



# Hands on Banking<sup>®</sup> Series

January 2021





# Hands on Banking<sup>®</sup> Series



## **Series Purpose:**

To help you become more financially literate

## **Topics in this series will include:**

- ✓ History of money and its purpose
- ✓ Basics of budgeting
- ✓ How banks work
- ✓ Savings and interest
- ✓ Credit
- ✓ Credit Score
- ✓ Assets and Liabilities
- ✓ Net Worth
- ✓ Investing

- **Series Summary**

## Double/Triple Bogey



**Bankruptcy**

## Bogey



**High Credit Card Debt**

## Par



**Little to No Debt**

## Birdie



**Investing**

## Eagle



**Helping Others With Your \$\$**



**CREDIT**

# CREDIT OVERVIEW

## Revolving



- Flexibility to make purchases
- Typically has a credit limit
- Paid monthly
- Tend to have high interest rate

## Installment



- Typically large amounts
- Typically a down payment is required
- Paid monthly
- Tend to have lower interest rate

## Open



- Flexibility to make large purchases
- Tend to have a high credit limit
- Paid off after 1 month
- 0% interest rate

# CREDIT CARDS (REVOLVING)



**Credit limit = \$2,500**  
**APR = 23.9% (interest rate)**

**Credit Used = \$1,200**  
**Monthly Payment = \$32**



Year	Principal Payment	Interest Payment	Balance
1	102.14	276.09	1,097.86
2	129.42	248.82	968.44
3	163.97	214.26	804.47
4	207.75	170.48	596.72
5	263.22	115.01	333.50
6	333.50	44.73	0.00
<b>Total</b>	<b>1,200.00</b>	<b>1,069.40</b>	



# WHAT IS A CREDIT SCORE?

**A number assigned to a person that indicates to a lender their ability to repay a loan or debt.**



**Most widely used credit score is the FICO Score. Originally Fair, Isaac and Company. A data analytics company based in San Jose, CA.**

The logo for 'EQUIFAX' is the word 'EQUIFAX' in a bold, red, italicized, sans-serif font.The logo for 'TransUnion' features a stylized grid of dots to the left of the text 'TransUnion' in a blue, sans-serif font.The logo for 'Experian' features a stylized grid of dots to the left of the text 'Experian' in a blue, sans-serif font.

**Three main credit bureaus track and report your FICO score to lenders**



# FICO SCORE OVERVIEW



- Score ranges from 300 – 850
- The higher the score, the better (lower APR/interest rates)
- Paying bills on time
- Limiting use of credit available
- Low debt to income ratio







- \$5,000 Credit Card Balance
- Paid-off over 6 Years

FICO Score	APR	Monthly Payment	Total Interest
800	11%	\$95	\$1,852
700	18%	\$114	\$3,211
600	26%	\$138	\$4,920

800 Score → \$6,852 total paid  
 700 Score → \$8,211 total paid  
 600 Score → \$9,920 total paid



- \$12,500 Purchase Price
- Paid-off over 4 Years

FICO Score	APR	Down Payment Required	Loan Amount	Monthly Payment	Total Interest
800	4%	\$0	\$12,500	\$282	\$1,047
700	9%	\$2,000	\$10,500	\$261	\$2,042
600	15%	\$4,000	\$8,500	\$237	\$2,855

800 Score → \$13,536 total paid  
 700 Score → \$14,528 total paid  
 600 Score → \$15,376 total paid



# MONEY & BUDGETING OVERVIEW

# WHAT DO PEOPLE DO WITH \$\$?



Pay Your Bills



Save It



Invest It



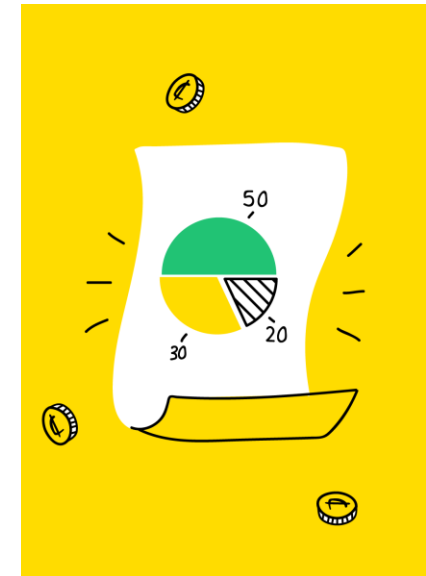
Buy Stuff



Give It Away

## A budget helps you:

- Identify how you spend your money
- Decide how much you can spend – and when you can spend it
- Plan the savings you'll need for unexpected expenses or changes in income
- Make decisions about your money both today and as your situation changes over time



# SAVINGS: HOW BANKS WORK



## Savings Account



- Used to save money
- Typically pays interest

## Checking Account



- Used to pay for things – like bills
- Typically does not pay interest



## Sample Monthly Budget: Family of Four

Description	Income (+)	Expenses (-)
Take Home Pay	\$3,500	
Housing (Rent or Mortgage)		\$1,300
Food		\$700
Transportation (Car Payment, Insurance, Bus/Train Fare)		\$450
Medical Insurance		\$400
Utility Bills		\$200
Clothing/Shopping		\$100
Entertainment		\$100
Savings		\$175
Emergency Fund		\$75
<b>Total:</b>	<b>+ \$3,500</b>	<b>- \$3,500</b>

