start setting some **financial goals**, so you can make a plan to meet them. Some ideas to consider:

- Starting a savings account
- Starting a retirement plan
- Starting a 'fun' savings account for vacation or a personal reward

# Set your goals

## Write your goal today.

Put it on paper, along with a timeline:

- Be specific and realistic.
- Start with small, short-term goals (a 6 month goal)
- Add longer-term goals as well (1 year, 5 years)

\$20 a week in savings equals about \$1000 in a year — and over **\$5200** in five years — it might be one less night in a restaurant each week, but it adds up.

# Trimming your expenses

**To meet those goals...**

You'll need to **pay attention** to your expenses.

Keeping control over your spending takes discipline, but it can also be fun to search for ways to save money and feel rewarded when you get a good deal.

# Be savvy

## Shop before you buy.

Whether it's a pair of jeans, a new laptop, or a car, research and make sure you know your options.

- Consider your needs
- Determine how much you can spend
- Research
- Comparison shop
- Find the best overall value
- Follow-up if there's a problem



# Take advantage

## More than clipping coupons.

Learn about discount programs and other ways to save.

- Visit an accountant to see if you get tax credits or deductions.
- Paying bills automatically online may result in an interest rate reduction.
- Check out price guarantees where you make purchases.
- **Negotiate.** Ask about price matches.
- Check to see if your employer will match your retirement savings.

What's that joke about the two things  
in life that you'll have to deal with?

*Oh yeah, something about taxes...*



# I am not a tax expert

**It's true, I don't do taxes for a living.**

*All information provided here is intended as a convenient source of tax information. This information is general in nature, is not complete, and may not apply to your specific situation. Before relying on this information, you should consult your own tax advisor regarding your tax needs. Wells Fargo makes no warranties and is not responsible for your use of this information or for any errors or inaccuracies resulting from your use.*

# Don't miss a chance to save money

Don't miss on the tax deductions and savings available on student loans.

During years while you're in school

- **American Opportunity Tax Credit:** Tax credit available when students are in their first four years of college
- **Tuition and fees deduction:** Allows you to deduct tuition and fees required for the enrollment or attendance at an eligible institution.
- **Lifetime Learning Credit:** Tax credit for qualified tuition and related expenses available when students are enrolled in eligible institutions.

# And even when you're not in school

## And when you start making payments.

- Interest deduction for student loans: Allows you to deduct the interest you've paid on qualified student loans used for higher education expenses.

More information? Visit us online: [wellsfargo.com/tax\\_center](https://www.wellsfargo.com/tax_center)

# Astutely certain?



# Why establish credit?

## More than a card.

From everyday needs to big purchases, credit matters.

Good credit can help you:

- Get utilities
- Get a job
- Rent an apartment
- Get a loan for a house or a car

# What is a credit score?

## Kind of like a report card.

A credit score is mathematical analysis of the information on a credit report, and is based on trending statistics of millions of credit accounts. Credit scores range from 300 to 850 points. A high score predicts minimal credit risk.

The FICO<sup>®</sup> score is one of the most commonly used scores, is based from software developed through the Fair Isaac Corporation, and is available through the three major credit reporting agencies.



