

Managing Your Money



Steps to Financial Success





Money means different things to different people. Successful money management can bring independence, new opportunities and a clear path to your goals. *Managing Your Money* was created to arm you with the tips and tools for building lifelong money management skills. This guide is intended for consumers of any age. It covers everything from tracking your spending and creating (or sticking to) a budget to saving and investing for retirement.

Finance Authority of Maine

FAME helps Maine students reach their higher education goals by providing free information on planning and paying for college, career preparation and financial education, including responsible borrowing.

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Know Your Goals

Setting goals helps you identify where you want to go, what you will need along the way and if you are on course.

- Set realistic goals. Consider all aspects of your life—educational, financial and personal.
- Prioritize your goals. What matters most to you?
- Make a plan and determine what resources you need to achieve these goals.
- Track your progress.
- Congratulate yourself when you've reached a milestone!

What are your goals?

Short-term Goals (within 2 years)

- Get your own apartment
- Pay down high-interest debt
- Create an emergency fund


Mid-term Goals (2-5 years)

- Take a dream vacation
- Buy a home
- Go back to school

Long-term Goals (5+ years)

- Pay off student debt
- Start your own business





Mind Your Money—Are you embracing your future self?

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We think about our future self as someone different from who we are today. Use this to your advantage by embracing your inner adult or senior citizen. Try to think about him/her as a dear relative or friend who is entirely dependent on the financial choices you make today. People who feel close to the person they imagine being in the future tend to save more money. Your future self is depending on you!

Get Organized

1. **Get your financial life in order.** Create a system to track billing statements, financial information and any other important documents. Staying organized will help you pay your bills on time and remember important deadlines.
2. **Review your financial records and banking and billing statements regularly** and look for any errors or mistaken charges, as well as any untracked payments.
3. When following up on questions related to your bills or other money-related issues, **keep a record of the name of the person you spoke to**, the date of the conversation and any information you discussed—especially any important instructions.
4. **Using free online bill-paying services can help you pay your bills on time.** Designate a time each month to review and pay bills that are not automatically paid through your bank account.
5. **Keep important papers such as loan documents.** Shred or recycle the rest, such as credit card offers and other junk mail.



If you are a college student, organize your financial aid and loan information. Know what you owe and when it's due.



Mind Your Money – Have you been fooled by the magic number 9?

Numbers are funny things. A price tag of \$9.99 feels cheaper than \$10, even though the difference is just a penny. This can be a big issue because we often anchor our feeling of magnitude on the first number, so \$299 can feel closer to \$200 than to \$300 in our mental calculations. Tricks like this can create budget leaks very quickly. How to overcome this mental obstacle? Round up! If the item is \$299, say \$300 to yourself. If it's \$4.75, say "about \$5."

Track Your Expenses

Create a list of your fixed monthly expenses such as rent, insurance, utilities and food. Take note of areas where you may be spending more than needed and decide how to reduce or eliminate any unnecessary spending, also known as “spending leaks.”

Track your daily spending for a month to find out exactly where your money is going. Don’t forget small purchases—they can really add up! Use this information to build your spending plan.

Have you identified your personal “spending leaks”?

- Daily coffee purchase, lunches out
- Music or app downloads
- Incurring avoidable bank fees (overdrawn account fees, fees for using ATMs through other banks, etc.)
- Impulse buying at the supermarket, convenience store or clearance rack

Identify your leaks

- Track every penny you spend for an entire month. Your bank or credit union may have online services to help you, or you can use a mobile app.
- Review your expenses and identify whether the purchases or expenses are a “want” or a “need.”

Plug those leaks

- Make your own coffee and lunches at home.
- Stay away from clearance sales or impulse buying.
- Ask your bank or credit union if they offer overdraft protection.

Did You Know?

If you eliminate your daily \$2 cup of coffee and instead put that \$2 per day in a savings account with a 2% return, you will save nearly \$7,000 in just ten years!