Deposit  
  
 Here



Deposit  
  
 Here



- Money is used as an exchange mechanism
- Before we had money, people bartered and traded things for other things
- You can use money for many things – including to help others
- Budgeting is very important and can help you save more \$\$
- Banks pay you interest on savings – and can give you loans and credit
- Interest helps your \$\$ grow faster

# CREDIT REVIEW

- Credit = trust
- Credit cards tend to have higher interest v car loans and mortgages
- Mortgages provide additional tax benefits v other types of credit
- Your credit worthiness is assessed via your FICO score
- Paying bills on time and having low credit utilization will lead to a higher FICO score
- A high FICO score will save you money over time
- Your NET WORTH is what you OWN (Assets) less what you OWE (Liabilities)



# INVESTING

*How would you like to make money for doing nothing?*

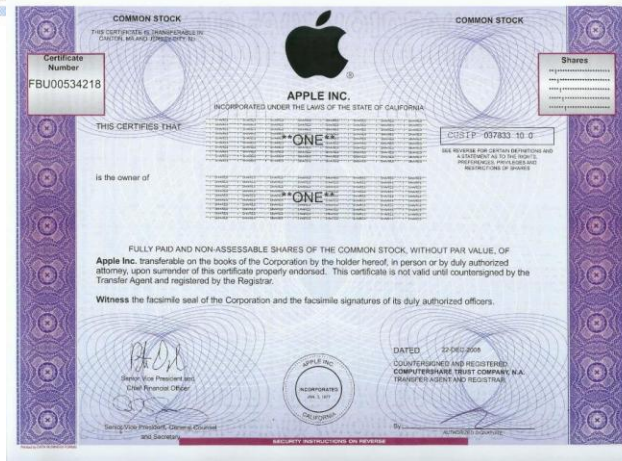
**When you invest, you make your money work for you!**



**Investing works harder than savings and checking accounts**



- A stock (also known as equity) is a security that represents the ownership of a fraction of a corporation.
- This entitles the owner of the stock to a proportion of the corporation's assets and profits equal to how much stock they own.
- Units of stock are called "shares."





## Short-Term Goals/Needs

- Paying monthly bills
- Saving for new golf clubs
- Saving for a new phone
- Vacation planning

## Long-Term Goals/Needs

- Planning to buy a home
- College/education savings
- Buying a business
- Retirement planning

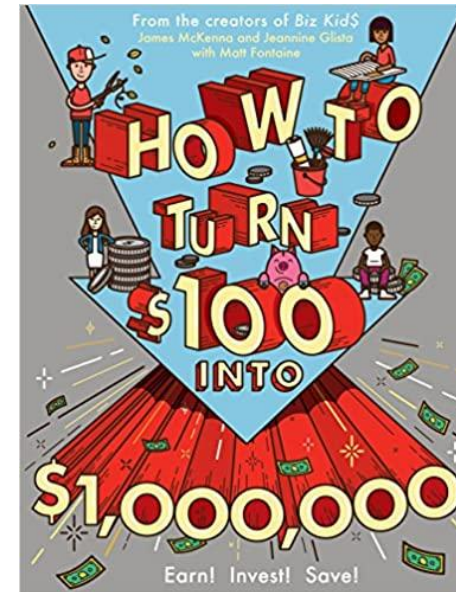
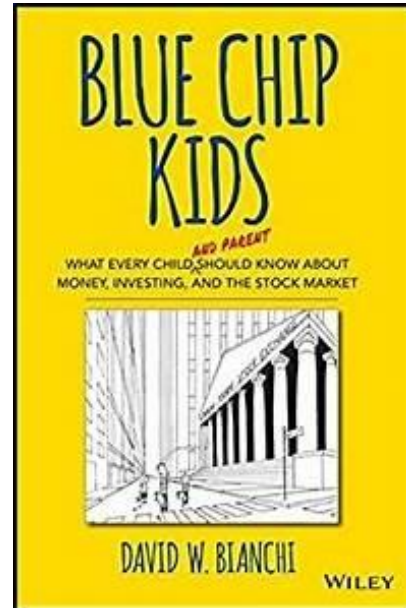
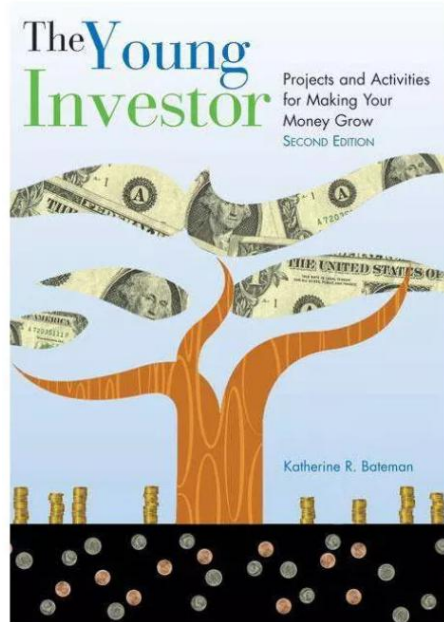
# INVESTMENTS REVIEW

- When you invest, you make your money work for you!
- Investing is more for long-term savings
- Stocks – over time – tend to have a higher return v savings accounts
- Stocks are traded on exchanges
- Trades have an ‘ask’ and a ‘bid’ price – as these change, so does the price of the stock
- Stock indices are ‘indicators’ of broader market performance
- Mutual funds are a great way to create a portfolio of stocks for yourself – while reducing your risk





# RESOURCES



# QUESTIONS?



*Thank  
you*

