

Financial Checklist

Checking and Savings Accounts

Youth should do their research before choosing to establish a checking and savings account at a bank. Youth should review the services offered by different banks and the fees associated with these services. Youth should also explore whether the bank requires the youth to maintain a certain minimum amount of money in each account or whether there are limits on how much money a youth can withdraw from each account. Youth may need to have multiple forms of identification in order to successfully establish a checking and savings account.

Debit Cards

A debit card is a card which automatically withdraws cash from your checking account. Accordingly, the card basically functions as cash. The pros of debit cards are that they are often more convenient and safer than cash and youth can't rack up debt as they could on a credit card. However, youth must track the amount of money they are spending on the debit card because they can incur overdraft fees as a result of spending more than is available in their checking account.

Credit Cards

Credit Cards are often seen as an "easy" way to make purchases. Credit Cards can also help youth build a credit history. However, overusing a credit card can be a costly mistake. Youth who decide to undertake the responsibility of a credit card should aim to start with just one card, which they pay off in full and on-time each month. Youth should also be sure to pay attention to credit limits, annual interest rates, and fees associated with credit card usage. In addition, if a youth is under 21 years old, the card issuer cannot issue a credit card unless youth can show an independent ability to make the minimum periodic payment on the account or someone at least 21 years old guarantees or otherwise agrees to be liable on the account. The guarantee may come from anyone at least 21 years old with the financial ability to make the payments and does not have to come from youth's parents.

Monthly Budgeting

In this practice kit is a sheet to help youth budget. Monthly budgeting is a way for youth to track their income and expenditures and to practice financial responsibility. [Click here for the monthly budgeting sheet.](#)

E\$CROW Bank on DC

Youth in care are eligible to participate in this program starting at age 15. The program offers a 10-module online curriculum to help youth develop basic financial literacy and financial management skills. There are also workshops on banking, credit scores, credit cards, student loans, and mortgages, among other relevant topics. Social workers or other professionals can refer a youth by contacting Jetaine Hart at 202-727-2426 or jetaine.hart@dc.gov.

Programs and Services that Teach, Train, and Support



Financial Literacy



- **ESCROW Bank on DC** is a 10-module, self-paced, online curriculum that develops basic financial literacy and financial management skills. In addition, representatives of PNC Bank facilitate workshops on topics such as banking, credit scores, insurance, credit cards, student loans, mortgages, taxes, stocks, savings, and 401Ks.

All youth are eligible to participate starting at age 15. The expectation is that when youth sign up, they will complete the curriculum. Via email, they get a link to the online modules and notifications of upcoming workshops. Social workers, foster parents, or others can refer youth by contacting Jetaine Hart, jetaine.hart@dc.gov, (202) 727-2426

- **Allowance and stipends** give youth regular spending money for necessities and the opportunity to learn how to budget. CFSA has standardized monthly stipends that youth in Independent Living Programs receive for food, transportation, clothing, toiletries, and other basic necessities. The ILP covers rent and utilities for them. Youth in foster homes should receive a regular allowance (new policy forthcoming).

Social workers, foster parents, or others can refer youth by contacting Afrilasia Joseph-Phipps, afriasia.joseph-hipps@dc.gov, (202) 727-7517



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Income and Expense Worksheet

Sample Income and Expenses Worksheet

Knowing what expenses are flexible and what expenses are fixed is the first step to successfully managing your personal finances. This worksheet will help you to decide where you can be flexible each month.

How to Use the Income and Expenses Worksheet

Recording Your Income:

1. Record your income in the left column. As you can see from the example below, there are spaces on your worksheet for other incomes sources that might fit your personal situation, such as alimony, child support, and social security.
 - As you record your income, be sure to consider whether income sources are continuous or whether they might stop in the near future. For example, if you receive unemployment benefits, keep in mind when you will stop receiving these benefits.
 - You also might want to make adjustments for income you receive on a yearly or quarterly basis, such as tax refunds or bonus checks.
2. Next, calculate your total income by adding the numbers in the left column. Record this number in the space next to "Total Income" on the bottom of the left hand side of the page. This number represents the amount of income you receive in a month.

Recording Monthly Expenses

1. **Fixed expenses**
Next, list your monthly expenses in the right-hand column. Begin by listing your fixed expenses. Fixed expenses are items you have little or no control over. You will pay a fixed amount for these expenses each month. See the example below for some examples of fixed expenses.
2. **Agreed expenses**
The next group of expenses you will record on the worksheet are expenses that you have some control over before the initial agreement. They become fixed expenses after you have signed a contract. You should shop for the best value before committing to the payments. See the example below for some examples of expenses you can control before agreeing to make payments.
3. **Flexible expenses**
The next group of expenses you will record on the worksheet are flexible expenses. Flexible expenses are expenses that you can control.
 - When thinking about flexible expenses, think about what you need and what you want. This will help you to control your spending in this category. What are some ways that you could control the costs of these expenses?

- Also, make sure to pay yourself first. Set aside money from each paycheck and put it towards your savings. You will notice in the example below that “savings” is listed as an expense.

See the example below for other examples of flexible expenses. Also, you can use the Daily Spending Diary (see “Budgeting Tools” section) to get an idea of how to control your flexible spending.

Monthly Income and Expenses Worksheet

My Income		My Expense
		Fixed Expenses
Wages \$ <u>2,000</u>		Rent/Mortgage \$ <u>1,000</u>
Public assistance \$ _____		Property taxes/Insurance \$ _____
Child support/Alimony \$ <u>800</u>		Trash collection \$ _____
Interest/Dividends \$ _____		Cable \$ _____
Social Security \$ _____		Car Payments \$ _____
Other \$ _____		Car Insurance \$ _____
		Other loan payments \$ <u>200</u>
		Health insurance \$ _____
		Day care/Elder care \$ <u>600</u>
		Flexible Expenses
		Savings \$ <u>100</u>
		Gas/Oil \$ _____
		Electricity \$ <u>50</u>
		Water \$ _____
		Telephone/Cell phone \$ <u>40</u>
		Food \$ <u>400</u>
		Transportation/Gas \$ <u>160</u>
		Car maintenance \$ _____
		Education \$ <u>150</u>
		Personal expenses \$ _____
		Other \$ _____
Total Income \$ <u>2,800</u>		Total Expenses \$ <u>2,700</u>
* Remember to plan for income and expenses that do not occur on a monthly basis.		

Starting Out on Your Own: Personal Finance Tips for Young Adults

Have you ever taken \$40 out of the ATM and a few hours later asked yourself where that money went? Or, do you use your debit card to make purchases but don't keep track of them...and then wonder how your balance got so low?

While everyone can benefit from learning about money management and taking a more hands-on approach with their finances, young adults — including those just starting a career or a family and others still in high school or college — have plenty to gain by learning to be smart about money, and a lot to lose by making uninformed decisions.

“As a young adult, even if you don't have or earn a lot of money, the financial decisions you make today can affect your lifestyle now and for years to come,” said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section. “The good news is you don't need to be a finance expert to take charge of your financial future. A few basic concepts can go a long way.”

Here are a few tips to get you started.

Create a personal financial plan that will make it easier to boost savings and control spending. “It isn't how much you *make* that's important, it's how much you *keep*,” said Paul Horwitz, an FDIC Community Affairs Specialist. Start by keeping track of what you earn and what you spend and where.

Then take a sharp look at how much you spend on optional purchases, such as restaurant food and entertainment, and instead put some of that money to work for your future by saving or investing it.

“The key is to make some hard decisions about ‘needs’ versus ‘wants,’” added Horwitz, “because every dollar we spend on something we don't really need is a dollar we don't have to save or spend on something we do need.”

What steps can you take?

- Open a savings account and regularly add to it. Also “pay yourself first” with a set percentage of every dollar you get going to savings. “Set a realistic savings goal and remember that even \$5 or \$10 a week can add up over time,” Horwitz explained.
- Arrange with your employer to automatically transfer some of your earnings to a savings or investment account.
- Build up an emergency savings fund you can use to pay for major, unforeseen expenses.
- Consider a separate account to save for big-ticket purchases, such as a new TV or bicycle, instead of charging them on a credit card and paying the money back over a long time with a lot of interest.
- Limit the amount of money in your wallet or purse and in your checking account, so you're less likely to spend it. Only carry a credit card when you plan to use it. Also do your best to limit regular living expenses, such as food, transportation and utilities.

Reynolds also advised that young adults protect against financial loss by making sure they have proper insurance (such as life, health and property insurance) and then reviewing the coverage at least once a year.

