Dear Volunteer:

Everyone can benefit from better understanding their financial situation and planning for their future needs. Whether you’re trying to meet basic needs such as rent and food or planning a dream vacation with family, being smart about money is a necessity. Such knowledge provides the path to living one’s best life.

Almost 20 million people over age 50 are struggling to make ends meet. The economic downturn has hit this group especially hard, and many now face overwhelming stresses from mounting debt, poor credit, lack of health insurance, and even loss of their family homes. Many in their 50s and 60s find themselves caring for adult children and aging parents while struggling to find work and support themselves. Many are facing budget shortfalls they never imagined and are lacking the money management skills they need to cope. AARP Foundation and Charles Schwab Foundation have come together to develop a full-featured financial capability program for this growing and worthy population.

Volunteers like you who work as workshop facilitators or Money Mentors are crucial to the program’s success. As a facilitator, you provide participants with the knowledge, skills, tools, and motivation to take control of their current financial situation, reduce the stress of debt, set a course to repair credit, build savings, and put their financial lives back on track. As a Money Mentor, you provide the ongoing support and guidance to help participants change their behavior and improve their financial stability.

Charles Schwab Foundation is on the forefront of helping individuals and families from all walks of life achieve financial well-being, and no one knows more about the issues affecting older low-income adults than AARP Foundation. We are proud to collaborate with you in making a lasting difference in the lives of this large—and growing—population.

Thank you for joining us in our work. We could not succeed without you.

Sincerely,

Jo Ann Jenkins
President, AARP Foundation

Carrie Schwab-Pomerantz
President, Charles Schwab Foundation
This session is designed to help participants get a better, honest understanding of their financial situation and learn how to use tools like budgeting to reach meaningful, realistic goals.

Facilitators lead the in-person workshops. They walk through the material during the sessions while facilitating discussions with participants. Facilitators are volunteers who can offer options for the informed decisions participants will make. They provide guidance and feedback and are tasked with keeping the sessions on track and managing the participants’ interaction during the workshop. While facilitators may be financial professionals, they should not provide specific financial advice.

Money Mentors work one-on-one with participants over the phone after the workshop. While facilitators may be financial professionals; however, their role is to help provide general financial guidance, a sounding board, and individual support and motivation. Money Mentors should not provide specific financial recommendations.

If you have not done so already, register as a volunteer by visiting the program website at aarp.org/finances50plus. On the website you will also find information about the responsibilities and requirements for becoming a volunteer for AARP Foundation Finances 50+.

As program volunteers, you will receive additional ongoing support via training, discussion boards, and other resources specifically designed to help you better work with participants in this program.

We believe your experience as a facilitator or Money Mentor will be one of the most rewarding you will ever have. You have a wonderful opportunity to help people realize how much power they possess over their own financial lives.

FOR FACILITATORS: HOW TO PREPARE
1. Become thoroughly familiar with the material you will present. Highlight points you want to make in your workbook.
2. Review the appropriate Action Plan worksheets and the relevant resources for each session.
3. If you want more information on financial topics, explore the websites in Online Resources on page 123.
4. Refresh your understanding of who the participants are by reviewing the participant demographics on page v.
5. If possible, visit the room where you will be meeting with participants. Make sure there is a chalkboard, marker board, or flip charts so you can write your main points prominently for all participants to see.
6. When you meet the participants, be yourself!

FOR MONEY MENTORS: HOW TO HELP
1. Become thoroughly familiar with the material you will walk through with participants. Highlight points you want to make in your workbook.
2. Review the appropriate Action Plan worksheets and the relevant resources for each session. Your role will be to help participants complete the worksheets and the steps they will commit to taking as part of their Action Plan.
3. Refer to the Action Plan Checklist as a tool for guiding participants through their Action Plan. Review the checklist with participants to better understand where they are and what they need to do to build toward achieving their goals.
4. Refresh your understanding of who the participants are by reviewing the participant demographics on page v.
5. Be an attentive listener and strive to understand participants’ goals and motivations. Your role isn’t to judge or criticize, but to guide participants toward practical solutions for addressing their problems and achieving their goals.
6. Be patient but encouraging. Participants may express frustration or discouragement with their financial situation. Reiterate that improving their situation takes time and exercising patience while sticking to the steps they establish in their Action Plan will allow participants to see steady progress.
7. When you speak with participants, strive to create a connection with the person you are mentoring. Be genuine. Consider offering personal information about yourself and why you are interested in volunteering with this program.
8. Connect with workshop facilitators if and when you can to better understand participants’ perspective as well as the material being covered within the program.
9. If you want more information on general or specific financial topics, explore the websites listed in Online Resources on page 123.
PROGRAM GOAL:
Our goal is to motivate and empower participants to take charge of their financial future by making clear-eyed assessments, setting appropriate goals, and establishing habits and behaviors that will help them thrive.

GUIDELINES FOR FACILITATORS AND MONEY MENTORS
Thank you for volunteering to serve as a facilitator or Money Mentor for the AARP Foundation Finances 50+ program.

Peer-to-peer support is a key to the program’s success. Participants will look to you for guidance and encouragement. You will make sure the subject matter engages them and addresses their concerns. You will serve as a sounding board, help participants sort out their priorities and goals, and help them stay on track. This program would not exist without you.

While you are a primary representative of the program, you are not expected to know all the answers or provide personalized financial advice to participants. The program offers information and methods that will allow participants to improve their financial situation.

If questions arise that fall beyond the scope of your role or expertise, don’t hesitate to remind participants that you are not able to provide specific advice (even if you are trained as a financial professional). You are part of their support system, and your role is to help them refine and reach their own realistic goals and strategies—not make the decisions for them.

You can offer to help participants research the issue, or you can refer participants to the program website for more information and resources. If you feel someone needs even more help, such as financial counseling, don’t hesitate to point out that they can locate a nonprofit credit counseling agency by visiting nfc.org. Remind the participant to avoid quick fixes, which often are scams.

It is critical to remind participants that any personal financial information be kept strictly confidential. In any group sessions, remind participants to be careful not to disclose their personal financial information.

Each section of this workbook includes both the instructional material and supplementary information you may find useful in facilitating sessions or following up personally with participants. The volunteer guide includes all of the information included in the participant workbook—with additional guidance and notes for volunteers, as well as the answers to workshop exercises.

You should thoroughly review the guide and familiarize yourself with the material before leading a class. If you want more information on specific topics, visit Online Resources starting on page 123. These are reliable sources that deliver objective information on a wide range of financial subjects.

ABOUT THE PARTICIPANTS
Based on AARP segmentation research, here are a few statistics that may help you gain a better understanding of the participants:

- There are about 10.7 million people in the 50-plus age group who are classified as “working poor.”
- Of these, 62% have household incomes below $50,000.
- Many were meeting their needs before the economic crisis but are now unemployed or underemployed or at risk for the first time in a long time. They are hoping the program will help them get back on their feet or keep them from sliding into poverty.
- Participants are more likely to be single (including single parents), but many also live in multigenerational households.
- They are ethnically diverse and English may not be their native language.
- A majority own computers, but about one-third do not have Internet access at home.
- Most are high school graduates; some have associate or vocational degrees; a few have advanced degrees.
- For more than half of people 50-plus in this population, the total value of all financial assets owned (not including their home) is under $50,000. For those 65 and older, it is only $25,000.
- More than one-quarter of this population rent rather than own their homes.
- More than 40% have no employer-sponsored retirement account.
- In the last year, many have lost their health insurance, lost a job, or had their hours reduced. They may be concerned about making ends meet, managing debt, helping out a family member, accessing public assistance, and understanding retirement alternatives.

EMOTIONAL CONNECTIONS
As you facilitate the workshop, think about the emotional aspects of money. Lack of money can make people sad, angry, or depressed. But the emotions can also be channeled to motivate people to change. Emotional connections, including peer support, can help participants commit to a plan to improve their finances.

That said, money is a highly personal topic for many people, and some participants may be reluctant to open up about their financial situation. Be sensitive to that.

The program isn’t about making judgments regarding past financial behavior; it’s about finding solutions that will help participants improve their lives now and in the future.
It is critical to regard the participants as equals. Many will have had long careers that were disrupted by the recession. Many may approach the material with a certain degree of skepticism. They will need to validate information based on their own beliefs and experiences and be able to apply information and skills to current, real-life situations.

**A NOTE FOR MONEY MENTORS**

The Action Plan starting on page 75 of this guide contains follow-up steps designed to continue the learning and goal setting begun in each workshop. This is a great place to start your work with participants. You can focus on any of the exercises appropriate to address a participant’s main concerns.

Participants may not have attended all of the program sessions. When you set up your first phone call or meeting, go over the Action Plan for the first session the participant has completed, and then continue with the other parts of the plan. If they have not attended all sessions, we recommend you still go over the other sections of the Action Plan, because they may be helpful in giving a complete picture of the participant’s financial situation. For each subsequent meeting, have a specific agenda, goal, or topic to discuss, so your discussions will be as productive as possible.

The purpose of Finances 50+, ultimately, is to help participants develop better financial habits. Your role is to help them incorporate the program into their daily lives—not only by setting goals but also by staying accountable to achieving them. We are all human, and the best of our intentions often go by the wayside. Your value comes in providing encouragement, motivation, and support to turn good intentions into wise behavior.

**Acknowledgments**

This program would not have been possible without the support of Charles Schwab Foundation. AARP Foundation would like to recognize the members of the program team that brought this project to life:

Emily Allen, Chrissy Fehskens, Donna V.S. Ortega, Aysheen Padilla, Chris Rutledge, and Kamili Wilson from AARP Foundation.

Sarah Bulgatz, Joanne Catlibertoin, Kristine Dixon, Elinore Robey, Chris Schraeder, and Roger K. Wong from Charles Schwab & Co, Inc.