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Create a Spending Plan

Now that you have established your goals and tracked your spending, you can begin to create a plan for your money, also known as a spending plan. A spending plan can help you manage your income and expenses but is less rigid than a budget. Give your dollars a purpose by following these five steps:

1. Determine available income and resources.
2. Make a list of your monthly and annual expenses and then categorize them.
3. Compare income and expenses.
4. Create a spending plan that includes savings.
5. Periodically evaluate and adjust your spending plan.



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Mind Your Money – Are you trying to keep up with the Joneses?

For some, financial happiness is all about comparisons. It's not about how much we have that makes us happy, but how much we have in comparison to those around us. Think about who you compare yourself to. How does it affect your spending habits?

Spending Plan Worksheet

Savings:

Pay yourself first! (10% of income) \$ _____

Education:

Tuition and Fees \$ _____
 Course Fees \$ _____
 Books and Supplies \$ _____
 Student Loans \$ _____

Housing:

Room and Board, Rent, Mortgage,
 Association Fees \$ _____
 Insurance (Renter's/Homeowner's) \$ _____
 Phone/Internet/Cable \$ _____
 Heat \$ _____
 Utilities
 (Water, Electricity, Sewer, Garbage) \$ _____

Food:

Groceries \$ _____
 Dining Out \$ _____
 Campus Meal Plan \$ _____
 Beverages \$ _____

Personal Care:

Toiletries \$ _____
 Hair \$ _____
 Laundry and Dry Cleaning \$ _____
 Clothing, Shoes, Accessories \$ _____
 Other \$ _____

Transportation:

Car Payments \$ _____
 Maintenance \$ _____
 License and Registration Fees \$ _____
 Auto Insurance \$ _____
 Gas \$ _____
 Parking \$ _____
 Other \$ _____

Entertainment:

Concerts, Plays, Movies
 and Sporting Events \$ _____
 Subscriptions and Membership Dues \$ _____
 Other \$ _____

Family:

Day Care \$ _____
 Veterinary Care \$ _____
 Other \$ _____

Healthcare:

Health Insurance \$ _____
 Prescriptions \$ _____
 Dental Care \$ _____
 Copays \$ _____

Other:

Retirement \$ _____
 Life Insurance \$ _____
 Credit Card Payments \$ _____

Total Monthly Income
 (your monthly income) \$ _____

Savings -\$ _____

Total Monthly Expenditures
 (sum of your expenses above,
 excluding savings) -\$ _____

Ending Balance
 (if negative, you will need
 to adjust your spending) = \$ _____

Reduce Your Expenses

After you have tracked your expenses and created a spending plan, think carefully about whether there are any expenses you can control. Here are some things to consider:

Cell Phones, Cable and Internet

Eliminate the extras, such as cable or premium channels. Can you really afford your phone? If you have a cell phone, can you eliminate your landline? Do you pay excess fees for texting or data?

Personal Expenses

Beyond paying for the necessities, how much do you spend on your wants? Are there other ways you can satisfy those wants? Shop at a thrift store for a new outfit rather than the mall, or host a potluck instead of an expensive meal out.

Travel Expenses

Can you carpool or use public transit? Are you getting the best deal on car insurance?

Housing Costs

Are there ways that you might be able to reduce your rent or mortgage costs? Have you considered a roommate? Are you getting the best deal for renters or homeowners insurance?

Food Costs

Are you eating out regularly? Do you pack a lunch or make your own coffee? Do you buy in bulk when possible, cut coupons and shop for sale items?

Reduce Your Utility Costs

Are there ways to reduce your electricity, heat, water or other utilities? Do you turn down your thermostat when you're not at home? Can you install an automatic thermostat? Do you turn off the lights when you leave the room?

Take Advantage of Free Banking

Many banks and credit unions offer free checking, and some allow you to earn money on your savings and checking accounts.