Start saving for both short-term and long-term goals, including retirement, even though that may be many years away. “Thanks to the miracle of compound interest, even a small sum of money saved regularly at a young age can quietly grow to a surprisingly large sum over the years,” said Reynolds. The sooner you begin saving, the easier it will be to reach your financial goals, which may include buying a home, owning a business or retiring, instead of having to save a high percentage of your income at an older age.



And if you are working, “it makes so much sense to start, on the very first day, to put money into a retirement savings plan, especially if your employer will match part of your contribution, which is like getting free money,” said Alberto Cornejo, an FDIC Community Affairs Assistant.

Keep your banking and bill-paying costs down. Comparison shopping for financial services can save you from paying unnecessary fees. A good strategy is to open a basic, low-cost checking account at a bank and pay attention to your balance so you don't spend more than you have in the account and pay high fees for overdrawing it.

“Maybe you can download an ‘app’ to your phone to help you track all money that comes in and out of your account or you can request electronic notifications when your balance drops to a certain level. Of course, you should always maintain a register to help you monitor your balance,” said Reynolds. “Another way to save money is to avoid fee-based overdraft programs and instead ask your bank to cover any shortages by linking your checking account to a savings account.”

Build a good credit record. As you pay your own bills and debts, you are building a credit record. Credit reporting companies collect information on your history of paying debts, which is used to prepare credit reports and credit scores that reflect your creditworthiness. In general, the better your credit history and credit score, the better your chances of borrowing money at lower interest rates. Your credit history may also be considered when you apply for a job, an insurance policy or an apartment.

A good credit score will be particularly important when you decide to buy a house.

One of the best ways to build and maintain a good credit record is to pay all bills and other debts on time. To do that, avoid charging more on your credit card than you can pay off in full by the due date each month. If you can't afford to pay that much, at least be sure to pay the minimum due, consistently and on time, to avoid late fees and a bad mark on your credit record. And if you cannot qualify for a regular credit card, you may consider a no- or low-fee secured credit card, for which you would keep cash in a deposit account that would serve as collateral.

Also obtain a free credit report once every 12 months from each of the three nationwide credit reporting companies at www.annualcreditreport.com. Review each report, correct any errors and check for suspicious activity that may indicate you are a victim of identity theft.

Stay safe online. Banking or conducting other personal business online can be a convenient way to handle your finances, but you need to take precautions. Among them: Install and automatically update antivirus software and firewall protection on your computer. Never give your Social Security number, credit or debit card numbers, personal identification numbers or any other confidential information in response to an unsolicited e-mail, text message or phone call, regardless of who the source supposedly is.

"Also, ignore online 'friend' invitations from people you don't know, because these may be covers for fraud artists," cautioned Michael Benardo, Chief of the FDIC's Cyber Fraud and Financial Crimes Section. Likewise, he said, be careful about the profile and contact information you post on social-networking and employment-related Web sites, because in the wrong hands it can lead to identity theft and other crimes. For more guidance on how to conduct banking and other business online, see the Winter

2009/2010 *FDIC Consumer News* at www.fdic.gov/consumers/consumer/news/cnwin0910.

Keep important cards and numbers safe. Most experts suggest you carry in your wallet or purse only the plastic cards (ATM, debit, credit cards) you truly expect to use soon. Don't carry your Social Security card, either.

Also, don't leave your birth certificate or documents with your Social Security number unprotected at home, at school or anywhere else.

If you need to buy a car, consider the best way to pay for it.

Understand the difference between buying and leasing a car. The Federal Reserve Board has published a guide called "Keys to Vehicle Leasing," online at www.federalreserve.gov/pubs/leasing. If you're thinking about borrowing money to pay for a car, see our tips in the Summer 2007 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnsum07/auto.html).

If you're renting a house or apartment, consider whether it's time to buy. Once you start earning a steady income, and you expect to stay in your community for a number of years, you may want to consider owning your first home. To learn more about homeownership and if it is right for you, consider talking to a HUD-approved counselor (start at 1-800-569-4287 or www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm).

Always keep learning about how to handle your money. Start at www.fdic.gov to find consumer information from the FDIC, including back issues of *FDIC Consumer News*. Visit www.mymoney.gov to find financial education resources and tools from more than 20 different government agencies and Web sites.

"Many young people find learning about money fascinating because of the power it gives them to achieve their dreams," concluded Reynolds. "And anyone can get this power just by creating an action plan, the sooner the better." 🏠

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SPECIAL EDITION

For Young Adults and Teens: Quick Tips for Managing Your Money

Simple Strategies and Practical Guidance for
Borrowing, Saving, Banking and Avoiding Scams



Also Inside

How to Help Prepare Children
for Financial Independence

F E D E R A L D E P O S I T I N S U R A N C E C O R P O R A T I O N

Borrowing Money

If You Need to Borrow for Higher Education

Do your homework and have a repayment plan

College or graduate degrees can provide career options and higher income, but they also can be expensive. If you need to borrow for school, carefully consider your options, keep the loan amount as low as possible, and have a clear repayment plan. Here are strategies to keep in mind.

Obtaining a Student Loan

- **First look into your eligibility for grants and scholarships.** Many students qualify for some aid, so start by filling out the Free Application for Federal Student Aid (FAFSA) on the U.S. Department of Education's Web site at www.studentaid.gov. You can learn more about the FAFSA and grant opportunities at that same site.
- **Know how much you need to borrow and that you can make the monthly payments.** Your anticipated costs (tuition, textbooks, housing, food, transportation) minus your education savings, family contributions, income from work-study or a job, scholarships and/or grants will help determine how much you may need to borrow. Again, your goal should be to limit the amount you borrow, even if you are approved for a larger loan, because the more you borrow, the more money you will owe.

Also consider the minimum you will owe each month to pay off your loans, including interest, after you graduate and how it compares to your projected earnings. To help you project your future salary in the lines of work you're considering, look at the U.S. Department of Labor's statistics on wages in more than 800 occupations (www.bls.gov/oes). Your monthly repayment amount also will generally depend on your interest rate and the term of your loan, which can vary from 10 years to more than 20 years.

"Even though most student loans won't require you to begin monthly payments until after you graduate — generally six to nine months later — a student loan

is a serious commitment," said Matt Homer, an FDIC Policy Analyst. He noted, for example, that many adults who borrowed more than they could afford to repay have faced serious debt problems for many years following their graduation. Unlike some other loans, federal and private student loans generally cannot be discharged through bankruptcy. Borrowers who fail to pay their student loans could be referred to debt collection agencies, experience a drop in their credit score (which will make credit more expensive and perhaps make it harder to find a job), and have a portion of their wages withheld.

If you need help deciding how much to borrow, consider speaking with a specialist at your school (perhaps a school counselor at your high school or an admissions or financial aid officer at your college). A college budget calculator also can be helpful, and you can use one from the Department of Education by going to <http://go.usa.gov/YhFC> and clicking on "Manage Your Spending."

- **Consider federal loans first if you need to borrow.** Experts say that, in general, federal loans are better than private student loans, and that you should only consider private loans if you've reached your borrowing limit with federal loans. Why? The interest rates on federal loans are fixed, meaning they won't change over time. But the interest rates on private loans, which are often significantly higher, could be either fixed or variable (they can fluctuate). Federal student loans also offer more flexible repayment plans (see the next column) and options to postpone your loan payments if you are having financial problems.

When You Are in School

- **Set up direct deposit for your student aid money.** Although some schools or financial institutions may encourage you to select a certain debit

card or prepaid card for receiving part of your student loan or other aid (the part left after your school has subtracted tuition and fees), carefully weigh all of your options. School-preferred products may come with high fees and inconvenient ATM locations. Remember that you can always deposit federal loan proceeds anywhere you choose.

- **Keep track of the total amount you have borrowed and consider reducing it, if possible.** For example, if your loan accrues interest while you are in school, you may be able to make interest payments while still in school, and this can reduce the amount owed later on. You could also repay some of the principal (the amount borrowed) before the repayment period officially begins.

Paying Off Your Loan

- **Select your repayment plan.** Federal loans offer a variety of repayment options and you can generally change to a different repayment plan at any time. For example, one type of loan starts off with low payment amounts that increase over time. Another is the "Pay as You Earn" program that the Department of Education will soon make available, in which your monthly payment amount will be 10 percent of your "discretionary" income (defined by the Department's regulations but generally what you have left over after paying key expenses). In addition, it may be possible to have any remaining balance forgiven after 20 years of payments. In contrast, private loans generally require fixed monthly payments over a period of time.

With federal loans you also may qualify for special loan forgiveness benefits if you pursue certain careers in public service. Remember, though, that the longer you take to repay any loan, the more you pay in interest (although in some cases you may receive a tax benefit for the interest you pay).