We also would like to recognize the many dedicated individuals and organizations whose efforts and expertise are crucial to the success of our program:

• AHA!
• Allyson Curtis, Lona Choi-Allum, Patty David, and Hillary John
• Baltimore CASH Campaign
• Banner Olive Branch Senior Center
• Center for Financial Security, University of Wisconsin-Madison
• CRT/tanaka
• El Buen Samaritano
• Greater Washington Urban League
• Karen Aidem of Sage Partners, Inc.
• Karen Murrell and Higher Heights Consulting
• Lipman Hearne
• Mary Lea Quick and Thoroughbred Consulting
• Self Help for the Elderly
• Seniors’ Resource Center
• United Way of Southeast Louisiana

**KEYS TO SUCCESS:**

- Treat participants with dignity and respect. Remember that anyone could be facing the financial challenges they are facing.
- Present the information simply and conversationally.
- Establish an emotional connection.
- Emphasize the importance of keeping a long-term goal in mind and taking things one step at a time.
- Empower participants to help themselves.
Welcome to AARP Foundation Finances 50+, sponsored by and developed in collaboration with Charles Schwab Foundation.

WE’RE GLAD YOU’RE HERE.

This program includes three 90-minute workshops. They are designed to work together to help you build on your good habits and understand what changes you can make to improve your financial situation. We encourage you to attend all three:

1. The first workshop is devoted to budgeting and goal setting.
2. The second explores how to take charge of credit and debt.
3. The third focuses on developing a savings plan and protecting your assets.

Together, these three sessions will give you a good handle on where you stand financially, plus simple, hands-on ways to make measurable progress toward your financial goals.

KNOWING AND DOING

This program combines knowing (information) and doing (activities). Knowing and doing are two distinct things. In combination, they enable you to develop—and stick to—habits that can have a positive impact on your financial situation.

The program includes a series of Action Plan worksheets designed to help you develop longer-term goals and strategies while putting what you learned into practice right away. You will start on some of these worksheets during the individual sessions and then complete them on your own. Others are designed to be done once you’ve gone through the program and are ready to develop your personal plan of action for budgeting, credit and debt, and savings.

An Action Plan containing the worksheets follows the three sessions in this workbook. After that you’ll find a section called Resources, which contains financial tips relevant to this program and a list of online and local resources for more information. Finally, the Glossary explains terms that appear in this workbook.

PEER SUPPORT

The program is built on peer support. One important person in your support network is your workshop facilitator. The facilitator will discuss the material with you and help you and other members of your group work through the material during the session. Facilitators are volunteers who can offer options for the informed decisions you will make regarding actions you want to take; they are not financial experts.

You can also ask for a Money Mentor to work with you one-on-one after the session, to help with your Action Plan or other financial activities you decide on together. Like facilitators, Money Mentors are volunteers—not financial experts. Their role is to help provide general financial guidance and individual support and motivation, but they cannot make specific financial recommendations.

You’ll have an opportunity to sign up for a Money Mentor at each of the three sessions. If you decide not to work with a Money Mentor, we encourage you to develop your own support network.

If you need further help understanding the information or deciding what to do next, please ask questions and provide feedback to your facilitator. If you have questions the facilitator cannot answer, check out the Resources section, including a list of local services in your community.

We are happy you chose to participate in our program and wish you a bright financial future.

AARP Foundation
Charles Schwab Foundation
PROGRAM AT A GLANCE

Part 1:
The first workshop establishes the foundation that you will build upon throughout the course of the program. You will get a realistic assessment of your financial standing, set goals, and learn about budgeting.

Part 2:
The second workshop is dedicated to helping you assess your credit and debt situation while offering guidance for improving your credit and paying down your debt.

Part 3:
The final workshop is focused on building and protecting your assets by focusing on ways that you can save money while protecting yourself and your loved ones from financial fraud and abuse.

Action Plan:
This is where you put what you learn during the workshops into action with worksheets, a "Road Map," and other resources that will allow you to create a clear path toward building a better financial future. The Action Plan will be completed both during the workshops and individually with assistance from a Money Mentor or other support person.

Resources:
This final section includes a variety of supplementary information, tools and resources that you can turn to for further assistance.

Fast Fact
According to the University of Michigan’s Health and Retirement Study for 2008–2010, 79.5% of respondents over age 50 expect to continue working after age 65.
WHERE YOU ARE. WHERE YOU WANT TO GO. HOW TO GET THERE.
Introduction/Overview
10-15 MINUTES

**FACILITATOR TIPS:**
- Welcome participants to the session and thank them for coming.
- Be supportive and personal whenever you see an opportunity.
- In introducing yourself, consider telling participants a simple personal anecdote or interesting, relevant fact about yourself as related to your role as facilitator of this session.
- Ask members of the group to introduce themselves and talk about something that makes them happy. To break the ice, start by offering an example of something that makes you happy (such as children, grandchildren, hiking, crosswords, knitting, etc.).
- Strive to build trust with participants and establish an emotional connection that helps frame how improving their financial situation can have a positive impact on them and their loved ones.

**PROGRAM OVERVIEW**

*Finances 50+* is all about you. We hope it will help you see how you can take charge of your finances and work toward the goals you want for yourself and your family.

It is a big job to get your financial house in order, especially in difficult economic times. But week by week, month by month and step by step, you will find you are making progress. Not only will this improve your own life, but it will also make a difference for those closest to you. The fact that you signed up for this program is proof that you have the desire and dedication to get the job done.

"Faith is taking the first step even when you don't see the whole staircase."

Martin Luther King, Jr.

---

In this first of three sessions, we’ll help you get a handle on where you stand financially and give you some tools to manage your money on a day-to-day, week-to-week and month-to-month basis in order to have a long-term positive impact on your life. You will have an opportunity to identify realistic personal goals and learn how budgeting and other financial tools can help achieve those objectives. In short, you will better understand where you are financially, where you want to go and how to build a personalized Action Plan that will help you get there.

**PREPARING TO FACILITATE**

- Read through this section thoroughly and highlight topics you especially want to discuss with participants.
- Review the net worth and budgeting worksheets on pages 82-89 and the resources on pages 105-125.
- For more information about budgeting, check out the AARP Money, Schwab MoneyWise and National Endowment for Financial Education links in Online Resources on page 123.
- Review the participant demographics on page v.
- Make sure a chalkboard or flip chart is available in the room where the session will be held so you can write down key concepts and discussion questions. You might want to have some concepts—such as the “Session at a Glance” information—already on the board or chart as the session starts.
SESSION AT A GLANCE

By the end of the session, you should:

- Have a better understanding of where you stand financially
- Understand how key money decisions affect your life
- Know how to set realistic, attainable goals
- Understand some tools and techniques for effective budgeting

Using what you have learned, you will also identify goals and steps you can take to achieve them and initiate your Action Plan for improving your financial situation.

Discussion:

- What interested you about the program?
- What is one thing you hope to understand better after this workshop?
- What would make you consider this session time well spent?

FINANCIAL SELF-ASSESSMENT

This exercise will help you see where you are practicing good financial management and where your current financial habits could use a tune-up. It will help you identify which problems you want to work on and which workshops within AARP Foundation Finances 50+ may best help you achieve your goals. You will not be asked to share your answers.

Instructions: Read each statement carefully. If the statement accurately describes your situation, mark an “X” in the TRUE column. If the statement does not accurately describe your situation, mark an “X” in the FALSE column.

WORKSHEET A

<table>
<thead>
<tr>
<th>Statement</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I have a good idea of how much money I have and how much I owe.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  I spend less money each month than I take in.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  I set aside money every month for savings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  I use a <strong>budget</strong> to plan for and track my expenses.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5  I can accurately predict what my daily expenses will be—and how much I will spend next month.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6  I include my infrequent expenses (like property taxes or insurance premiums) in my monthly budget.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7  I have a good sense of which of my expenses are <strong>wants</strong> and which are <strong>needs</strong>.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8  Most months I have money left over for my wants after I have paid for my needs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9  I regularly take time to write down my financial goals.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 I’m currently working toward specific financial goals and have a plan for how I will achieve them.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you answered **FALSE** on four or more questions, you may need to pay special attention to **NET WORTH and GOAL SETTING**. We’ll help you establish a plan to do so in **this workshop**.
Where You Are. Where You Want to Go. How to Get There.

**Worksheet B**

<table>
<thead>
<tr>
<th>Statement</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I check my credit report at least once a year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  I always make my credit card and other loan payments on time.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  I think carefully before I use my credit card (I don’t use it to buy things I wouldn’t buy with cash or a debit card).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  I shopped around for the best rate or benefits before opening my last credit card account.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5  I know how much interest I am being charged on each of my credit cards and other loans.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6  My credit card balances tend to go down every month.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7  I generally make more than the minimum monthly payment on my credit cards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8  I keep my credit card balances well below their limit.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9  I have been free of debt collectors for at least a year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 I know what my credit score is and whether my score is considered good or poor.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you answered FALSE on four or more questions, you may need to pay special attention to MANAGING DEBT and REPAIRING CREDIT. We’ll help you establish a plan to do this in Workshop #2.

**Worksheet C**

<table>
<thead>
<tr>
<th>Statement</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I have a good sense of how to prioritize my spending.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  I have more savings now than I did at this time last year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  I have a retirement savings account.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  I am regularly saving for a goal such as retirement or a major purchase.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5  If I were unable to work for 6 months, I would still be able to pay my bills.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6  I have tried to calculate how much money I need to save for retirement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7  I regularly save at least 10% of my annual income.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8  Savings is included as a line item in my personal budget.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9  I understand the difference between saving and investing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 I know how to protect myself from financial fraud or abuse.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you answered FALSE on four or more questions, you may need to pay special attention to BUILDING AND PROTECTING ASSETS. We’ll help you establish a plan to do this in Workshop #3.

**Facilitator Tip:**

Most people need help with all the areas mentioned. The goal is simply to identify the most critical need for each participant so he or she can focus accordingly. Be sure to reiterate that each area will be addressed in the program’s three workshops, starting with budgeting and goal setting in this session.

Your answers to the previous questions should help you focus on your most pressing needs, whether it’s budgeting and goal setting, managing credit and debt, or building your savings. If you believe you need help in more than one of these areas, start with the one you think is most important. After you start to make progress, move on to another area.

It’s important to note that these concepts often overlap, and improving one particular aspect of your financial situation will likely have a positive impact on other aspects as well. Each of these areas will be addressed during this program.

**Group Discussion:**

- What did you find interesting or surprising about this exercise?