Complete a “checkup” of all of your fixed monthly expenses such as cable, cell phone, insurance, interest rates on loans and banking fees. Make sure that you are getting the best deal. Many of your monthly expenses are negotiable. Find some time to research and you may save big! Use this “found money” to start saving.



Mind Your Money – What causes the desire for “retail therapy”?

Everything we own becomes a part of our sense of identity. This is why “retail therapy” is such a strong temptation for many of us. Be wary!

This habit can be hard on your wallet.

A better idea? Spend five minutes thinking about the qualities you most admire in yourself. You may find that you are closer to the ideal you than you thought!

Ways to Discover “Found” Money

- Declutter your life and sell unwanted items at a yard sale or online.
- Earn money through your skills and talents—babysitting, yard work, photography and music lessons are great ways to earn extra cash!
- Make sure you are getting the best deal on all your monthly expenses like car insurance, cell phone and cable.

Five Tips for College Students

1. Apply for financial aid on time every year at fafsa.gov.
2. Cut room and board costs by living at home and commuting to school or splitting costs with a roommate.
3. If you have a meal plan, use it. Every time you purchase a meal at a restaurant or drive-through, it's like paying for that meal twice!
4. If you live on campus, leave your car at home. Gas, insurance, car repairs and parking permits can add up.
5. If you need to buy a computer, take advantage of student discounts. Will a used or refurbished computer work for you?

Start Saving and Investing

It's never too early (or too late) to start saving for future goals such as a house, college or retirement. Saving each month is important, even if it's just a small amount, and can help you reduce dependency on credit cards and other types of borrowing. Start by saving at least \$500 to \$1,000.

Follow these helpful tips:

- **Open a savings and a checking account**, especially if you are responsible for paying regular bills.
- **Put your savings on autopilot**. Set up a direct deposit to a special savings account designated as “savings only” and don't connect it to your checking or debit account. Watch the money grow over time.
- **Talk with a qualified expert about your retirement plans**. Be sure to check with your employer; many companies will match your retirement savings. You may also be able to discuss investment options with your bank or credit union.