- **Make your loan payments on time.** "Student loans are typically reported to credit bureaus, so paying on time can help build a good credit history,

and paying late can harm your credit history,” said Elizabeth Khalil, a Senior Policy Analyst in the FDIC’s Division of Depositor and Consumer Protection. To help you stay on schedule, consider having your payments automatically deducted from your bank account or arranging for e-mail or text-message reminders.

Also, make sure your loan servicer — the company that collects your payments and administers your loan — has your current contact information so you don’t miss important correspondence, such as a change in a due date.

- **Consider making extra payments to pay down your loan faster.** If you are able to, start by paying the student loans with the highest interest rates. If you have more than one student loan with a particular servicer, make it clear that you want to apply any extra payments to reduce the balance of the higher-rate loans.

- **Look into refinancing opportunities.** You may be able to obtain a lower interest rate and even consolidate multiple loans of the same type into one loan. However, be aware that if you consolidate or refinance a federal loan into a private loan, you may lose important benefits associated with the federal loan (such as loan forgiveness for entering public service). In some cases, even consolidating one type of federal loan into a different kind of federal loan can result in lost benefits.

- **Contact your loan servicer immediately if you’re having difficulty repaying.** Repaying student loans can be challenging, especially during tough economic times. “Remember that if you have a federal student loan that you’re having trouble paying, you have options that could help. Private loan borrowers may be able to get some assistance as well,” noted Jonathan Miller, Deputy Director in the FDIC’s Division of Depositor and Consumer Protection.

To learn more about student loans, start at www.studentaid.ed.gov. 🏠

Auto Loans: How to Get a Good Deal

Many young people look forward to getting their own car but overlook what they may need to do to comfortably afford it, especially if they’ll be borrowing money. Here are strategies to consider well before you go to the dealership.

- **Start saving early.** “The more money you put down, the less you have to borrow — and that means the less money you’ll pay in interest on a loan, if you need to borrow at all,” said Phyllis Pratt, an FDIC Community Affairs Specialist. For tips on saving money for a car (or any other major purchases), see Page 5.

- **Decide how much you can afford to spend each month on a car.** In addition to car payments, consider how much you’ll need for insurance, taxes, registration fees, routine maintenance and unexpected repairs. Online calculators can help you figure out what you can afford.

- **Remember that there are alternatives to buying a car.** Lease payments may sometimes appear lower than loan payments, but at the end of the lease you will not own the car and you may have to pay more money for excess mileage or body repairs. If you need a car only once in a while, consider using a service that rents cars for periods as short as an hour.

- **Shop for a loan at your bank as well as several other lenders.** Compare the offers based on the Annual Percentage Rate (APR) you’re quoted by each lender. The APR reflects the total cost of the loan, including interest and certain fees, as a yearly rate. Then consider getting “pre-qualified” by the lender offering the best deal. That’s not the same as a loan approval, but it will expedite the process once you find a car you like.

Before you start shopping for a loan, review your credit report to correct wrong information, which can help you qualify for a lower interest rate (see Page 5).



In addition, a dealer’s special financing (such as zero-percent interest) may not be the best value if it means foregoing an extra discount on the car. In that situation, you may come out ahead if you borrow from a financial institution, even at a higher interest rate, and save on the purchase price. Also, don’t purchase a more expensive car than you feel you can comfortably afford, even if you qualify for a larger loan.

- **Whether you are buying or leasing, negotiate with the dealer based on the total cost of the car, not the monthly payment.** Why? “By extending the length of the loan, a dealer can offer a more expensive vehicle with the same monthly loan payment you were quoted for a less expensive car, but you will pay more in interest costs,” said Luke W. Reynolds, Acting Associate Director of the FDIC’s Division of Depositor and Consumer Protection.

To learn more about auto loans, see the Spring 2012 *FDIC Consumer News* (www.fdic.gov/consumers/consumer/news/cnspr12/autoloans.html). 🏠

Credit Cards: How to Avoid Costly Mistakes

When you're just starting out on your own, credit cards offer a convenient way to make purchases and build a credit history. But it's also easy to make costly mistakes and damage your credit record. Here are tips for responsibly managing credit cards.

- **Read the fine print.** "Before you apply for a credit card, read all the terms and conditions so you know exactly what you're getting into," said Susan Boenau, Chief of the FDIC's Consumer Affairs Section. "This is especially important if the card offers a low introductory Annual Percentage Rate because you need to know when the introductory rate ends and what the new, higher rate will be."
- **You can avoid fees by being aware of your card's credit limit.** If you want your credit card issuer to permit transactions over your credit limit to go through, you must notify your lender that you want that service in advance and will pay the resulting fees. "To avoid the fees from going over your credit limit, don't ask for the service and instead allow the transactions to simply be turned down," said Heather St. Germain, an FDIC Consumer Affairs Specialist.
- **Try to pay the entire balance in full and on time every month.** That way, you will avoid interest charges and save money. However, if you can't pay the balance in full, pay at least the minimum monthly payment amount, and do so before the due date. Remember that late payments can result in fees and hurt your credit score (see the next page).
- **Think twice before applying for more credit cards.** Special promotions, such as low introductory rates or discounts on purchases, make it tempting to apply for additional credit cards. But every time you apply for a card, it appears on your credit report. Multiple applications (called "inquiries" on a credit report) or new cards opened within a short time period can lower your credit score.

One reason is that this scenario could suggest that you may be about to take on more debt than you can manage. (For guidance on managing debit cards, see Page 6.)

- **Take advantage of automated alerts from your card issuer.** Many lenders and other companies can send customers messages by cell phone or e-mail, such as payment reminders, balance notifications to let you know if you're close to your credit limit, and information on suspicious activity that may indicate fraud. Check with your



card issuer to find out if it offers alert services and whether there are any associated fees. 📧

Is Debt Weighing You Down?

Many Americans, of all ages, are overwhelmed by debt. If you're having trouble paying any debts or bills, there are ways to gain control.

- **If you think you won't be able to make a loan or bill payment, contact the lender or others you owe.** Lenders, utility companies and other businesses may have solutions to help consumers who can't make their payments. "If you wait long enough for a debt collector to contact you after having already missed payments, you may be subject to penalties, late fees or increased interest rates that you might have avoided," noted Susan Boenau, Chief of the FDIC's Consumer Affairs Section. "If you wait until your account is past due, you may also miss out on options your lender has to help borrowers who are not yet delinquent."

If you can't make a payment on your mortgage, call your lender or loan servicer as soon as you can, because if you default on the loan, *you could lose your home*. To learn more about your options for staying in your home, see the FDIC's foreclosure prevention toolkit online at www.fdic.gov/consumers/loans/prevention/toolkit.html. For tips on repaying a student loan, see Page 2 of this issue of *FDIC Consumer News*.

- **Consider getting assistance from a reputable, nonprofit housing counselor (for rent or mortgage difficulties) or a credit counselor (for other debt).** A counselor can help if you have trouble paying your bills or if you expect to in the future. "Be wary of paying a fee because this assistance is available at low cost or no cost from nonprofit organizations," said Evelyn Manley, a Senior Consumer Affairs Specialist at the FDIC.

To find a reputable counselor, see the Web site below.

- **Be on guard against scams.** Con-artists "guarantee" loan approvals or promise to settle debts for less than is owed, then collect high upfront fees for assistance that never materializes.
- **Remember that you have rights.** Federal and state laws generally require that you be treated fairly and without harassment by those attempting to collect debts you may owe others.

For more information about how to overcome a variety of debt problems and find reliable help, see resources from the Federal Trade Commission at www.ftc.gov/bcp/menus/consumer/credit/debt.shtm. 📄

Build a Good Credit Record: It's Important for Loan and Job Applications

As you become responsible for paying your own debts — for credit card purchases, rent, car or student loans, and other obligations — you are building a credit history. In general, the better your credit history and the resulting credit score (a number summarizing your credit record prepared by companies called credit bureaus), the better your chances of getting a loan with a good interest rate. A strong credit score also can help when you apply for a job, an insurance policy or an apartment. How can you build and maintain a good credit history?

- **Pay your loans, bills and other debts on time.** This will show you are responsible with your finances.
- **If you have a credit card, try to charge only what you can afford to pay off immediately or very soon.** If you can't pay your credit card bill in full, try to pay more than the minimum balance due so that you can minimize the interest payments. Also be aware that your credit score will likely fall if you owe a significant amount on your credit card compared to the card's credit limit. Applying for multiple

cards also can lower your credit score (see the previous page).