**Net Worth**

Recognizing where you stand financially gives you a foundation for improvement. Where you stand financially is called your net worth. It is the value of all your assets (what you own), minus the total of all your liabilities (what you owe). Your net worth can be positive (you own more than you owe) or negative (you owe more than you own).
Orson, 61, lives in a house he purchased 6 years ago for $200,000. The house is currently worth $190,000, with $150,000 remaining on the mortgage. Although his monthly payments are up to date, Orson is worried about what will happen if he loses his job. His monthly income just breaks even with his monthly expenses.

Recently, the old gas furnace in Orson's home broke down for the last time. Orson lives in a city with brutally cold winters, and he decides to replace the furnace with a heat pump using a $10,000 line of credit offered by the heating and cooling company. He is still paying off $16,000 in medical debt incurred during his late wife's illness. Orson also owes his sister $600 for a personal loan she gave him while he was on unpaid leave to tend to his wife. Orson has $1,000 in a checking account and $4,000 in a savings account. He has $100 in cash in his wallet. He regularly uses two credit cards. He owes $3,000 on one and $2,000 on the other. Orson drives a 1998 Honda Accord, fully paid for, worth about $2,500. He owns furniture valued at $2,000 and a collection of snow globes valued at $1,000.

Orson wants to know how the expense of buying the new furnace will impact his net worth.

- Identify Orson's assets and liabilities.
- What is Orson's net worth?

**GROUP EXERCISE: ORSON'S NET WORTH**

**Assets** | **Value** | **Liabilities** | **Value**
--- | --- | --- | ---
Home | $190,000 | Mortgage | $150,000
Car | 2,500 | Furnace line of credit | 10,000
Collectibles | 1,000 | Personal loan | 600
Furnishings/household items | 2,000 | Credit card | 5,000
Checking account | 1,000 | Medical debt | 16,000
Savings account | 4,000 | | 
Cash | 100 | | 
Total Assets: | $200,600 | Total Liabilities: | $181,600

Net Worth (Total Assets - Total Liabilities): $19,000

**Group Discussion:**

- What assets does Orson have available for spending, saving, or reducing debt? [Cash, savings/checking]
- Could he turn any non-monetary assets into monetary assets? [Car, collectibles, furnishings]
- Although his net worth is positive, Orson feels strapped for cash. Why? What might he do about it? (There are multiple ways to answer this question and the goal is to spark conversation among participants. One way to initiate discussion is to point out that Orson doesn't have much cash on hand relative to his liabilities. One way he could address this is to sell certain assets (such as collectibles) to increase his cash on hand.)

Using just the numbers on the chart on the previous page, Orson's net worth is relatively easy to figure out. It's a bit harder for people who have liabilities or assets that can be easily overlooked—such as life insurance policies or jewelry. However, using methods like budgeting, saving, and spending wisely can go a long way toward improving your financial situation.

In the Action Plan section, you will find a worksheet on page 83 that will allow you to calculate your net worth. Do it on your own or with a Money Mentor later, and use the information to see where you stand financially and decide how you can best work toward increasing your net worth.
Goal Setting

20-25 MINUTES

You have goals and aspirations for the kind of life you want for yourself and your family. But when you are faced with managing debts and paying bills week in and week out, it might be hard to see how you will ever get there. Just remember that allowing yourself to focus on the future can help you make the everyday decisions that get you there.

**Individual exercise:**

Take a few minutes to think about what matters most to you. Whatever it is that you hold dear, use the space provided below to write down what it is and why it’s important to you.

How would improving your financial situation benefit what matters most to you?

---

**GOALS**

Think of achieving your goals as climbing a staircase. Take one step at a time and eventually you’ll get to the next level.

It’s important to remember that it requires planning. Just as you can’t drive from New York to Chicago without looking at a map or reading road signs, you can’t reach your goals by forging blindly ahead. Plotting a course by setting realistic, attainable goals and then checking the map—measuring where you started, where you are, and how to get to where you want to be—is the key.

**FACILITATOR TIP:**

- The following exercise is for participants to complete individually. They do not need to share their answers. The point is to help them start to piece together the connection between tomorrow’s dreams and today’s actions.
- Allow participants about 5 minutes to complete.

---

**FACILITATOR TIP:**

- Direct participants to page 80 in the Action Plan. After spending about 10 minutes on the exercise, return to this page to initiate the discussion questions below.

---

**FACILITATOR TIP:**

- The Goal Worksheet enables participants to map out a route they need to take to achieve their goals. Assure participants it is okay to dream big, but everyone needs smaller, more specific and reachable goals to make those dreams a reality.
- Participants have about 10 minutes for this worksheet and should fill out at least one immediate financial goal. They may wish to look back at their overarching life goals in the Goal Setting section on page 10 to inform their financial goals.
- This worksheet is designed to be used with the Action Plan either individually or with a Money Mentor.

---

**Individual exercise: Goal-Setting Worksheet**

Take a moment to think about goals that, once accomplished, would significantly improve your financial situation. Try to be as specific as possible in identifying your goals as well as simple, effective steps you could use to work toward achieving them.

Turn to page 80 to write down your financial goals.

---

Shortly after her divorce, Janet lost her father, and then she lost her job. She had mounting money problems. But Janet not only survived, she worked her way out of despondency, and now she says life is good again. How did this happen?

She told me that late one autumn day, when she was at her lowest, she watched a squirrel storing up nuts for the winter. One at a time, he would take them to the nest, and she thought, “If that squirrel can take care of himself, with the harsh winter coming on, so can I. Once I broke my problems into small pieces, I was able to carry them, just like those acorns, one at a time.”

Source: Story reported by former Detroit broadcast journalist Mort Crim

---

“A wise man should have money in his head, but not his heart.”

Jonathan Swift

---

Discussion:

- What did you find interesting, surprising, or challenging about this exercise?
- Did writing down your financial goals and the steps you might take to achieve them help them seem more attainable?
- What are some things you must do to achieve your financial goals?
Budgeting
25–30 MINUTES

A budget serves as a starting point toward your goals. Everyone uses a budget in one form or another. We all have a general sense of how much money we have and what we can afford to spend. But writing down a budget is a good idea. It allows you to see the whole financial picture and decide how to prioritize your expenses to make the most of what you have.

Creating a budget and sticking to it can be difficult. Budgeting doesn’t mean that you have to live off bread and water or kick rocks for entertainment. It simply allows you to adjust your spending habits, look for other sources of income, and reduce expenses to give you more breathing room to live the life you want for yourself and your family.

GROUP EXERCISE: BALANCING BETSY’S BUDGET

Betsy, 58, earns $2,000 in monthly income (after taxes) and has about $2,200 in monthly expenses. She needs to balance her budget so she isn’t living beyond her means while racking up credit card debt or falling behind on her bills. Betsy would like to adjust her budget so she has no more than $1,800 in expenses every month.

Look at the following snapshot of Betsy’s monthly income and expenses and help her decide where she can trim her budget. It’s important to note that Betsy would like to keep some discretionary items.

<table>
<thead>
<tr>
<th>Monthly expense</th>
<th>Monthly cost</th>
<th>Budget savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$600</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>$250</td>
<td></td>
</tr>
<tr>
<td>Cable TV subscription</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Local coffee shop</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Newspaper subscription</td>
<td>$25</td>
<td></td>
</tr>
<tr>
<td>Cell phone</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Antique shopping</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Home phone</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Gifts for grandchildren</td>
<td>$75</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Hair salon</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Restaurants</td>
<td>$75</td>
<td></td>
</tr>
<tr>
<td>Auto insurance</td>
<td>$75</td>
<td></td>
</tr>
<tr>
<td>Bingo entry fees</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Medication</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Groceries and household items</td>
<td>$175</td>
<td></td>
</tr>
<tr>
<td>Movie tickets</td>
<td>$25</td>
<td></td>
</tr>
<tr>
<td>Credit card payments (minimum)</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$2,200</strong></td>
<td><strong>$400</strong></td>
</tr>
</tbody>
</table>

**Note:** For the purposes of this exercise, you can choose to eliminate individual expenses. However, in most real-life cases it is often easier and more practical to cut down on certain expenses rather than eliminating them altogether.

**FACILITATOR TIPS:**
- Read through the exercise with participants. This exercise should generate a good discussion of what to cut and what to keep.
- Advise participants that the exercise is not intended to be a comprehensive look at Betsy’s monthly expenses (which would likely be far more extensive) but is meant to illustrate the point of balancing wants and needs (making difficult decisions) in order to stick to a budget.
- The exercise should take about 10 to 15 minutes (including discussion).

**FACILITATOR TIP:**
There are several ways to answer this exercise. The specific combination of cuts to reach the $400 in total cuts needed is less important than underscoring the point that Betsy must prioritize and make decisions in order to stick to a budget.
The budgeting process involves reviewing your current expenses and identifying which items are “wants” and which are “needs.” Necessary expenses are needs, such as rent/mortgage, groceries, transportation, and utilities. Other expenses are wants, such as entertainment and travel.

Needs and wants are very personal. Some people may consider a cell phone a need, while others may consider it a want. It’s important to be honest with yourself and make decisions that are right for you.

Depending on your situation, you may want to incorporate all income and expenses into one family budget, or create separate budgets for yourself and other family members. By creating a budget and distinguishing between wants and needs, you can prioritize when, where, and how to spend money.

**WANTS AND NEEDS**

An important and helpful step in the budgeting process is to review your budget and identify which items are “wants” and which are “needs.” Necessary expenses are needs. These essentials are “must haves,” such as your mortgage/rent, groceries, transportation, and utilities. Other expenses are wants, or “nice to haves,” such as entertainment, travel, and new clothing.

Needs and wants are very personal. Some people may consider a cell phone a want, while others might consider it a need. Everyone has different priorities. Be honest with yourself and make the decisions that are right for you.

Depending on your situation, you may want to incorporate all income and expenses into one family budget, or create separate budgets for yourself and other family members. By creating a budget and distinguishing between wants and needs, you can prioritize when, where, and how to spend money.