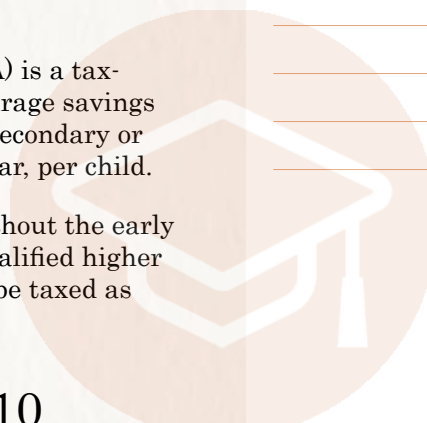


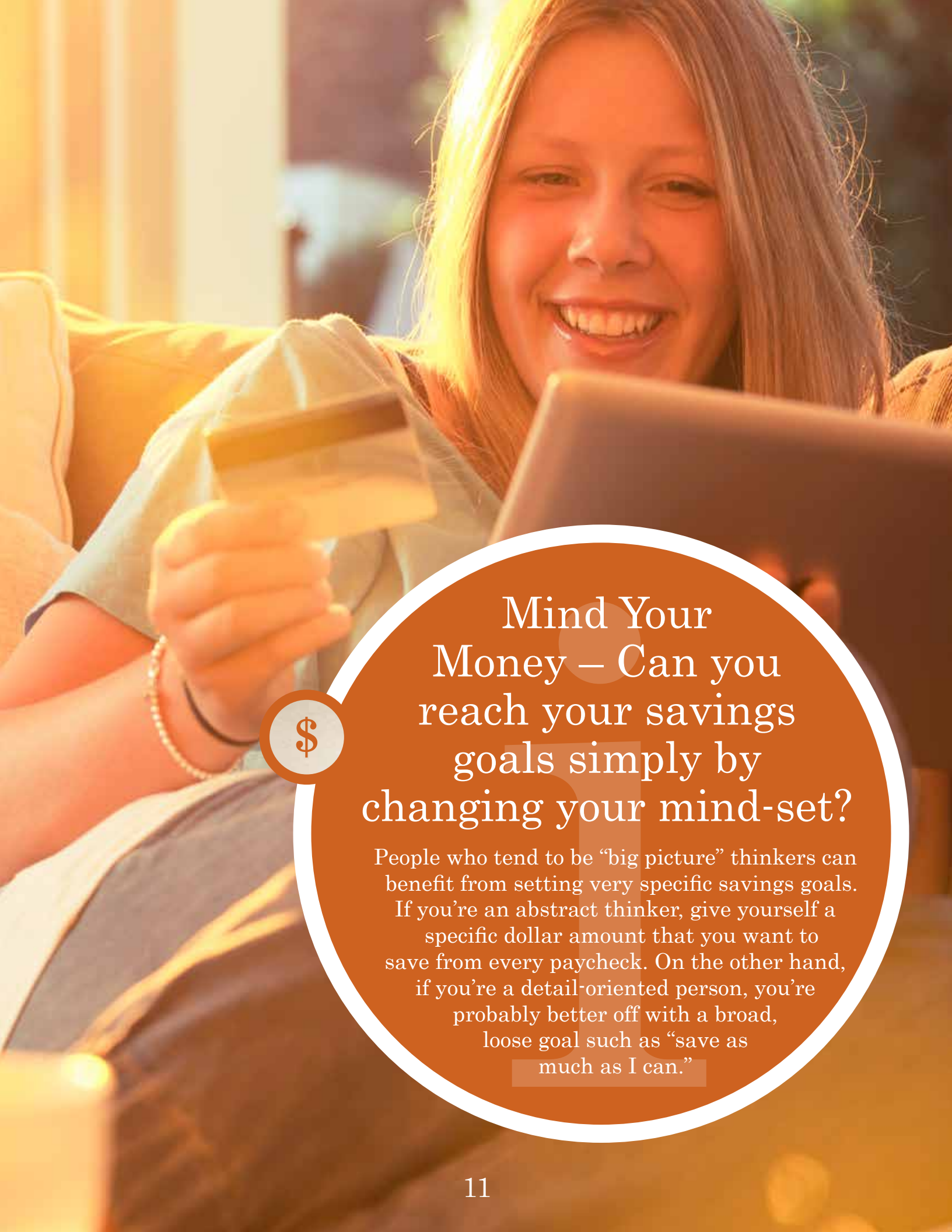
Saving for College

Every dollar available from savings is a dollar that doesn't have to be borrowed and repaid with interest. Families who have college savings are always in a better position when it comes to paying for college costs.

- **A Section 529 Plan** is a tax-advantaged investment plan to help students and families prepare for college expenses. For information on Maine's Section 529 Plan, the NextGen College Investing Plan®, visit FAMEmaine.com.
- **A Coverdell Education Savings Account (ESA)** is a tax-advantaged investment account designed to encourage savings to cover future education expenses—elementary, secondary or college. Contributions are limited to \$2,000 per year, per child.
- **An IRA withdrawal** before age 59½ is allowed without the early withdrawal additional tax if funds are used for qualified higher education expenses. These withdrawals may still be taxed as ordinary income.

See IRS publication 970 for more information.





Mind Your Money – Can you reach your savings goals simply by changing your mind-set?

People who tend to be “big picture” thinkers can benefit from setting very specific savings goals. If you’re an abstract thinker, give yourself a specific dollar amount that you want to save from every paycheck. On the other hand, if you’re a detail-oriented person, you’re probably better off with a broad, loose goal such as “save as much as I can.”