- **Review your credit reports for errors.** Correcting wrong information in your credit history may improve your credit report and score. To obtain a free copy of your credit report from each of the three major credit bureaus, visit www.annualcreditreport.com or call toll-free 1-877-322-8228. If you are unable to resolve a dispute with a credit bureau over wrong information in your file, you can submit a complaint online at www.consumerfinance.gov/complaint. 🏠

Saving Money

Simple Ways to Rev Up Your Savings

You can meet your goals with automated deposits and investments

Many people starting out in their careers find themselves burdened with lots of debt (perhaps from student loans, credit cards and car loans) and very little savings for future needs. But there are simple strategies for gradually building small savings or investments into large sums, even during your school years, and often with the help of automated services that make it easy. Here are key examples.

- **Save for specific goals.** You should have a savings plan for large future expenses that you anticipate — perhaps education costs, a home or car purchase, starting a small business, or preparing for retirement (even though that may be many years away). And, young adults just starting to be responsible for their own expenses should build up an “emergency” fund that would cover at least six months of living expenses to help get through a difficult time, such as a job loss, major car repairs or unexpected medical expenses not covered by insurance.
- **Commit to saving money regularly.** This is important for everyone, but especially if you are supporting yourself financially.

“Even if you don’t make a big salary or have a steady source of income, the combination of consistently adding to savings and the compounding of interest can bring dramatic results over time,” said Luke W. Reynolds, Acting Associate Director of the FDIC’s Division of Depositor and Consumer Protection.

Aim to save a minimum of 10 percent of any money you earn or otherwise receive. Putting aside a designated amount is known as “paying yourself first,” because you are saving before you’re tempted to spend.

- **Put your savings on auto-pilot.** Make saving money quick and easy by having your employer direct-deposit part of your paycheck into a federally insured savings account. Your employer or your financial institution may be able to set this up for you. If you don’t yet have a steady job, you can still set up regular transfers into a savings account.
- **Make use of tax-advantaged retirement accounts and matching funds.** Look into all your retirement savings options at work, which may



come with matching contributions from your employer. “Chances are your retirement savings will hardly reduce your take-home pay because of what you’ll save in income taxes, and the sooner you start in your career, the more you can take advantage of compound growth,” Reynolds said.

If you’ve contributed the maximum at work or if your employer doesn’t have a retirement savings program, consider establishing your own IRA (Individual Retirement Account) with a financial institution or investment firm and make regular transfers into it. Remember that you can set up an automatic transfer from a checking account into savings or investments for retirement or any purpose.

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• **Decide where to keep the money intended for certain purposes.** For example:

— Consider keeping emergency savings in a separate federally insured savings account instead of a checking account so that you can better resist the urge to raid the funds for everyday expenses. Be sure to develop a plan to replenish any withdrawals from your emergency fund.

— For large purchases you hope to make years from now, consider certificates of deposit and U.S. Savings Bonds, which generally earn more in interest than a basic savings account because you agree to keep the funds untouched for a minimum period of time.

— For other long-term savings, including retirement savings, young adults may want to consider supplementing their insured deposits with low-fee, diversified mutual funds (a professionally managed mix of stocks, bonds and so on) or similar investments that are not deposits and are not insured against loss by the FDIC. With non-deposit investments, you assume the risk of loss for the opportunity to have a higher rate of return over many years.

— For future college expenses, look into “529 plans,” which provide an easy way to save for college expenses and may offer tax benefits.

— For healthcare, find out whether you are eligible for a “health savings

account,” a tax-advantaged way for people enrolled in high-deductible health insurance plans to save for medical expenses.

• **Think about ways to cut your expenses and add more to savings.**

For your financial services, research lower-cost checking accounts at your bank and some competitors. And if you are paying interest on credit cards or fees for spending more money than you have available in your checking account, develop a plan to stop. More broadly, look at your monthly expenses for everything from food to phones and think about ways to save.

For more money-saving tips, start at www.mymoney.gov. 🏠

Your Bank Accounts

For Everyday Banking: Choosing the Best Account for You

Whether you’re a 20-something just starting a career or a family or you’re still in school, a checking or other transaction account will be essential to making payments and managing your income and budget. These tips can save you time and money.

• **Look for a bank account that offers the services you want and low fees.** Contact multiple institutions and determine which accounts are considered best for young adults or students. Look at services you are most likely to use and the related fees, including any penalties if the balance drops below a minimum. One service you should expect to use is direct deposit of your paycheck. “With direct deposit, you don’t have to worry about getting to the bank to deposit the funds because it will be done automatically for you,” said Nancy Tillmon, an FDIC Consumer Affairs Specialist. Direct deposit will arrive at your bank fast, and it may save you money on your bank account.

For guidance on what an affordable transaction account or savings account for a young consumer could look like, aspects of some low-cost accounts suggested by the FDIC may be helpful. Find a summary of these model “safe accounts” at www.fdic.gov/consumers/template/template.pdf.

• **Consider a low-cost banking account before settling for a prepaid card.** Reloadable prepaid cards that can be used at merchants and ATMs are sometimes marketed as alternatives to traditional bank transaction accounts. While prepaid cards may be useful in some situations, they generally cannot match a well-managed, properly selected, low-cost, insured deposit account when it comes to federally-guaranteed consumer protections, the safety of deposit insurance, monthly charges and transaction fees, and the flexibility to save money and conduct a wide range of everyday banking transactions.



“Before you get a prepaid card, you should carefully read the cardholder agreement, which should be readily available on the card’s web site, to make sure you understand the terms and fee schedule,” suggested Susan Welsh, an FDIC Consumer Affairs Specialist.

Also be aware that the funds you place on a prepaid card may or may not be protected by FDIC insurance if the bank that holds the money (for you and other customers) were to fail. If you have questions, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342).

• **Debit cards provide a great service, but understand the pros, cons and costs.** Debit cards, which deduct funds directly from your checking or savings account, offer a convenient way to pay for purchases and to access cash at stores or ATMs. “Debit cards can help you stay within a budget as long as you don’t overdraw your account. Then you are spending *your* money, not money you have borrowed,” said Alberto Navarrete, an FDIC Consumer Affairs Specialist.

But debit cards can be costly if you’re not careful. For example, expect fees if you drop below a minimum required account balance or you use the card at another bank’s ATM. Also, you should report a lost or stolen card immediately to minimize your liability for unauthorized transactions. Welsh added that consumers who lose a debit card they rely on for all their transactions can ask for speedy delivery of a replacement card.

• **Avoid overdraft costs.** Ask your bank if it can link your checking account to your savings account and automatically transfer money between accounts if you empty your checking account. The transfer fee will probably be considerably less than a regular overdraft fee. Also review your account frequently, if not daily, online. “Many banks have online banking services that send text or e-mail alerts when your balance reaches below a certain dollar amount that you can set,” advised Joni Creamean, Chief of the FDIC’s Consumer Response Center.

Also, think carefully before you “opt in” (agree) to an overdraft program, which can be costly. In general, opting in means that if you swipe your debit card and don’t have enough funds to cover the transaction, the bank will charge you an overdraft fee to let the transaction go through. That could result in a \$5 purchase, such as a cup of coffee and a muffin, costing you an extra \$35.

“Remember that your decision whether or not to opt in only applies to everyday debit card transactions. The bank could still charge a significant

fee if, for instance, you write a check when you don’t have enough money in your account to cover it,” cautioned Jonathan Miller, Deputy Director in the FDIC’s Division of Depositor and Consumer Protection.

You can also avoid unexpected fees by keeping a close watch on your balance before spending money from your checking account.

Finally, if you are billed an overdraft fee that you believe is incorrect, contact your bank immediately. If the institution will not refund the fee, contact its federal regulator for assistance. “If you are not sure who regulates the bank, you may always file your complaint with the FDIC and we will make sure it gets forwarded to the correct agency for investigation,” said Creamean. You can submit your complaint online at www2.fdic.gov/StarsMail/index.asp.

• **If you’re a college student receiving financial aid, do your homework before choosing an account and a debit card.** “Before your financial aid is disbursed, check out the program offered through your school. You need to understand the terms of that product before you are committed to use it to access your financial aid,” Tillmon said. “If you have an existing bank account with a debit card that you will be using on campus, you may be better off having the financial aid money deposited there.”

For more tips and information on getting the most from a bank account, including a 10-question self-test to help people looking for a new account, see the Summer 2012 *FDIC Consumer News* at www.fdic.gov/consumers/consumer/news/cnsum12. 📖

Smartphone Banking: Managing Money on the Move

Many financial institutions are allowing consumers to use their smartphones to check account balances, transfer funds between accounts, make payments, and conduct practically any other banking activities that can be done on a computer. While mobile banking can provide convenience and allow you to keep on top of your accounts even when you’re on the go, you should take precautions.