**Setting Priorities**

Identifying spending and saving priorities (including paying down debt or creating an emergency fund) will be covered further in Part 2 and 3 of the program. In the meantime, here’s one helpful way to distinguish between wants and needs in order to prioritize expenses (keep in mind that you can allocate your expenses to any or all of these categories):

1. **Essentials**: necessary monthly expenses such as rent/mortgage, groceries, transportation, basic utilities, medical expenses, etc.
2. **High-interest debt**: credit card balances, payday loans, etc.
3. **Emergency savings**: a rainy-day fund to protect against unplanned expenses, such as medical emergencies, unexpected car or home maintenance, tax payments, etc.
4. **Savings goals**: retirement, a down payment for a new car, or wherever else your financial goals or dreams may take you.
5. **Discretionary**: non-essential, nice-to-haves such as entertainment, new clothes, or other “treat yourself” items.

**Budget Support**

Like dieting, sticking to a budget can be easier if you have a support system. Set yourself up for success by involving close family members or others you can count on for encouragement. Unless you live alone, involve others in your household in the budgeting process so everyone understands and contributes to maintaining the budget. Having those closest to you buy in to a budget plan can greatly increase your chances for long-term success. For support in sticking to your budget, consider:

- Family
- Friends
- Money Mentor
A crucial part of any financial strategy is the ability to plan and track the money you have and how you’re spending it. This worksheet is intended to give you an understanding of your monthly income and expenses while allowing you to identify ways that you can best use your financial resources. Try to be as specific and detailed as possible.

Turn to page 84 to begin working on your budget.

Discussion:
- Have you used or do you currently use a budget?
- What have you found to be helpful or difficult about budgeting?
- Any helpful methods or tips for sticking to a budget?

Individual exercise: Budget Worksheet

The purpose of the Budget Worksheet isn’t to have exact numbers or complex math equations, just to get a reasonable sense of what’s going in (income) and what’s going out (expenses) every month. Return to this page after 10 minutes to initiate the following discussion questions.

Discussion:
- What did you find interesting, surprising, or challenging about this exercise?
- Did you learn anything about your spending habits?
- How can this information help you build toward your goals?
Part 2

TAKING CONTROL OF CREDIT AND DEBT
Taking Control of Credit and Debt

This is the second of three sessions designed to help you get a good handle on where you stand financially while providing proven ways to help you reach your financial goals. This session focuses on credit and debt. You'll have a chance to develop straightforward, actionable methods to reduce debt and use credit wisely, including ways to weather and resolve a credit crisis and to repair credit when necessary.

As part of these sessions, we'll also touch on how to protect yourself and your loved ones financially, the importance of having a support system for successful money management, and establishing a plan to achieve your financial goals.

Introduction/Overview

10-15 MINUTES

**FACILITATOR TIPS:**

**Introductions:**
- Introduce yourself and share something that relates to your role as a facilitator of this session.
- Ask participants to introduce themselves.
- Establish connections by being supportive and personal.

**About the program:**
- Ask participants if they took part in the previous session, and invite those who did to share something they learned.
- Reiterate that the participant guide is a useful tool for everyone, even if this session's attendees did not participate in the previous workshops.
- Discuss how this workshop on credit and debt is the second part of a three-part program. Part 1 focuses on budgeting, and Part 3 on savings and protecting your assets.
- Explain the role of Money Mentors and invite participants to sign up.
- Discuss the Action Plan—tools to help you put the program's learnings into practice in your daily life.
- Introduce today's session—learning to help manage debt and keep it from becoming overwhelming.
- Use the chalkboard, if available, to write down key points and questions as you walk through this guide.

**SESSION AT A GLANCE**

By the end of the session, you will:
- Know how to find your interest rate and fees on your credit card statement
- Know how to obtain and read your credit report
- Understand what your debts are and some ways to manage them
- Understand your options in a debt crisis

Using what you have learned, you will also identify goals and steps you can take to achieve them and initiate your Action Plan for improving your financial situation.

**CREDIT AND DEBT GO HAND IN HAND**

Almost everyone needs credit and takes on debt at some point. It might be an auto loan to buy a car, a mortgage to buy a house, or an airplane ticket purchased with a credit card to see a family member in another city. Clearly, not all debt is bad—and it's often necessary. But debt is one of the most common ways to get into financial trouble. The key is to learn to manage it and not let it manage you.

Broadly speaking, credit is a form of trust—it lets you use things while you pay for them. Debt is an amount you owe. When you get goods or services on credit, you generally pay interest on top of the original cost.

**PREPARING TO FACILITATE**

- Read through this section thoroughly and highlight topics you especially want to discuss with participants.
- Review the credit and debt worksheets on pages 90–96 and the resources on page 103.
- Be aware that not all participants may have attended the first workshop. Direct those who did not attend the first workshop to review the material covered in that session.
- For more information, check out the credit and debt information in Online Resources on page 123, especially the websites of the Federal Trade Commission (Consumer Protection tab) and Consumer Financial Protection Bureau.
- Review the participant demographics on page v.
- Make sure a chalkboard or flip chart is available in the room where the session will be held so you can write down key concepts and discussion questions. You might want to have some concepts—such as the "Session at a Glance" information—or questions already on the board or chart as the session starts.
Debt, including credit card debt, can influence your credit score. And your credit score can influence how your debt grows—because people with lower scores typically face higher interest rates on credit cards and loans.

“In God we trust; all others must pay cash.”
American Proverb

Discussion:
- What would you like to get from this session?
- What would make you consider this session time well spent?
- What would make you recommend it to a friend?

This quick quiz is designed to assess your knowledge about credit and debt and get you thinking about what you want out of this session. We'll discuss these topics during the session.

Quiz: What do you know about credit and debt?

Instructions: Please determine whether the following statements are true or false. You will not be asked to share your answers, but keep your answers in mind as the session progresses. Make note of whether the statement is true or false as the facilitator discusses each one. There is an Answer Key in the Resources section on page 126 if you would like to learn more about each statement.

1. Most people spend less if they pay with cash rather than with a card.
   [True. An MIT study published in 2000 showed that subjects were likely to spend significantly more for an item paid with a credit card than if they paid cash. Bankrate.com also estimates that credit card purchases can end up costing users as much as 112% more than if cash had been used.]

2. You should check your credit report at least once a year.
   [True. You can get a report free once a year from each of the three credit bureaus. By staggering your free reports, you can get a report from a different bureau every 4 months.]

3. As long as you make the minimum payment on your credit cards, it won’t hurt your credit score.
   [False. The most recent total balance, including carried balance, will show on your credit report. But it is not as bad as a late payment, which can really hurt your score.]

4. You can get cash advances for free on your credit card.
   [False. There is an additional fee to get cash, usually determined by how much you borrow, and the interest rate for cash advances is usually higher than for regular purchases.]

5. You should compare at least three credit cards before deciding on one.
   [True. Interest rates and fees vary greatly. And don’t forget that a low “introductory APR” will most likely go away soon and be replaced by a significantly higher rate.]

6. It’s OK for debt collectors to use threats—it goes with the job.
   [False. They can’t threaten you with violence or to take your property either, unless there is a legal procedure involved and you have a reasonable opportunity to contest the debt. Also, they are not allowed to contact you at inconvenient times.]

7. Credit repair agencies are worth the fee they charge to clean up your credit report.
   [Probably not. They may simply charge you for what you could do for yourself for free. Less reputable credit repair agencies may even act illegally.]

8. People with poor credit scores can’t get credit.
   [False. They may be able to take out a “secured” credit card, for example, or get a card at a higher rate of interest.]

9. The information in your credit report affects whether you can get a loan or insurance—and how much you will have to pay for it. It can even affect your employment or housing prospects.
   [True.]

10. If you make a credit card payment late or miss it altogether, your interest rate may go up.
    [True. And you’ll also be charged a penalty fee.]
Understanding Credit and Debt

20–25 MINUTES

**FACILITATOR TIPS:**
- This workshop follows a fictional woman through her struggles to stay afloat. Although she is managing (barely) her financial life today, her current lifestyle is not sustainable. Emergency expenses or a job layoff could send her spiraling into debt and feeling overwhelmed. Her $1,000 emergency fund provides a little cushion, but not much protection.
- Explain that the example that runs throughout the session is intended to show how easily debt can become a problem and to highlight some potential solutions.
  - Note that the figures are strictly for purposes of understanding the concepts—don’t get off track discussing them in too much detail.
  - Assume that Marjorie’s income is after tax, and the list of her expenses may not be complete.
  - Read the first part of Marjorie’s story, and then lead a discussion of her situation.
  - Ask where she might be vulnerable.
  - She is spending as much as she takes in and is not saving regularly.
  - She has a lot of debt.
  - Ask what she could do differently to strengthen her financial position:
    - For example, she could reduce what she spends on eating out and entertainment.
    - She could pay cash and not use her credit cards so her credit card debt doesn’t grow.
    - She could develop a plan to pay off her debt.
    - She might try to increase her income—by working more hours, for example, because she is part-time, or asking her daughter Rachel to work more hours.

**Fast Fact**

More than 50 million households carry credit card debt. For those households, the average credit card debt was $15,956 as of 2011.

Source: American Bankers Association, reported on creditcards.com

**MARJORIE’S STORY: ASSESSING YOUR FINANCIAL SITUATION**

Marjorie, a 60-year-old widow, works part-time as a receptionist at a trucking company. She brings home $1,400 a month. One of her children, Rachel, 25, lives with her and contributes $1,100 a month to household expenses with the money she earns cleaning houses. Marjorie and Rachel cover their everyday expenses (mortgage, car payments, food, medicine, utilities, property tax, and entertainment) from their paychecks. But for extras, Marjorie depends on her three credit cards. She uses them to pay for occasional trips and birthday and holiday gifts for her three children and six grandchildren. Being generous with her family is very important to her.

Marjorie considers herself financially responsible. She has managed to save an emergency fund of $1,000. Although she has no idea what interest rate her cards charge, she feels good that she always pays the minimum owed each month—on time. Her house has gone down in value, but she has not missed a mortgage payment. Here is a snapshot of her financial situation, starting with her net worth.

If you attended Part 1, you will remember discussing the importance of understanding your net worth and cash flow—that is, the money you receive (inflow) and pay out (outflow).