Protect Your Identity and Prevent Fraud

Identity theft occurs when someone uses your personal information to commit fraud. Victims of identity theft are often left with debt and credit problems. To prevent identity theft and fraud, follow these important tips:

Five Tips to Keep Your Personal Information Secure

1. **Shred financial documents** before discarding and ask the post office to hold your mail when you're away.
2. **Leave your social security card in a safe place at home**, not in your wallet.
3. **Keep your computer safe**—install antivirus software, don't click on links in unsolicited/unknown email messages and don't use obvious passwords.
4. **Monitor your financial information including your bank statements** and act quickly if you suspect identity theft.
5. **If it sounds too good to be true**, it probably is!

For more information on protecting your identity and avoiding fraud, visit consumer.ftc.gov.

Request Your Free Credit Report:
annualcreditreport.com



Review Your Credit Report

Your credit report is a snapshot of your financial life. It reflects whether or not you pay your bills on time, the total amount of credit extended to you and how much you owe on all your accounts. Credit scores range from 300 to 850. A score above 700 usually suggests good credit management. You should review your credit report at least once per year to make sure the information is accurate.

What is on my credit report?

- Your name, social security number, date of birth, current and previous addresses and employers
- Credit account information, such as date opened, credit limit, balance, monthly payment and payment history
- Bankruptcy, unpaid taxes and, in some states, overdue child support

Who could look at my credit report?

- Potential creditors
- Landlords
- Current or potential employers
- Government licensing agencies
- Insurance companies

What are the consequences of credit mistakes?

Negative information found on your credit report (late payments, bankruptcies, too much debt, etc.) can have a serious impact on your ability to borrow money, get a job, advance in your current job and rent or buy a home.

How long does information stay on my credit report?

- Positive information remains on your credit report indefinitely.
- Credit inquiries are included for six months to two years.
- Most negative information stays on your report for seven years.
- Some bankruptcies and foreclosures may remain for as long as 10 years.

How do I improve my credit?

There are several ways to build and improve your credit, but significant improvements only come with time. However, here are a few short-term strategies that will help:

1. Get a secured credit card from your bank or credit union. These cards are easier to qualify for because you deposit money with the bank before using the card.
2. Use a cosigner (who has good credit) to help you qualify for a loan. Lenders will consider the cosigner's existing credit.
3. Consider becoming an authorized user on somebody else's credit card (a parent or spouse, for example). This may help build your credit if your card company reports authorized users and the primary card holder has good credit.
4. Apply for a credit card with a modest spending limit (\$500–\$1,000). Use the card for smaller purchases and pay off the balance every month or as soon as possible.
5. Begin repaying your student loan while you are in school.
6. Be sure to pay bills consistently and on time. Remember, a little late is bad, but a lot late is worse (with late fees and interest penalties).
7. Avoid “maxing out” a credit card or other lines of credit. Pay off card balances instead of moving debt to other cards.



Take Control of Your Debt

While some level of debt may be necessary, such as borrowing for a home or college, borrowing for things like vacations and meals leaves you with debt and little reward. You should only borrow what you can reasonably afford to repay. If something takes longer to pay for than it lasts, don't borrow money to buy it.

- Watch out for the minimum payment trap, as it could take years to pay off your credit card balance and you'll end up spending a lot more than the original amount you charged.
- Only spend on your credit card what you can pay off at the end of the month. Don't fool yourself into thinking you will pay it off next month.
- When purchasing an automobile, be sure to shop wisely to ensure you get the best deal.
- Take a few days to think about a purchase before you follow through with it. This will give you time to decide if you really need the item.
- To reduce the total amount of interest you pay over time, pay off your higher interest rate loans and credit cards first. Then pay off debt with lower interest rates.
- Get help if you need it: reach out to a reputable debt counseling agency or talk to your bank or credit union.



Some photos featured are of Maine students at Maine schools.

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FAME would like to thank content contributor Sarah Newcomb, doctoral candidate in behavioral economics at the University of Maine and author of *I Hate Money! Understanding Your Financial Attitude.*

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