• **Ask your bank about the mobile banking services it offers and how much they may cost.** Some financial institutions are allowing smartphone users to snap a photo of a check and deposit the amount right into their account, without having to enter a bank branch or use an ATM. Also, consumers can make person-to-person payments for situations such as splitting the bill for dinner with friends.

Some consumers also arrange with their bank to send them text alerts warning about low balances, an overdrawn account or unauthorized transactions.

• **Understand your potential liability for unauthorized transactions.**

“While you’ll generally be protected by the same consumer laws that would apply to your other banking transactions, it’s important to read the disclosures your bank provides about liability for unauthorized transactions and understand what terms apply to your transactions,” said Elizabeth Khalil, a Senior Policy Analyst in the FDIC’s Division of Depositor and Consumer Protection.

• **As with any activity conducted online, keep security in mind.**

Protect your mobile device — not just your online account — with a password that is hard for others to guess. Don’t lend your smartphone to others. Know what to do if you lose your smartphone, such as whether you can remotely delete personal information such as your account logins and contact information for friends and relatives. Quickly report any unauthorized transactions or other suspicious activity. 📱

Scams and Thefts

Avoiding Fraud, Protecting Your Privacy: Best Practices for Young Adults

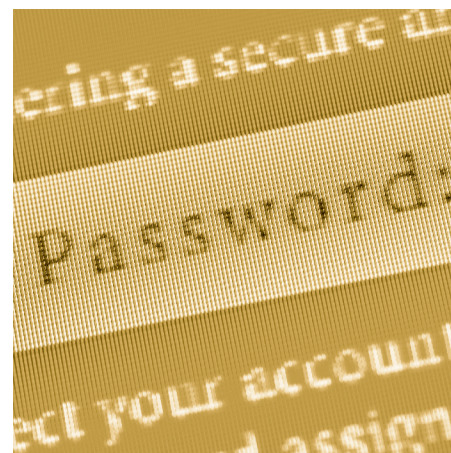
These days, anyone can be targeted by a fraud artist intent on stealing money or collecting Social Security numbers, bank account numbers, passwords and other information that can be used to access accounts and go on a buying or borrowing spree. Here are some general precautions, especially for young adults who spend a lot of time online.

- **Use Internet passwords that would be difficult to guess.** For logging in, use strong passwords that employ unusual combinations of upper- and lower-case letters, numbers and symbols, and then change them regularly.
- **Never provide personal information in response to an unsolicited text message, e-mail, call or letter asking you to “update” or “confirm” personal information.** For example, your bank won’t contact you to confirm your bank account number or password, because it already has that information. “If you receive an unsolicited request for bank account information and you’re not sure what to do, contact your bank directly to verify its authenticity,” advised Kathryn Weatherby, a fraud examination specialist for the FDIC.
- **Beware of an incoming e-mail or text message that asks you to click on a link.** It may install malicious software, called “malware,” that could allow crooks to spy on your computer or mobile device and gain access to your online banking sites.
- **Be especially careful when using social networking sites.** “Fraud artists can use these sites to gather personal information about you, such as your date of birth, your mother’s maiden name, and family names that can help them figure out your passwords,” said Michael Benardo, Manager of the FDIC’s Cyber Fraud and Financial Crimes Section. “These criminals may also pretend to be your

‘friends’ or relatives and trick you into sending money or divulging personal information.”

For tips on avoiding fraud at social media sites, including how to limit access to personal information with your privacy settings, see recommendations from the Internet Crime Complaint Center at www.ic3.gov/media/2009/091001.aspx.

- **Assume that any offer that seems “too good to be true,” especially one from a stranger or an unfamiliar company, is probably a fraud.** Con artists often pose as charities or business people offering awards, jobs, or other “opportunities.” Be careful if you’re being pressured to make a quick decision and you’re asked to send money or provide bank account information before you receive anything in return.
- **Be on guard against fraudulent checks or electronic money transfers.** One of the biggest scams involves a transaction in which strangers or unfamiliar companies send you a check for more than you are due and then ask you to wire back the difference. If the check is fraudulent, you could lose a lot of money.
- **Protect your mail.** It may include credit card or bank statements, documents showing confidential information, or other items that could be valuable to a thief. For your incoming mail, try to use a locked mailbox or a mailbox that is in a secure location. Put outgoing mail, especially if it contains a check or personal information, in a Postal Service mailbox or take it directly to the post office instead of leaving it in your doorway or home mailbox.
- **Always review your bank statements and credit card bills as soon as they arrive.** Report any discrepancy or anything suspicious, such as an unauthorized withdrawal or charge, to your financial institution.



- **Treat your personal financial information like gold.** Keep bank and credit card statements, tax returns, old credit and debit cards, and blank checks out of sight. When it’s time to toss away these sensitive documents, shred them first. “You never know when a dishonest roommate, relative, neighbor or someone else who goes in or near your home might use these items to commit identity theft or other crimes,” Benardo added.
 - **Periodically review your credit reports to make sure an identity thief hasn’t obtained a credit card or loan in your name.** Experts suggest that, to maximize your protection, you request a free copy from each of the nation’s three major credit bureaus (their reports may differ) but spread out the requests during the course of the year. For more information and to request a report, go to www.annualcreditreport.com or call toll-free 1-877-322-8228.
- To learn more about common financial frauds and how to protect yourself,** see back issues of *FDIC Consumer News* (online at www.fdic.gov/consumernews) and the FDIC’s multimedia presentation “Don’t Be an Online Victim” (at www.fdic.gov/consumers/consumer/guard/index.html). 📖

Wrapping Things Up

How Much Do You Know About Managing Money?

Take our quiz for young adults, which is based on information in this special guide

1. Perhaps the biggest mistake you can make with student loans is:

- a) Paying your loan(s) off too soon.
- b) Borrowing more than you can reasonably afford to repay after you graduate.
- c) Consolidating multiple student loans into a single loan.

Answer: (b) If you need to borrow money for college, only do so after you explore and exhaust all available grants and scholarships. Borrow as little as possible, and only after comparing your loan payments to projected earnings for your intended career path. Otherwise, you could struggle with debt problems for years. (See Page 2 for more information.)

2. Before going to the dealership to shop for a new car, if you have to borrow money for the purchase you should:

- a) Talk to several lenders and decide how much you can comfortably afford to spend on a car after factoring in monthly payments on a loan (such as for three years) and then stick to that maximum purchase price.
- b) Determine how much car you can comfortably afford, but if you want a more expensive vehicle, find out if you can qualify for a larger loan when you get to the dealership.
- c) Check advertisements for “special” financing from the dealer (such as zero-percent interest) because that will always result in the lowest-cost deal.

Answer: (a) The more you borrow, and the longer the repayment period, the more you pay in interest. So shop around for the best financing deal for you, and don’t purchase a more expensive car than you can comfortably afford, even if you qualify for a larger loan. And even if a dealer is promoting special financing, it may be cheaper to use low-rate financing from your

financial institution in exchange for a lower purchase price on the car. (See Page 3.)

3. The savings strategy called “paying yourself first” means:

- a) You arrange to put a certain portion of your income into savings before you are tempted to spend it.
- b) You set aside a certain amount of your income for fun — perhaps restaurant meals and entertainment — so that you do not feel deprived as you put other money into savings or investments.

Answer: (a) By consistently putting money into savings before you can spend it, you can gradually turn small sums of money into bigger amounts for important purchases in the future. (See Page 5.)

4. Putting money into tax-advantaged retirement accounts as soon as you start earning income is a good idea because:

- a) The sooner you start, the sooner you can benefit from the compound growth of interest and dividends.
- b) With the potential tax savings, your take-home pay may not be reduced as much as you think.
- c) Both of the above.
- d) None of the above. Young people shouldn’t be concerned about saving for retirement because that’s many years away.

Answer: (c) The results can be dramatic when you start saving early, even in small amounts, in tax-advantaged retirement accounts. Look into all your retirement savings options, which may come with matching contributions from your employer. (See Page 5.)

5. Generally speaking, the financial product for managing your everyday transactions that has the best

federal consumer protections and the lowest chance of unexpected fees is:

- a) A low-cost checking account for which you agree (“opt in”) to an overdraft program for debit card transactions that exceed your balance.
- b) A low-cost checking account for which you do *not* agree to an overdraft program.
- c) A prepaid card advertising no fees to get started.