<table>
<thead>
<tr>
<th>MARJORIE’S NET WORTH</th>
<th>Assets</th>
<th>Value</th>
<th>Liabilities</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>$185,000</td>
<td>Mortgage at 6% interest (APR), or annual percentage rate—see page 128</td>
<td>$155,000</td>
<td></td>
</tr>
<tr>
<td>Car</td>
<td>6,000</td>
<td>Student loan balance at 5% interest (APR)</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Savings account</td>
<td>1,000</td>
<td>Car loan at 6% interest (APR)</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Furnishings</td>
<td>4,000</td>
<td>Credit card 1 at 18% interest (APR)</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credit card 2 at 16% interest (APR)—maxed out</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credit card 3 at 20% interest (APR)—maxed out</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$196,000</td>
<td>Total</td>
<td>$175,000</td>
<td></td>
</tr>
</tbody>
</table>

Net worth (assets minus liabilities) = $21,000
Taking Control of Credit and Debt

Marjorie and Rachel’s Monthly Cash Flow at a Glance

<table>
<thead>
<tr>
<th>Inflow</th>
<th>Value</th>
<th>Outflow</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marjorie take-home pay</td>
<td>$1,400</td>
<td>Mortgage</td>
<td>$960</td>
</tr>
<tr>
<td>Rachel take-home pay</td>
<td>1,100</td>
<td>Property taxes</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Utilities</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Groceries</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Auto loan</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other car expenses, including insurance, gas, maintenance</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Student loan</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total minimum credit card payments</td>
<td>275</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medical bills</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clothing</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Entertainment</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eating out</td>
<td>175</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Miscellaneous</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>$2,500</td>
<td>Total</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

Discussion:
- How is Marjorie doing?
- Do you detect any problem areas?

Fast Fact
As of late 2011, Americans 50 and older still held almost $135 billion in student debt. More than 10% of these loans were delinquent.

Source: Federal Reserve Bank of New York

Most financial experts say that a person should pay no more than 28% of his or her gross (before taxes) income on all housing costs—including mortgage, property taxes, and insurance. According to this general rule, total debt (including credit cards as well as housing) should not exceed 36% of gross income. This is sometimes called the “28/36 rule.”

Good Debt vs. Bad Debt
Debt isn’t always a problem. Certain types of debt can be used as financial tools to provide opportunities. But it’s critical to make smart decisions about if, when, and how much to borrow.

How do you define “good debt”?
- It carries a lower interest rate.
- It can help you build assets.
- It may be tax deductible.

How do you define “bad debt”?
- It usually carries the highest interest rates.
- It can be the most costly over time.
- It means you’re borrowing to own something that loses value over time. Think of what happens when you drive a new car off the lot!

Facilitator Tips:
For the group discussions of Marjorie’s situation both here and in the next section (Good Debt vs. Bad Debt), here are a few things you might want to mention:
- On the plus side, Marjorie seems to be managing. She has a positive net worth, and her cash flow is in balance.
- But Marjorie is financially vulnerable. She and Rachel spend everything they take in.
- They are also building up credit card debt by paying only the minimum while continuing to incur interest charges on the outstanding balance.
- Marjorie is not reducing her debt.
- She is using credit cards for discretionary expenses, such as gifts and travel.
- She deserves praise for creating an emergency fund, but she is not saving regularly.
Debt that can work for you:
This kind of debt usually has a relatively low interest rate and may be tax deductible. Examples are mortgages and certain types of student loans. With mortgages, you are borrowing to own an asset that has value and usually goes up in value (though not always, as we have seen in recent years). With a student loan, you are borrowing in hopes of having greater value in the job market. And the interest you pay is usually tax deductible (although not to parents who have taken out a loan for their child).

Debt that can work against you:
Generally speaking, try to avoid debt that is high-cost and isn’t tax deductible, such as credit cards and some auto loans.

Discussion:
- How would you characterize Marjorie’s debts?

Facilitator Tips:
Here are a few possible answers:
- Marjorie has a lot of high-interest credit card debt (bad debt).
- Her mortgage is a good debt, but her mortgage and tax payments are high relative to her income.
- According to the above criteria, her auto loan would be a bad debt because it is a depreciating asset (the value of the car goes down with time) and auto loan interest rates can be high (though Marjorie’s rate is reasonable). However, this is a type of “bad debt” that may be necessary for most people (see sidebar on next page).
UNDERSTANDING CREDIT CARD TERMS

Credit cards, while often useful, can quickly fall into the “bad debt” category. When someone pays only the minimum while continuing to charge new purchases, credit card debt builds.

You probably get credit card offers in the mail every week. They often sound almost too good to be true. There’s a reason for that—they usually are. But what they don’t tell you in the big print can be found in the fine print. It isn’t much fun to read, but you can learn a lot from it. Everything you need to make good choices is in the credit card application.

Owning a card is a type of contract. As with any contract, you should first read the fine print. It can cost you a lot of money if you don’t.

Every credit card application has a disclosure box. You can see an example on page 110 and review it at home or with your Money Mentor. When you think about getting a new card, compare different cards’ disclosure boxes to see which is best for you.

Here are the most important things you can find out from a credit card application:

**Annual Percentage Rate (APR)** for purchases: Tells you your interest rate and, if there’s an introductory rate, when and how much it will go up.

**APR for Cash Advances** and **Penalty APR**: These rates are higher than your usual interest rate. This means it’s expensive to use your credit card to get a cash advance, and you get charged extra for paying late or going over your credit limit.

**Fees**: Your **annual fee, finance charges**, and any other fees, such as penalties for late payments or exceeding your credit limit.

**Due dates**: When payments are due, and the **grace period** for payments. The grace period is the amount of time before interest is charged on your current purchases (usually 21 days before your bill is due). Most credit cards have no grace period for cash advances.

The credit card application must also include:

- How cardholders will be notified if their interest rate goes up
- How to protest a charge you did not authorize
- How any reward system works, if it is a rewards card

**DISCUSSION:**

- Do you know the interest rate on your own credit cards? If you don’t have the application form any more, how can you find out?

**CREDIT CARD DOS AND DON’TS**

Before you pull out the plastic, make these basic guidelines part of your own credit management plan.

**DO** shop around for the right card. Look for low interest rates and no annual fee. Always read and understand the fine print.

**DO** keep track of every credit card purchase each month. Review your statements to make sure they are correct.

**DO** make sure you know what incentives or features you’re signing up for, such as rebates or cash back on purchases, frequent flyer miles, or car rental or travel insurance.

**DON’T** carry a balance if you can avoid it. It’s best to pay off the entire balance before the end of the grace period so you don’t have to pay interest.

**DON’T** pay bills late. Late fees are expensive, and, over time, they accrue interest. They can also harm your credit rating. Spend only as much as you can afford—or less.

**DON’T** use a credit card for purchases less than $10. These small purchases can add up fast. Use cash instead.

**DON’T** pay for any extras you don’t want or need.
YOUR CREDIT CARD STATEMENT

You can find your interest rate and any fees you are charged on your credit card statement. Review your next statement and make sure you understand the terms.

There is a sample credit card statement on page 113, along with a key that explains various parts of the statement. The Consumer Financial Protection Bureau (CFPB) has a library of credit card agreements—the “terms and conditions” document that explains interest rates, fees, and other basic information. See consumerfinance.gov/credit-cards/agreements.

If you are working with a Money Mentor, you and your mentor can discuss your next statement to help you understand the charges.

FIVE QUESTIONS TO ASK YOURSELF BEFORE PAYING WITH A CREDIT CARD

1. Do I really need what I’m buying?
2. Can I pay for this when the bill comes?
3. Will I be happy paying for this on credit after the item is gone or the experience is over?
4. What will it cost if I don’t pay in full?
5. Can I afford the monthly payments?

WHAT ABOUT DEBIT CARDS?

Many bank accounts come with debit cards you can use in place of checks or cash. If you use a debit card linked to a bank account, be sure to keep track of what you spend so you don’t overdraw your account and incur a fee.

Maybe you are thinking about a prepaid debit card. You can purchase reloadable debit cards at many retail outlets without having a bank account. With a reloadable prepaid card account, you can only spend the money you have, so it can help you control your spending. Prepaid debit card accounts work like electronic bank accounts—you can use them at stores and ATMs. Although they have drawbacks, such as fees that can add up, prepaid card accounts are very convenient for some purposes, and they can be safer than carrying cash.

HOW TO CHOOSE A RELOADABLE PREPAID DEBIT CARD ACCOUNT

There are many cards available, so compare the choices before selecting one. These steps can help.

Compare the features to your needs: Do you need to receive federal or state benefits on the card? Do you want a savings account with the card? How about ATM access? Make sure the card has what you want.

Compare the fees: How often would you use the card? Would the way you use the card incur fees? Is a minimum monthly deposit required to waive the monthly fee, and, if so, can you meet the requirement?

Look for FDIC insurance: Find out if the debit card account is covered by the Federal Deposit Insurance Corporation (FDIC). If it is, and you are named as the cardholder, your money is protected for up to $250,000 (as of 2012) if the bank holding the money for the card goes under.

Learn more about choosing and using reloadable prepaid debit cards wisely at aarp.org/finances50plus.
The Cost of Debt

MARJORIE’S STORY: HOW DEBT GROWS

One Sunday, when she’s trying to do a load of laundry to prepare for the work week, Marjorie’s 20-year-old washing machine breaks down. She calls a repair service the next day, only to learn that parts are no longer made for this older model, so it cannot be fixed. “Better get yourself a new one,” the shop owner says. So Marjorie goes to a department store and finds a new washer-dryer combo that does everything she wants it to. It costs $1,500. She decides to get it now—after all, her dirty clothes are piling up—and charges it, taking out a new store credit card (with a $1,500 limit) at 18% interest.

Marjorie appreciates the convenience of having the washer now. She doesn’t think twice about buying it on credit. Nor does she think about how much interest she will pay over the long run. But take a look at how it will add up:

In other words, by the time she pays off the $1,500 loan at 18% interest, she will have paid more than double the purchase price for the washer-dryer.