# FICO scores & you

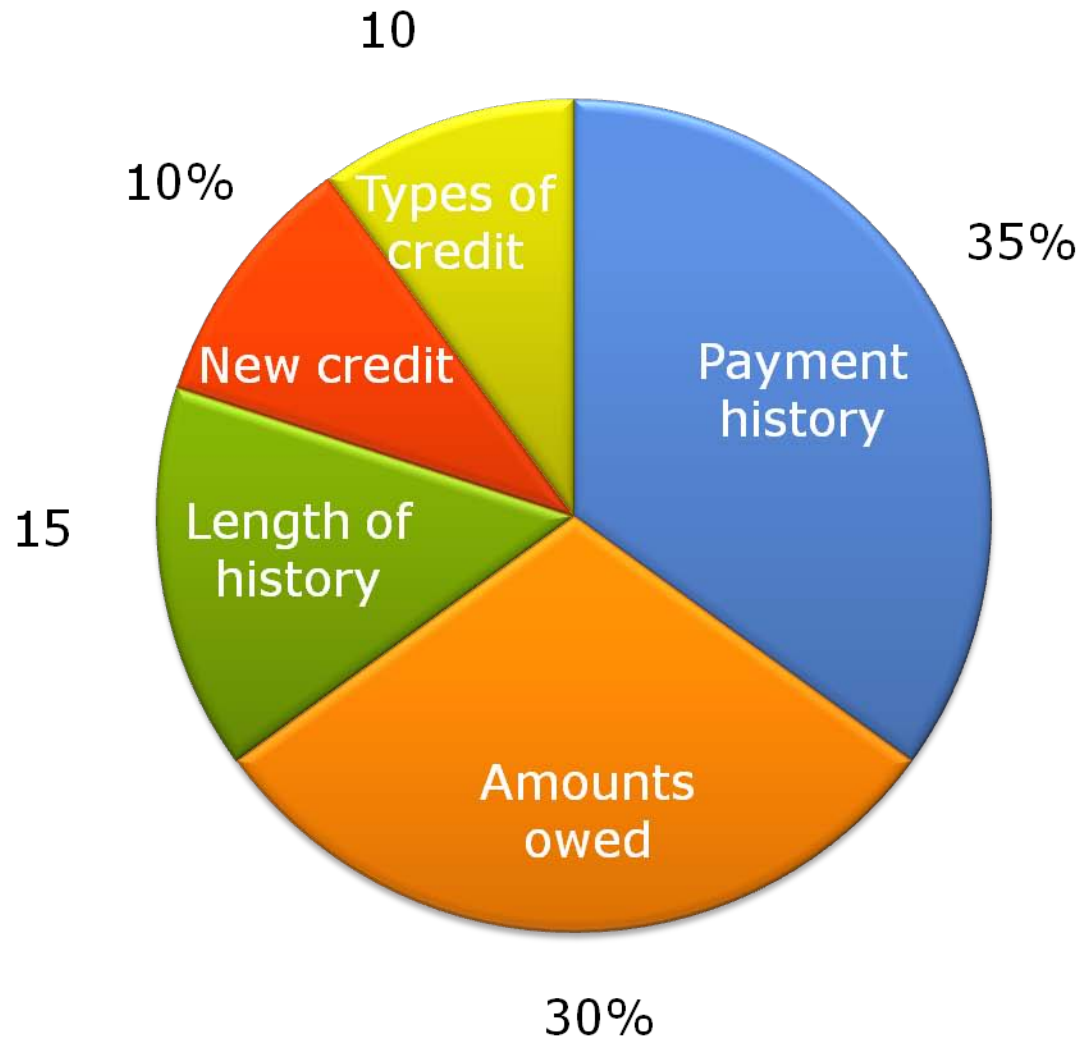
There are three credit bureaus that can be used for pulling your FICO score

- Equifax
- Experian
- TransUnion

This is how FICO scores are typically spread among the general population:

<b>Below 650</b>	<b>650-699</b>	<b>700-749</b>	<b>750-800</b>	<b>Above 800</b>
27%	15%	18%	27%	13%

# What factors make up your credit score



# What is a good credit profile

## It's like the dean's list of credit.

People with good credit typically have:

- Different types of credit, such as credit cards, installment loans, auto loans, mortgage loans
- Years of positive payment history
- Credit that's not "maxed out"
- Not placed multiple applications for new open-ended credit (like credit cards) within the last 12 months
  - 'Rate shopping' – placing multiple applications within a short period of time for student loans, auto loans, etc, shouldn't impact your score

# Use credit wisely

## Got good credit? Don't lose it.

- ✓ Keep track of your spending
  - Save your credit card receipts and know what you owe.
  - Make sure your credit card statement is accurate.
- ✓ Do not exceed your credit limit
  - If possible, keep at least a 15% cushion of available credit in your account in case of emergency. Using up all of your credit can lower your credit score.

# Use credit wisely (cont'd)

- ✓ Live by percentages
  - Each month, **less than 10%** of your net income should go towards paying off credit card bills.
  - **Less than 10%** should go toward your student loans
  - A healthy debt level is **under 40%** including *all debt*.
- ✓ Pay what you owe
  - Pay at least your “total minimum due.”
  - Try to pay more than your minimum payment to help reduce the total finance charges.
- ✓ Pay on time

# How long is credit information active?

**Good and bad, it's there for awhile.**

The timeline for information to remain on a credit report varies:

- Positive information, good payment history:  
No maximum amount of time
- Hard inquiries: 1–2 years
- Negative information, collections: 7 years
- Bankruptcy: 7–10 years
- Liens or unpaid taxes: 15 years or longer

# Request, read & correct as necessary

## Not another term paper — your credit report.

- **Request:** You're entitled to one free credit report each year from each of the three major agencies.
- **Read:** Look to see what's listed — is there a credit card account open that you didn't know about? Is your balance on your loan reporting correctly?
- **Correct:** If something's off, take action to get it fixed. We talked about how long the information is there — it would take awhile to correct itself!

Free credit reports: [www.annualcreditreport.com](http://www.annualcreditreport.com)

# Resources

Tips for saving & budgeting:

- [www.feedthepig.org](http://www.feedthepig.org)
- [www.TheMint.com](http://www.TheMint.com)
- [www.nefa.org](http://www.nefa.org)
- [www.educationcents.org](http://www.educationcents.org)



# More resources

Financial tips: [www.bankrate.com](http://www.bankrate.com)

Wells Fargo: [www.wellsfargo.com/student](http://www.wellsfargo.com/student)

Career planning, services, etc.: [www.students.gov](http://www.students.gov)

Free credit reports: [www.annualcreditreport.com](http://www.annualcreditreport.com)

Credit scores: [www.myfico.com](http://www.myfico.com) & [www.creditkarma.com](http://www.creditkarma.com)

# Questions?

## Best of luck to you!

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