Answer: (b) A low-cost checking account without overdraft protection is typically your best choice. Overdraft programs can be costly. Advertisements for prepaid cards may not list all the fees you could be charged. In addition, prepaid cards often do not offer ways to set up automatic transfers into a savings account or to access other services that a banking relationship can offer. (See Pages 6 and 7.) 🏠

How Young Adults Can Learn More

The Federal Deposit Insurance Corporation has brochures, articles in *FDIC Consumer News* and other information about managing money. Start at www.fdic.gov/quicklinks/consumers.html or call toll-free 1-877-ASK-FDIC, which is 1-877-275-3342. The FDIC also has a self-paced financial education program for young adults at www.fdic.gov/moneysmart.

Other federal, state and local government agencies also publish information and have staff and other resources that can help answer questions on money matters. Start at www.mymoney.gov.

Social media also can be a source of helpful information. Government agencies including the FDIC, the Consumer Financial Protection Bureau and the Federal Trade Commission, as well as consumer groups and financial institutions, use Facebook, Twitter and other social media to provide news and tips.

Where to Begin: Saving and Managing Your Own Money

As a teen, you start taking more responsibility for handling money and choosing how you want to save or use it. Here are a few ideas to help make your decisions easier...and better.

- **Consider a part-time or summer job.** A job can provide you with additional money as well as new skills, and connections to people who may be helpful after you graduate.

If you are filling out a job application for a company with a local office, experts say it's generally safe to provide information such as your date of birth and Social Security number (which may be needed for a background check). If you are applying in person, hand the application to the manager (not just any employee), and if you are applying online, make sure you are using the company's legitimate Web site.

"But be very suspicious of online job applications for part-time, work-from-home jobs offered by unfamiliar companies without a local office," warned Michael Benardo, Manager of the FDIC's Cyber Fraud and Financial Crimes Section. "They may only want to commit identity theft, not hire you." (See more about avoiding identity theft in the third column.)

- **Open a savings account and put money in it for specific goals.** "Some goals will be for the next few weeks or months, while others are for several years away, such as college," said Irma Matias, an FDIC Community Affairs Specialist. Get in the habit of putting at least 10 percent of any gifts or earnings in a savings account right away. Saving a certain percentage of your income before you're tempted to spend it is what financial advisors call "paying yourself first."

Also think about where you can add to savings by cutting back on spending. "Money you spend today is money you won't have for future wants or needs," added Matias.

- **If you're ready for a checking account, choose one carefully.** Many

banks offer accounts geared to teens or other students that require less money to open and charge lower fees than their other accounts. "Even if the account appears to be attractive, think about how you're going to use it — for example, if you mostly want to bank online or with your smartphone — and look into how much that account is likely to cost monthly," said Luke W. Reynolds, Acting Associate Director of the FDIC's Division of Depositor and Consumer Protection. "Then shop around and compare this account to what is offered by several other institutions."

When you open an account that comes with a debit card, you will decide how you want the bank to handle an everyday debit card transaction for more than what you have in the account. If you "opt in" (agree) to a bank overdraft program, it will cover these transactions but will charge you a fee of as much as \$40 each time. "One overdraft can easily lead to another and become very costly," Reynolds explained. "If you don't opt in, your transactions will be declined, but you won't have to face these penalty fees."

You may also be able to arrange with your bank to automatically transfer money from a savings account to cover the purchase. You'll probably pay a fee, but it will likely be much less than an overdraft fee.

- **If you're thinking about using a prepaid card instead of a bank account, understand the potential drawbacks.** Prepaid cards often do not offer you the same federal consumer protections as credit or debit cards if, for example, the prepaid card is lost or stolen and used by someone else.

And, while prepaid cards may advertise no monthly fee, they may charge for making withdrawals, adding money to the card or checking the balance. "It's hard for a prepaid card to beat a well-selected, well-managed checking account for everyday transactions and allowing easy transfers into a savings account," Reynolds concluded.

- **Once you have a bank account, keep a close eye on it.** Watch your balance the best way you can. For example, keep receipts and record expenses so you don't spend more money than you have in your account and run the risk of overdraft costs.

- **Take precautions against identity theft.** Even if you don't have a credit card, you can be targeted by a criminal wanting to use your name to get money or buy goods. So, be very suspicious of requests for your name, Social Security number, passwords, or bank or credit card information.

"Don't fall for an e-mail, call or text message asking you for financial information," Benardo cautioned.

"Never give out any personal information unless you have contacted the company first and you are sure it is legitimate."

- **Understand that borrowing money comes with costs and responsibilities.** When you borrow money, you generally will repay the money monthly and pay interest. Always compare offers to borrow money based on the Annual Percentage Rate (APR). The lower the APR, the less you will pay in interest. And, the longer you take to repay a debt, the more you will pay in interest. If you miss loan payments, you can expect to pay fees and have a hard time borrowing money at affordable rates for some time into the future. 🏠

How Teens Can Learn More

Read "Start Smart: Money Management for Teens," a special edition of *FDIC Consumer News* (Summer 2006). Find it online at www.fdic.gov/consumers/consumer/news/cnsum06.

Visit www.mymoney.gov, the U.S. government Web site about personal finances, which includes resources from many federal entities, including the FDIC, organized by major life events. The site includes a special section with resources and information for young people.

Providing Financial Aid: Saving for a Child's Future

As an adult, you might remember what it's like to pay down student loans or other debt, especially on a starting salary. So, as a parent or guardian, it's likely that you want to help your child as much as possible. Here are a few ways to establish a solid financial foundation for the younger generation.

- **Start planning and saving for college expenses as early as possible.** How early? "Preferably before your child can even talk," said Luke W. Reynolds, Acting Associate Director of the FDIC's Division of Depositor and Consumer Protection.

A good option is to arrange to automatically transfer money from your bank account or paycheck into a college savings fund. Online calculators can help you estimate how much you might need to save for college.

There are many ways to save for education. The following may have tax benefits depending on your income and other factors, but consult a tax advisor for guidance: "Section 529" college savings plans consisting of both pre-paid tuition programs (to lock in today's prices at designated universities) and traditional savings or investment accounts; U. S. Savings Bonds; traditional and Roth Individual Retirement Accounts (IRAs); Coverdell Education Savings Accounts (also known as Education IRAs); and accounts created under the Uniform Gifts to Minors Act (UGMA) or the Uniform Transfer to Minors Act (UTMA).

- **Save and invest for purposes other than education.** Choices may include buying bank certificates of deposit, which are insured by the FDIC, and various products that are not FDIC-insured against loss, such as stock and bond mutual funds.

- **If you must take out a loan for the benefit of a child, be careful.** For example, before you (or your child) take out a loan for education purposes — including borrowing from a retirement plan — make full use of

all free student aid (scholarships or grants). Doing so will make it easier to repay the loan, lower the amount of interest paid, and avoid the stress of having a large student loan debt that can limit choices and opportunities in life.

Also think carefully before co-signing a loan with a child. "Remember, you are responsible for paying the debt if your co-signer doesn't pay," noted Bobbie Gray, an FDIC Supervisory Community Affairs Specialist.

- **Have adequate life and disability insurance.** These can avoid financial ruin for your family and provide an extra cushion of support for higher education payments if something bad were to happen to you. 🏠

Tips for Teaching Young People About Money

Here are ways that parents, guardians or even grandparents can teach money-management skills to youngsters.

- **Help children open their first bank accounts.** Discuss how to comparison-shop by looking at key aspects, such as the minimum balance requirements and the interest rate, expressed as the Annual Percentage Yield (APY), at several local financial institutions, suggested Lekeshia Frasure, Acting Chief of the FDIC's Outreach and Program Development Section. "Then guide your child in selecting and opening the right account for his or her needs," she said.

Many banks offer special savings accounts for students with features that may include a low minimum-balance requirement and certain fees waived.

- **Encourage young people to save money for future goals.** Explain the importance of setting money aside for short-term and long-term goals. For a young adult or teen, short-term

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For More Help or Information

Go to www.fdic.gov or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342)

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savings can include money for fun, such as concert tickets, as well as “emergency” savings for unforeseen expenses including car repairs. Suggest that your child put at least 10 percent of any gifts, allowance or earnings into savings, and consider making your own matching contributions as an incentive.

• **Consider giving an allowance... even to a young adult.** The best systems encourage youngsters to decide in advance how much they should put into savings (which reinforces the concept of “pay yourself first,” before they are tempted to spend the money), how much should go into the spending pile and how much should be set aside to share with others (for charity, birthdays or holiday gifts).

“An allowance can be one of the best ways to teach children about money management and the trade-offs we face in life, especially if you don’t give them more money if they run out of their allowance early,” said Irma Matias, an FDIC Community Affairs Specialist. Likewise, once your child is old enough, encourage him or her to get a part-time or summer job.

• **Try to set a good example with your own money management.** For instance, keep track of your debit card, ATM and other account transactions, and discuss with your child why doing so will help you track your current balance and avoid costly overdraft fees.