Look back at Marjorie’s cash flow on page 26. Add the minimum payment for the washer-dryer ($37.50) to her current monthly credit card payment ($275) and notice that the monthly minimum now stands at $312.50. She’s now spending more than she and Rachel bring in.

Discussion:

• Does Marjorie have other options for a washer-dryer?

   Answers: She could do some comparison shopping to look for the lowest price on what she wants; she could look for a cheaper model; she could buy a used machine; she could visit a Laundromat while saving up for a new washer/dryer; she could tap part of her emergency funds.

• What would you do in Marjorie’s position?

   Answers: She could do some comparison shopping to look for the lowest price on what she wants; she could look for a cheaper model; she could buy a used machine; she could visit a Laundromat while saving up for a new washer/dryer; she could tap part of her emergency funds.

   Discussion:

   • Does Marjorie have other options for a washer-dryer?

   Answers: She could do some comparison shopping to look for the lowest price on what she wants; she could look for a cheaper model; she could buy a used machine; she could visit a Laundromat while saving up for a new washer/dryer; she could tap part of her emergency funds.

   • What would you do in Marjorie’s position?

REDUCING CREDIT CARD DEBT

Credit card debt can quickly become overwhelming—for example, if someone loses a job or encounters unexpected medical expenses. If, like Marjorie, you find yourself overwhelmed by credit card debt despite your best intentions, don’t give up. There are many things you can do to help yourself get out of the situation.

1. First, review your credit card statement to see what you’re really paying. This will help you establish priorities for your repayment plan.

2. Review your budget and net worth to see where you stand. Reduce your discretionary spending (at least for the time being) and figure out how much you can devote to paying down your existing balance each month.

3. Stop using your credit cards. Use cash or reloadable prepaid debit card accounts instead. This will help control your spending.

4. Make a plan to pay off your credit card debt. Decide which cards to pay off first.

5. Commit to a payoff schedule.

6. Make saving part of your budget. Set aside money for emergencies—so perhaps you won’t need to use your card for them.

From a strictly financial perspective, it makes the most sense to pay off high-interest debt first, because it has the most economic benefit. That’s our recommendation. However, some people feel more rewarded, and therefore more motivated to keep going, if they get rid of a smaller debt first, even if it has lower interest. The most important thing is to do whatever it takes to get out of being in the red, as quickly as possible. That’s the best way to secure your financial future.

Fast Fact

Thirty-one percent of Americans age 50 and older have a credit card balance that is not paid in full every month.

Source: AARP Bulletin Survey on Consumer Saving and Debt, November 2011

Discussion:

• Does Marjorie have other options for a washer-dryer?

   Answers: She could do some comparison shopping to look for the lowest price on what she wants; she could look for a cheaper model; she could buy a used machine; she could visit a Laundromat while saving up for a new washer/dryer; she could tap part of her emergency funds.

• What would you do in Marjorie’s position?
Taking Control of Credit and Debt

**DEBT CONSOLIDATION: BE CAUTIOUS**

It may seem like an attractive option to consolidate one or more balances onto another lower rate card. But be careful. If you decide to open a new 0% credit card to take advantage of a lower rate, be sure you understand its terms and conditions. Read the fine print of the offer letter and find out when and how much the introductory rate will go up. Take advantage of the introductory period to increase monthly payments and reduce your debt.

This is a form of *debt consolidation*—taking out one loan to pay off others. There are many companies that advertise debt consolidation services. Although it can be tempting, the debt remains, and so do the habits that created it. A reputable nonprofit *credit counseling* agency can advise you about this controversial topic. Visit nfcc.org to find a local agency.

**Discuss:**

- To reduce credit card debt, some people prefer to pay off the card with the highest interest rate first, because that has the most economic benefit, while others would rather pay off the card with the lowest balance first, even if it has a low interest rate, because it is psychologically satisfying to get rid of the debt and perhaps even destroy the card. What do you think?

  *Answer:* There is no right or wrong answer, but do note that most financial experts recommend paying off the card with the highest interest rate first, because it has the most economic benefit.

- Are there ways you can accelerate your own payments or decrease balances?

  Work with your Money Mentor or on your own to evaluate your current debt and payments.

  *Refer participants to the Action Plan worksheet on page 95, where they can develop a plan to pay down debt.*

**TIP**

You can use a credit card payoff calculator to figure out the long-term costs of your credit cards or specific purchases.

(Find one at aarp.org/finances50plus)

---

**YOUR CREDIT REPORT**

**TIP**

Go to annualcreditreport.com for more information on getting your free credit report and how to check it. Annualcreditreport.com is the only federally authorized site to get free reports. All other sites with similar names are really links to offers for a credit reporting service that may charge you a fee. You can turn to page 90 to begin your credit report worksheet.

One of the costs of debt is the effect it can have on a person’s ability to get credit. Paying down debt can make you feel more in control. It can also help you improve your credit report and credit score, which lenders use to determine your “creditworthiness.” A better credit report and credit score can make a difference in your life.

People who review your credit report may be lenders, credit card companies, and even employers and landlords. They use your report to determine if they should trust you with credit. Being creditworthy means they believe you’ll pay back what you borrow on time, based on the way you’ve used credit in the past.

Check your own credit report regularly and understand what it says about you. What it says can either help or prevent you from getting a job, a loan, or a lower interest rate. If you see accounts listed in your name that you did not open, your credit report could tip you off to fraudulent use of your personal information. It can also contain errors that you will want to correct.

By law, each of the three main credit reporting agencies—Experian, Equifax, and TransUnion—is required to provide you with your credit report free once a year. To stay up to date year-round, consider requesting a free report from one agency every 4 months on a rotating basis.

If information on your report is wrong, dispute it. Your credit report tells you how to do so. For a sample dispute letter, see page 117.
Taking Control of Credit and Debt

WHAT AFFECTS YOUR CREDIT?

Suppose Marjorie starts thinking about buying a newer car. Her current car is fine for getting to work and back, but it is 12 years old. To purchase a car, she would need to borrow more money. How does the lender decide whether to give her the loan?

The lender will rely heavily on her credit history. The lender will likely "pull" her credit report or request her credit score (for more on credit scores, see page 39).

Marjorie’s credit report will include:

- Name, address, and other personal information—this has no impact on her credit score.
- Her existing credit, including credit card accounts, mortgages, car loans, and student loans, along with payment history.
- Her public record, such as any court judgments against her or whether she has filed for bankruptcy within the previous 7 to 10 years. Fortunately, Marjorie has no court record.
- Inquiries from companies or persons who recently requested a copy of her report.

Find this information in the sample credit report on page 115 with your Money Mentor or on your own. Then obtain and review your own credit report.

WHAT IS A CREDIT SCORE?

Your credit score is a number that helps lenders determine how likely you are to make your payments on time. It is a summary of your credit risk. Although it is related to your credit report, the score does not appear on your credit report.

There are several agencies that create credit scores, but the one you hear about most is the FICO® score. It is called FICO after the original name of the company that compiles the score, Fair Isaac Corporation.

FICO® scores can range from 300 to 850—the higher, the better. The median score is around 725, but a score of 760 or higher typically gets you the best deal on interest rates.

UNDERSTANDING YOUR FICO® SCORE

<table>
<thead>
<tr>
<th>Score</th>
<th>Evaluation</th>
<th>What it means</th>
</tr>
</thead>
<tbody>
<tr>
<td>760 or higher</td>
<td>Great</td>
<td>Your score is well above the average score of U.S. consumers and clearly demonstrates to lenders that you are an exceptional borrower.</td>
</tr>
<tr>
<td>725-759</td>
<td>Very Good</td>
<td>Your score is above the average score of U.S. consumers and clearly demonstrates to lenders that you are a very dependable borrower.</td>
</tr>
<tr>
<td>660-724</td>
<td>Good</td>
<td>Your score is near the average score of U.S. consumers, and most lenders consider this a good score.</td>
</tr>
<tr>
<td>560-659</td>
<td>Not Good</td>
<td>Your score is below the average score of U.S. consumers, though some lenders will approve loans with this score.</td>
</tr>
<tr>
<td>Lower than 560</td>
<td>Bad</td>
<td>Your score is well below the average score of U.S. consumers and demonstrates to lenders that you are a very risky borrower.</td>
</tr>
</tbody>
</table>

Source: myFICO.com
The two factors that most influence your credit score are:

**Whether you pay your bills on time:** If you have paid bills late, had an account referred to a collection agency, or declared bankruptcy in the previous 7 to 10 years, that information could show up in your credit report and may negatively impact your credit scores.

**Your outstanding debt:** If the amount you owe is close to your credit limit, it will probably hurt your score.

### How Your Credit Score is Determined

Your credit score is based on five factors, each weighted differently.

- **Payment History:** 35%
- **Amount Owed:** 30%
- **Length of Credit History:** 15%
- **New Credit:** 10%
- **Types of Credit Used:** 10%

Source: [www.scoreinfo.org](http://www.scoreinfo.org)

What are the two best things you can do to improve your credit score?

1. Pay your bills on time.
2. Keep your credit balances low.

### Facilitator Tip

If time allows, turn to the worksheet on page 91 for more information about what goes into a credit score.

### TIP

Your credit score can save (or cost) you a substantial amount of money. Typically, the higher your credit score is, the lower your interest rate is likely to be for a particular debt. Conversely, the lower your credit score is, the higher your interest rate and the more it will cost you to borrow money.

See pages 92–93 for a worksheet on how to improve your score.

### Discuss:

- **How would the previous factors influence Marjorie's credit score?**
  *Her on-time payment record is positive, but the amount of her debt would be a big concern.*

- **What has likely happened to her credit score since we first looked at her situation? How do you think her score will affect her ability to get a car loan?**
  *Her score has likely gone down because of the additional debt she took on with the new washing machine. The lower credit score can mean she will be unable to get a car loan or will pay higher interest for it.*
Navigating Debt

MARJORIE’S STORY: WHEN DEBT BECOMES A PROBLEM

Let’s turn again to Marjorie. She is still thinking about a car but hasn’t bought anything yet. She puts the decision on hold when she realizes how much the washer-dryer was adding to her monthly minimum payments. Then, as luck would have it, Marjorie breaks her leg and winds up in the emergency room. Although she has health insurance through her job, she still owes 20% of the medical charges as copayments. In fact, once the medical bills are all in, Marjorie is appalled to discover she owes a total of $4,000 out of pocket. Now she feels overwhelmed. She does not know where to turn. She doesn’t have the cash to pay the bills. Let’s consider her situation.

Marjorie is not alone in feeling overwhelmed. Many people face financial crises at some time in their lives. The latest recession has been especially hard on a lot of people. Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming. But the fact is that Marjorie’s financial situation doesn’t have to go from bad to worse.

First, before debt becomes a problem, there are some warning signs that might allow you to take corrective action.

Four Debt Warning Signs
1. Using a credit card when you’re already carrying a balance on it.
2. Using a second credit card when the first is maxed out.
3. Not knowing if you can pay for the new purchases when the next bill arrives.
4. Buying more of a better model of an item on credit than you otherwise can really afford if you paid cash.

Similarly, if you want to reduce your debt, look for the signs that you are on the right track.

Four Signs You’re on the Right Track
1. You’ve cut the number of cards you have to a minimum.
2. You have a clear plan for paying your debt.
3. You’d make the same purchases even if you had to pay cash.
4. Your balances are going down every month.

Discuss:
- What debt warning signs do you see for Marjorie?

Do you see any warning signs in your own financial behavior? If so, what action should you take? Jot down some ideas that could help you keep debt from becoming a crisis.

Warning signs:

Actions I can take:

 similarly, if you want to reduce your debt, look for the signs that you are on the right track.

Four Signs You’re on the Right Track
1. You’ve cut the number of cards you have to a minimum.
2. You have a clear plan for paying your debt.
3. You’d make the same purchases even if you had to pay cash.
4. Your balances are going down every month.

Discuss:
- What debt warning signs do you see for Marjorie?

Do you see any warning signs in your own financial behavior? If so, what action should you take? Jot down some ideas that could help you keep debt from becoming a crisis.

Warning signs:

Actions I can take:
Taking Control of Credit and Debt

AARP Foundation Finances 50+

**TIP**

Before a debt situation becomes intolerable, look for a nonprofit credit counseling agency. A counselor could help you take control of your spending and work out an affordable repayment plan. To find a local nonprofit credit counseling service near you, contact the National Foundation for Credit Counseling, 800-388-2227, or visit nfcc.org.

**MARJORIE’S STORY: DEALING WITH A DEBT CRISIS**

Let’s consider two ways Marjorie might respond to her problem.

**Path #1:** Marjorie panics and does nothing. The bills seem to be arriving so quickly that she stops opening them. She tells herself Rachel will have a better job someday, and they’ll be able to hold on until then. Then the phone rings and there’s a nasty-sounding debt collector on the other end of the line.

**Path #2:** Marjorie calls the hospital and negotiates a payment plan for her medical debt. She also decides to cut expenses, such as the $175 a month on eating out. Then she draws up a payment plan for her credit cards, deciding to pay off the highest-interest card (20%) first. She visits a nonprofit credit counseling agency, which looks at her situation and informs her that she qualifies for a tax refund of $1,000. She postpones the decision about a car indefinitely. Rachel talks to her boss and gets a few more hours of work so she can earn another $200 a month.

**Discuss:**

- Which scenario is best for Marjorie? Which do you think is more likely? Why?
  
  **Answer:** Encourage participants to discuss this question. Note that the outcome of #2 is better for Marjorie in the long run.

- In #2, what should Marjorie do with the $1,000 refund?
  
  **Answer:** She could use the refund to pay down debt. She should not use it for a splurge. Why not have some fun? Because she would be missing an opportunity to start addressing her financial problems.

**IF A DEBT COLLECTOR CALLS**

If Marjorie follows the first path—the path of least resistance—she might eventually hear from a debt collector.

Collections agencies train debt collectors to try to get the debt repaid as quickly as possible. Unfortunately, some of their tactics can be abusive. If Marjorie finds herself in this situation, she needs to know her rights.

The Fair Debt Collection Practices Act states that debt collectors cannot:

- Use or threaten to use violence or other criminal means to harm you, your reputation, or your property.
- Use obscene or profane language in an effort to abuse you.
- Publish a list of consumers who have allegedly refused to pay their debts. In other words, creditors can’t “out” you about your debts or tell third parties, such as your boss or neighbors, they’re trying to reach you about a debt. These are illegal attempts to publicly embarrass you into paying.
- Advertise your debt for sale.
- Call or engage you in a phone conversation repeatedly to annoy, abuse, or harass you.
- Contact you at inconvenient times (before 8 a.m. or after 9 p.m. your local time, or at work when it could affect your employment).
- Continue to try to collect the debt after you have disputed it in writing. The debt collector must provide written verification of the debt before contacting you again about it.
- Call you without disclosing their identity.

If you think the debt collector has violated the law, you can contact the FTC, which enforces the Fair Debt Collection Practices Act. The FTC watches for patterns of abuse among debt collectors. See ftc.gov, or call 877-FTC-HELP (877-382-4357).
Taking Charge

But what if Marjorie takes the second path? It requires more effort, but in the long run the effort will pay off and improve her financial health.

Here are some things you can do if you find yourself in a debt crisis:

• Ask your creditors for more favorable lending terms: lower finance charges and/or a lower minimum monthly payment.

• Avoid ‘debt relief’ or ‘debt settlement’ companies. These services typically charge high fees, do little to relieve your debt, and could negatively affect your credit report. A debt management plan with a reputable credit counseling agency is the better choice. Also be aware that legitimate debt consolidation—a reputable company or organization—may be an option. For more information, see nfcc.org.

• Debt consolidation (not to be confused with ‘debt relief’ and ‘debt settlement’) is an option if handled by a reputable organization such as a nonprofit with financial expertise. Even then, it should be considered as a last resort. While consolidating your debt may help you manage payments better, it’s critically important to address the habits that led to building the debt in the first place.

• Protect your financial assets while you’re in a credit crisis. Avoid services that claim they can ‘eliminate’ debt or ‘fix’ a credit score. You will spend a lot of money for these alleged services and may end up in a worse credit situation.
CLEARING UP PAYMENT PROBLEMS

Being in debt can be hard on you emotionally as well as economically. Here are some things that may help you to keep a cool head:

Relax and stay calm: It’s perfectly normal to be anxious and fearful the first time you call your lender about missing payments. Just be polite and as clear and concise as you can in telling what happened.

Be persistent and patient: You may be put on hold and passed around to different people before you can get the help you need.

Maintain a written record of all your communications with your lender:

Note the time of the contact, whom you contacted, that person’s name and direct number, what you said or wrote, and what resulted from the communication.

Expect back-and-forth calls: It may seem frustrating, and even intimidating, but keep your cool. Commit to the process—however long it takes—and do whatever is necessary to get things right.

Remember, you can resolve debt problems, but it will take discipline and time.

BEWARE OF PREDATORY LENDING

Many small loans carry a big price. Predatory lenders—so called because they prey on people who are desperate for money but would have trouble qualifying for a standard loan—are finance companies that offer fast cash immediately at high interest rates with little or no regard to the borrower’s creditworthiness. Annual interest rates can range from 100% to 300%.

Predatory loans take various forms, but what they have in common is high interest and an easy way to trap consumers in terrible cycles of debt. Be wary of:

• Payday loans
• Refund anticipation loans
• Overdraft loans
• Auto title loans
• Rent-to-own transactions

Source: National Consumer Law Center

A CLOSING NOTE FOR FACILITATORS:

Finally, besides discipline and time, there is a lot of common sense involved in resolving debt problems. Remind participants to tap into their common sense by trying to stay calm, being patient, and protecting themselves by documenting everything, as these tips suggest.

KEY TAKEAWAYS

5 MINUTES

• I understand how to compare credit cards to find what’s best for me, how to read a credit card statement, and how to obtain and read my credit report.
• I know what my debts are.
• I understand better how to manage my debt and how to reduce debt.
• I understand I have options when a credit/debt issue arises.

NEXT STEPS

5 MINUTES

You’ve taken important steps toward improving your finances. We urge you to keep that momentum going through the rest of the program. If you discovered in this session that you have particular areas you’d like to address—including learning how to create a budget, set goals, build savings, and protect yourself financially—you can find more information and follow-up activities, including:

• Action Plan (turn to page 75)
• Encourage participants to use the Credit Report and Managing Debt worksheets on pages 90–96 to develop a personal action plan for improving credit and reducing debt.
• Encourage them to sign up for a Money Mentor if they have not already by going to: aarp.org/finances50plus. A Money Mentor can provide support to help them stay on track. If they don’t choose to work with a Money Mentor, they may wish to find their own support system through family and friends.
• Ask participants to provide feedback about the workshop.
• Money Mentors (visit aarp.org/finances50plus or send an email to finances50plus@aarp.org for more information)
• aarp.org/finances50plus
• Resources on page 103

Talk to your facilitator or host organization about the times, dates, and places of future workshops, including Part 3, which comes next in the sequence. If you have not taken Part 1 of this program, you may take it at a future time.
Part 3

BUILDING—AND
PROTECTING—YOUR ASSETS
This workshop will give you a better understanding of ways to save and protect your money, why it’s important and how you can do it. It will also help you put the last pieces of your Action Plan in place with savings goals tied together with budgeting and effective debt and credit management. Finally, it will provide a gateway for continued improvement beyond the workshop with the help of a Money Mentor or other resources.

**PREPARING TO FACILITATE**
- Read through this section thoroughly and highlight topics you especially want to discuss with participants.
- Review the savings worksheets beginning on page 97 and the resources on page 103.
- Be aware that not all participants may have attended one or either of the previous workshops. Direct those who did not attend the first or second workshop to review the material covered in the previous sessions.
- For more information on saving, check out the AARP Money, Schwab MoneyWise, and National Endowment for Financial Education (NEFE) links in Online Resources on page 123, as well as Resources 9 and 10 (pages 120–121).
- Review the participant demographics on page v.
- Make sure a chalkboard or flip chart is available in the room where the session will be held so you can write down key concepts and discussion questions. You might want to have some concepts—such as the “Session at a Glance” information—or questions already on the board or chart as the session starts.