• **Help your kids develop a healthy skepticism of unsolicited offers and inquiries.** Young consumers are among the victims of scams and rip-offs, and even babies are targets for identity thieves wanting to use personal information to commit fraud. Information for parents on protecting children’s personal information from

identity theft is at the Federal Trade Commission’s Web page on children’s privacy (www.ftc.gov/bcp/menus/consumer/data/child.shtm).

• **Talk with young people about money.** “Use any opportunity to engage in a conversation about financial choices and decisions,” said Luke W. Reynolds, Acting Associate Director of the FDIC’s Division of Depositor and Consumer Protection. “For example, teach children how to critically analyze ads because special offers often are not the great deal they appear to be.” 🏠

How Parents and Caregivers Can Learn More

For more information about saving and borrowing money, you can search by topic at the Federal Deposit Insurance Corporation’s Web site at www.fdic.gov. For financial tips for consumers from federal entities, visit www.mymoney.gov. Also, financial institutions, consumer organizations and the news media publish personal finance tips you can find by searching the Internet.

For guidance on how to teach young people about personal finances, the FDIC’s “Money Smart” financial education curriculum has resources that parents and guardians can use. To order a free copy, start at www.fdic.gov/moneysmart. Also visit the Web site of the Jump\$tart Coalition® for Personal Financial Literacy (www.jumpstart.org), which consists of more than 150 national partners that include the FDIC. 🏠



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Free Credit Reports



The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's credit reporting companies. The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the FCRA with respect to credit reporting companies.

A credit report includes information on where you live, how you pay your bills, and whether you've been sued or have filed for bankruptcy. Nationwide credit reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

Here are the details about your rights under the FCRA, which established the free annual credit report program.

Q: How do I order my free report?

A: The three nationwide credit reporting companies have set up a central website, a toll-free telephone number, and a mailing address through which you can order your free annual report.

To order, visit annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. The form is at the center of this booklet; or you can print it from consumer.ftc.gov. Do not contact the three nationwide credit reporting companies individually.

A Warning About “Imposter” Websites

Only one website is authorized to fill orders for the free annual credit report you are entitled to under law — **annualcreditreport.com**. Other websites that claim to offer “free credit reports,” “free credit scores,” or “free credit monitoring” are not part of the legally mandated free annual credit report program. In some cases, the “free” product comes with strings attached. For example, some sites sign you up for a supposedly “free” service that converts to one you have to pay for after a trial period. If you don’t cancel during the trial period, you may be unwittingly agreeing to let the company start charging fees to your credit card.

Some “imposter” sites use terms like “free report” in their names; others have URLs that purposely misspell **annualcreditreport.com** in the hope that you will mistype the name of the official site. Some of these “imposter” sites direct you to other sites that try to sell you something or collect your personal information.

Annualcreditreport.com and the nationwide credit reporting companies will not send you an email asking for your personal information. If you get an email, see a pop-up ad, or get a phone call from someone claiming to be from **annualcreditreport.com** or any of the three nationwide credit reporting companies, do not reply or click on any link in the message. It’s probably a scam. Forward any such email to the FTC at **spam@uce.gov**.

They are providing free annual credit reports only through annualcreditreport.com, 1-877-322-8228, and Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

You may order your reports from each of the three nationwide credit reporting companies at the same time, or you can order your report from each of the companies one at a time. The law allows you to order one free copy of your report from each of the nationwide credit reporting companies every 12 months.

Q: What information do I need to provide to get my free report?

A: You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide credit reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

Q: Why do I want a copy of my credit report?

A: Your credit report has information that affects whether you can get a loan — and how much you will have to pay to borrow money. You want a copy of your credit report to:

- make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.

- help guard against identity theft. That's when someone uses your personal information — like your name, your Social Security number, or your credit card number — to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

Q: How long does it take to get my report after I order it?

A: If you request your report online at annualcreditreport.com, you should be able to access it immediately. If you order your report by calling toll-free 1-877-322-8228, your report will be processed and mailed to you within 15 days. If you order your report by mail using the Annual Credit Report Request Form, your request will be processed and mailed to you within 15 days of receipt.

Whether you order your report online, by phone, or by mail, it may take longer to receive your report if the nationwide credit reporting company needs more information to verify your identity.

Q: Are there any other situations where I might be eligible for a free report?

A: Under federal law, you're entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit

reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge you a reasonable amount for another copy of your report within a 12-month period.

To buy a copy of your report, contact:

- Equifax: 1-800-685-1111; [equifax.com](https://www.equifax.com)
- Experian: 1-888-397-3742; [experian.com](https://www.experian.com)
- TransUnion: 1-800-916-8800; [transunion.com](https://www.transunion.com)

Q: Should I order a report from each of the three nationwide credit reporting companies?

A: It's up to you. Because nationwide credit reporting companies get their information from different sources, the information in your report from one company may not reflect all, or the same, information in your reports from the other two companies. That's not to say that the information in any of your reports is necessarily inaccurate; it just may be different.

Q: Should I order my reports from all three of the nationwide credit reporting companies at the same time?

A: You may order one, two, or all three reports at the same time, or you may stagger your requests. It's your choice. Some financial advisors say staggering your requests during a 12-month period may be a good way to keep an eye on the accuracy and completeness of the information in your reports.



Annual Credit Report Request Form

For instant access to your free credit report, visit www.annualcreditreport.com.

Use this form if you prefer to write to request your credit report from any, or all, of the nationwide consumer credit reporting companies. The following information is required to process your request. **Omission of any information may delay your request.**

Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281.

0	1	2	3	4	5	6	7	8	9
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A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
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Day

Year

—Fold Here—

[illegible][illegible]

Current Mailing Address:

[illegible]

[illegible][illegible]

Shade Circle Like This →  Not Like This →  	I want a credit report from (shade each that you would like to receive): ☐ Equifax ☐ Experian ☐ TransUnion	☐ Shade here if, for security reasons, you want your credit report to include no more than the last four digits of your Social Security Number.
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If additional information is needed to process your request, the consumer credit reporting company will contact you by mail.

Your request will be processed within 15 days of receipt and then mailed to you.

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Q: What if I find errors — either inaccuracies or incomplete information — in my credit report?

A: Under the FCRA, both the credit reporting company and the information provider (that is, the person, company, or organization that provides information about you to a credit reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take full advantage of your rights under this law, contact the credit reporting company and the information provider.

1. Tell the credit reporting company, in writing, what information you think is inaccurate.

Credit reporting companies must investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you the written results and a free copy of your report if the dispute results in a change. (This free report does not count as your annual free report.) If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate

and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

2. Tell the creditor or other information provider in writing that you dispute an item. Many providers specify an address for disputes. If the provider reports the item to a credit reporting company, it must include a notice of your dispute. And if you are correct — that is, if the information is found to be inaccurate — the information provider may not report it again.

Q: What can I do if the credit reporting company or information provider won't correct the information I dispute?

A: If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

If you tell the information provider that you dispute an item, a notice of your dispute must be included any time the information provider reports the item to a credit reporting company.

Q: How long can a credit reporting company report negative information?

A: A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. There is no time limit on reporting information about criminal convictions;

information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Q: Can anyone else get a copy of my credit report?

A: The FCRA specifies who can access your credit report. Creditors, insurers, employers, and other businesses that use the information in your report to evaluate your applications for credit, insurance, employment, or renting a home are among those that have a legal right to access your report.

Q: Can my employer get my credit report?

A: Your employer can get a copy of your credit report only if you agree. A credit reporting company may not provide information about you to your employer, or to a prospective employer, without your written consent.

For More Information

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To learn more about credit issues and protecting your personal information, visit consumer.ftc.gov.

To file a complaint or get free information on consumer issues, visit consumer.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, *How to File a Complaint*, at consumer.ftc.gov/media to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



Federal Trade Commission
ftc.gov
March 2013

To get and keep a good credit score, pay attention to your credit report.

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector.

A credit score is a number that is used to predict how likely you are to pay back a loan. Your credit score starts with the information about you from your credit report. A mathematical prediction formula is applied to this information about you from your credit report. That prediction formula, which is called a scoring model, creates a number which is your credit score. You probably have numerous credit scores.

Credit scores are used by companies to make decisions such as whether to approve a mortgage at a certain rate or issue a credit card. Different lenders use different scoring formulas so your score can vary from lender to lender. Usually a higher score makes it easier to qualify for a loan and means a better rate of interest. Most scores range from 300-850, although there is one scoring method that uses a range from 501-990.

To get and keep a good credit score –

- Pay all your loans on time.
- Make sure information in your credit report is correct.
- Don't use too much of the credit that is available to you.

STEPS TO GET AND KEEP A GOOD CREDIT SCORE

PAY YOUR BILLS ON TIME

Pay your bills on time, every time. One way to make sure your payments are on time is to set up automatic payments at the creditor's website or from your bank's online site. But, you have to watch your bank balance to make sure you have enough money in your account to cover the payments. Also, don't just pay the minimum amount if you can afford to pay more, because it will take you much longer to pay off the debt if you only pay the minimum amount.

Tip: People with the best credit scores usually are those who pay off their credit cards in full every month.

DON'T GET CLOSE TO YOUR CREDIT LIMIT

Credit scoring models look at how close you are to being "maxed out," because the formulas predict that people who are using too much of their available credit may have future troubles with repayment. If you use too much of your total credit lines, you can hurt your credit score. Experts advise keeping your use of credit at no more than 30% or less of your total credit limit.

Tip: If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score. That's because it will probably mean that you are using a high percentage of your total credit limit.

DON'T APPLY FOR A LOT OF NEW CREDIT IN A SHORT TIME, ESPECIALLY IF YOU ARE GETTING READY TO GET A MORTGAGE OR A CAR LOAN

Your credit score may decline if you have too many credit accounts, and if you apply for or open a lot of new accounts, such as several credit cards, in a short time. If you are planning to take out a big loan for a car or a house, be particularly careful not to apply for or open many new credit accounts within a short period before applying for the loan because doing so may affect your score. However when you request your own credit report, or when your creditors check your credit report, those requests to see your credit report should not hurt your score.

Tip: Opening new credit card accounts frequently to get the promotional rate or store discount will show up on your credit report as lots of new credit accounts, which is likely to hurt your credit score.

THE LONGER YOUR CREDIT HISTORY, THE BETTER

Credit scores are based on experience over time. The more experience you have with getting and paying for your credit, the more information there is to determine whether you are a good credit risk.

GET YOUR FREE CREDIT REPORT EVERY YEAR

Get free copies of your credit report from each of the big three consumer reporting agencies every year. If the information about you in the credit reports of the three large consumer reporting agencies is different, your credit score from each of the agencies will be different.

Online: You can order your credit report at www.annualcreditreport.com. Beware - some other sites that use the word "free" may charge you for another service in order to get your credit report. www.annualcreditreport.com really is free.

By phone: You can also order your free credit report by calling 877-322-8228.

By mail: To order free reports by mail, get the Annual Credit Report Request Form at www.ftc.gov/bcp/edu/resources/forms/requestformfinal.pdf and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

Tip: You don't have to buy your credit score. The information you receive from the agencies is adequate. If you do buy a score, it is likely that the score the lender buys will be different from the score that you buy.

READ YOUR CREDIT REPORT AND DISPUTE ANY ERRORS

If you find something wrong with your credit report, write to both the consumer reporting agency and the creditor that provided the information, if applicable, to tell them what you think is wrong and why. Include copies of any documents that support your position. When a consumer disputes credit report information, the agency and the creditor generally have to investigate the dispute and correct inaccurate information. For more information, please visit the FTC site www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm.

AVOID PAYING UPFRONT FEES TO "REPAIR" YOUR NEGATIVE CREDIT HISTORY

There are a lot of places that promise to "repair" or "fix" your credit for an upfront fee but no one can remove negative information, such as late payments, from a credit report if it is accurate. You can only get your credit report fixed if it contains errors and you can do that on your own (see #6). According to the Federal Trade Commission, some companies who claim they can help you may get you in trouble by telling you to do something that could be illegal, such as setting up a false identity to hide your credit history from your creditors.

BE PROACTIVE IN DEALING WITH CREDIT

If you are having trouble paying creditors on time, the sooner you talk to your creditors the more likely it is you can work something out with them, such as a temporary payment plan. If you need help, look locally for a credit counselor but check to make sure they are trustworthy. If you are having trouble with your mortgage, there is help available through the government's Making Home Affordable program, www.mha.gov, or the HOPE Hotline – 888-995-HOPE. If you start to get debt collection mail or calls from someone you've never heard of, it could be that one of your debts was sold to a debt collector, or it could be a case of identity theft. Ignoring the problem usually makes it worse.

The Federal Trade Commission's "Building a Better Credit Report" (www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm) has information on correcting errors in your report, tips on dealing with debt and avoiding scams—and more.



Protecting Teens From Identity Theft: A Guide for Adults

Since 2004, young adults ages 18 to 29 have had the highest rate of self-reported victimization by identity theft (Federal Trade Commission, 2007).

Identity theft is a problem plaguing the nation. It is a felony offense defined by the Federal Trade Commission (FTC) as “fraud that is committed or attempted, using a person’s identifying information without authority.” Identity theft can be an easy crime to commit, but investigating and prosecuting these crimes are complex and time-consuming.

Trying to teach teens about, and to protect them from, identity theft can be particularly tough. Many teens don’t have a strong understanding of their financial identity, the purpose of a Social Security number, and (in the age of displaying their lives on the Internet) the need to keep their personal information private. Use the following guide to talk to teens about how identity thieves work, how to prevent identity theft, what teens can do if their identity is stolen, and where teens can go to learn more about identity theft.



How Identity Thieves Work

Identity thieves don’t need much information to steal someone’s identity. A name, address, Social Security number, and birth date are more than enough to let a stranger pretend to be your teen. Here are some of the most common ways identity thieves can obtain a teen’s personal information.

- Steal their purse or wallet, with their debit and identification cards inside
- Steal a birth certificate, passport, or other documents during a home burglary
- Dig through garbage cans or dumpsters for canceled checks, bank statements, and pre-approved credit card offers
- Hack into computers that contain personal records and steal the data
- File a change of address form in your teen’s name to divert mail and gather personal and financial data
- Phish, that is, send a legitimate looking email that directs a teen to a phony website and asks for personal and financial data

How To Prevent Identity Theft

While teens (or adults) can’t completely protect themselves from identity theft, there are steps they can take to reduce the chances of becoming a victim.

- Teens should never give their personal information to anyone, including their friends. If someone asks for their Social Security number, driver’s license number, or other personal information, be sure that they find out why and how that information will be used. Then, teens should talk to their parents about whether or not to give the requested information.
- Remind teens to safeguard checks, bank account numbers, and credit and debit card numbers when they open their first accounts. Teens should also monitor their account statements for suspicious activities.
- Shred any documents that contain sensitive information, such as Social Security numbers, birth dates, or account numbers, before throwing them in the trash.

Protecting Teens

How To Prevent Identity Theft (continued)

- Teach teens to use the password and key lock features on their cell phones. Teens should also password protect their laptop computers. Phones and computers often contain personal information, which can be retrieved by identity thieves if the items are stolen.
- Teens should limit the information that they post on social networking sites, such as MySpace and Facebook. People can misrepresent others' identities in chat rooms and emails, so teens should be cautious of what information they share online.
- They should carry only what they need in their wallets, especially when it comes to credit cards and identification cards. Let teens know never to carry their Social Security card.
- Be aware of others when entering PIN numbers or completing bank statements. Thieves can capture personal information using cell phone cameras.
- Teens should monitor their annual credit reports or talk to their parents about it. Credit reports will show if someone has established credit in a teen's name or stolen their identity. Federal law requires the three major credit reporting agencies to provide a free report once a year. Request credit reports from www.annualcreditreport.com or 877-322-8228.

If Your Teen Is Victimized by Identity Theft

If your teen is a victim of identity theft, help them take the following steps.

- File a report with the local police department. This report is necessary to pursue a case with creditors.
- Call one of the three major credit-reporting agencies (Experian, Equifax, and TransUnion). The law requires the agency to which you or your teen reported the theft to notify the other two. The agency will place a fraud alert on your teen's account.
- Dispute any bills that show charges you did not authorize. Close any accounts that you and your teen know have been tampered with or opened fraudulently.
- File a complaint with the FTC. The FTC maintains a database that law enforcement use to find identity thieves. To report your teen's identity theft or to learn more about what to do after an identity has been compromised, call the FTC's toll-free hotline at 877-IDTHEFT.

For More Information About Identity Theft

The National Crime Prevention Council's Identity Theft campaign: www.ncpc.org/newsroom/current-campaigns/identity-theft

The Identity Theft Resource Center:
www.idtheftcenter.org

The Federal Trade Commission Identity Theft Site: www.ftc.gov/idtheft



 Teens, Crime, and
the Community

National Crime Prevention Council

2345 Crystal Drive, Fifth Floor

Arlington, VA 22202

www.ncpc.org/tcc

202-466-6272