**SESSION AT A GLANCE**
By the end of the session, you will
- Know that spending wisely can be an effective way to save
- Realize that you can save something—regardless of your financial situation
- Understand how to protect yourself and your family from fraud, scams, and predatory financial practices
- Know how to improve your financial situation—and have a plan for doing so

“Start where you are. Use what you have. Do what you can.”
Arthur Ashe

**FACILITATOR TIPS:**
- Introduce the session by explaining the intention is to show participants how they can decrease spending and save something regardless of their financial situation.
- The session will include techniques and tools for savings as well as practical information so participants can better protect themselves against fraud and predatory financial practices.
- The session will conclude by introducing a comprehensive action plan that participants can use after the workshop to continue improving their financial situation every day.
- Ask members of the group to introduce themselves and name one thing they’ve saved up for (this could range from a discretionary item like a TV or a new pair of shoes to college savings or the down payment on a house). To break the ice, start by offering an example of something that you’ve saved up for in your life.
- Mention that this is the last of three workshops and the other workshops included more in-depth information about budgeting, goal setting, and managing credit and debt.
- Reiterate that the participant guide is a useful tool for everyone, even if this session’s attendees did not participate in the previous workshops.
- Note that participants have access to a Money Mentor and other resources if they so choose.
- Write the key components of the following “Session at a Glance” information on a whiteboard, chalkboard, or large easel pad before the start of the workshop so participants have a visual reminder that reinforces the program and session goals.

**INTRODUCTION/OVERVIEW**

10-15 MINUTES

**By the end of the session, you will:**
- Know that spending wisely can be an effective way to save
- Realize that you can save something—regardless of your financial situation
- Understand how to protect yourself and your family from fraud, scams, and predatory financial practices
- Know how to improve your financial situation—and have a plan for doing so

“Start where you are. Use what you have. Do what you can.”
Arthur Ashe
AARP FOUNDATION FINANCES 50+

Building—and Protecting—Your Assets

Group Discussion:
• What interested you about this workshop?
• Do you have any particular savings goals in mind?
• What would make you consider this session time well-spent?

Quiz: Building—and Protecting—Assets

This quiz is designed as a starting point for the material covered in this session. You will not be asked to share your answers.

Instructions: Please answer the following statements as either true or false. Keep your answers in mind as the session progresses. There is an answer key in the Resources section on page 127 if you would like to learn more about each statement.

Worksheet A

<table>
<thead>
<tr>
<th>Statement</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  I make most of my purchases with cash or a debit card.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This can help you control spending, because you can spend only what you have, while avoiding the costs associated with credit card interest rates and fees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  I know the minimum required balance for my savings and/or checking accounts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This can help you avoid fees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  I know how much my bank charges for overdraft, ATM, and routine service fees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowing how much banks charge for these fees can motivate your behavior to avoid them.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  I typically compare prices at different stores before I buy something.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This statement as well as the next two (5 and 6) are good practices to help you save.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5  I shop regularly at discount stores.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6  I look for coupons, sales, and other discounts on everyday items (such as groceries) that I need.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7  I have a &quot;rainy day&quot; or emergency savings fund to cover unpredictable events such as job loss, medical emergencies, and house or car maintenance.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This can help you avoid charging emergency expenses to your credit card.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8  I have a 401(k) or other retirement account.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If you have a retirement savings account at work, it is smart to take advantage of it, especially if your employer provides a match.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9  I put 10% of my annual income toward savings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This may seem difficult, but saving something—even if it’s less than 10%—is a vital part of planning for retirement, goals, and unexpected events.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Strangers are usually responsible for financial fraud and scams targeting people age 50 and older.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>False—Relatives, caregivers, friends, and neighbors are the most likely to perpetrate financial abuse of people 50 and older.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exercise: Most of the topic areas in the quiz will be covered later in this session. In the meantime, think about your answers to the quiz and what areas you would like to improve. Take a few moments to write down one goal inspired by your quiz answers that you can use for your Action Plan (see page 80) or otherwise pursue when the workshop is over. Share this goal and the steps you can take to achieve it with your Money Mentor or other support person. Imagine how rewarding it will be to share your progress!

Discussion:
• What did you find surprising or interesting about this exercise?
• Did this exercise tell you anything you didn’t already know about your saving and spending habits?
A core concept of this workshop—underscored by the lessons of the two previous workshops—is that spending wisely (and avoiding unnecessary fees) is a dollar that you’re saving for yourself and your loved ones days, weeks, months, and even years from now. If you consume more calories than you burn, you’ll gain weight. If you spend more money than you have, you’re likely to fall into debt. On the surface, concepts like losing weight or saving money seem to be simple. But the reality is often much different.

For many people, saving money may seem unrealistic. After all, you can’t save what you don’t have, right? You might be surprised by the answer. Everyone can save something—regardless of their current financial situation.

Previous workshops on budgeting and managing debt have shown how to get started. Spending your money wisely is a meaningful way to save. Being conscious to avoid unnecessary or burdensome fees and charges—such as ATM fees or high interest loans—is another way to save money.

Even if your income is fixed or you feel like you’re simply living paycheck to paycheck, by spending wisely, targeting debt, and avoiding unnecessary fees, you’re saving money. Every dollar you don’t spend—by budgeting, avoiding fees, finding discounts, and paying off high-interest debts—is a dollar that you’re saving for yourself and your loved ones days, weeks, months, and even years from now.

GROUP EXERCISE: GRACE’S SAVINGS

Grace, 62, was excited when her husband, James, retired 2 years ago. Then James became ill and their son Jimmy lost his job and moved (with his wife and two children) back in with Grace and James. In the last 6 months, James passed away and Jimmy and his family moved into an apartment. Grace is now living alone. Most of the family savings are gone—wiped out by medical bills and unexpected expenses.

Grace is working part-time handing out free samples at a bulk grocery store. The job pays just enough to cover her monthly expenses. Grace plans to rely on Social Security to supplement her income, but she wants to wait until she is eligible for full benefits in another 4 years. Her recent experience has taught her the importance of saving for a rainy day.

During a financial workshop at her local senior center, Grace completed a budget diary to look at her spending habits. After accounting for her bills, Grace wants to focus on nonessential expenses. Look at the following entries from Grace’s budget diary and identify ways she could decrease expenses—and have more to save—by spending more wisely.

GRACE’S BUDGET DIARY

<table>
<thead>
<tr>
<th>Expense</th>
<th>Cost</th>
<th>Ways to Save?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bought groceries at gourmet supermarket</td>
<td>$150.00</td>
<td>Shop discount store, use coupons, buy only select items</td>
</tr>
<tr>
<td>2 Monthly haircut at salon</td>
<td>75.00</td>
<td>Bi-monthly cut at discount salon</td>
</tr>
<tr>
<td>3 Birthday card with $50 for Jimmy</td>
<td>52.50</td>
<td>Birthday card with no cash, less cash, or a “coupon” for a home-cooked meal or other low-cost, personalized gift</td>
</tr>
<tr>
<td>4 Fee for cashing payroll check at check store</td>
<td>10.75</td>
<td>Direct deposit or cashing checks at bank or other no-fee locations</td>
</tr>
<tr>
<td>5 Shoes for work at high-end department store</td>
<td>74.99</td>
<td>Discount store, coupons, go without new shoes</td>
</tr>
<tr>
<td>6 Fees for withdrawing money from non-network ATMs</td>
<td>12.00</td>
<td>Use in-network ATMs, get cash back at store, take money out of ATM less frequently</td>
</tr>
<tr>
<td>7 Meet friends at coffee shop</td>
<td>7.50</td>
<td>Make coffee at home</td>
</tr>
<tr>
<td>8 Gas for car</td>
<td>60.00</td>
<td>Public transportation</td>
</tr>
<tr>
<td>9 Penalty fee for paying credit card bill after due date</td>
<td>40.00</td>
<td>Pay via automatic debit, set a reminder for payment</td>
</tr>
<tr>
<td>10 Took grandchildren to pizza arcade</td>
<td>75.00</td>
<td>Take grandkids on a picnic in park</td>
</tr>
<tr>
<td>11 Prescription medication</td>
<td>50.00</td>
<td>Generic brand, if available</td>
</tr>
<tr>
<td>12 Trip to the bookstore</td>
<td>45.73</td>
<td>Borrow from the library</td>
</tr>
<tr>
<td>13 Afternoon bingo at the senior center</td>
<td>25.00</td>
<td>Playing bridge with friends or other “free” social activities</td>
</tr>
</tbody>
</table>

Group Discussion:

- Does Grace need to cut expenses or just spend more wisely?
- What are some methods of saving money that have worked for you?

TIP

Think in hours instead of dollars. Before buying something, calculate how long it would take you to work to pay cash for the item. If a new jacket costs $100, it would take 10 hours working at $10 an hour—or about 10% of the monthly average Social Security benefit in 2012—to purchase the item. Ask yourself if the time, effort, and amount are worth the item you’re considering.

Source: Social Security Administration (2012)
BUILDING—AND PROTECTING—YOUR ASSETS

Two Steps to Avoid

The following options may be tempting, but if possible, try to avoid them.

Tapping Retirement Funds Early—If you tap your retirement funds, you could lose big. The taxes and penalties for early withdrawal of retirement funds are substantial, as are the implications for borrowing against your retirement funds. Try to avoid making withdrawals before you are 59 ½. If you withdraw money before age 59 ½, you will be faced with an early withdrawal penalty of 10%, which can substantially reduce the money you have working toward your retirement goals. Almost always, this is a bad choice.

Taking Social Security Early—Once you start claiming Social Security, you will receive monthly checks for life. However, if you file for benefits before you reach your “full retirement age” (as determined by the IRS), the amount you receive will be permanently reduced. Under the current rules, if you go on Social Security at age 62, you will permanently lose 20% to 30% of the benefits you would receive if you waited until your full retirement age (if left untapped, benefits continue to increase until age 70). In addition, if you earn income above a specified limit, the Social Security Administration will temporarily withhold a portion of your benefits until you reach full retirement age.

For example, John was born in 1949 and is eligible for $1,000 in monthly benefits at age 66. If he instead started taking his benefit at age 62, he would receive only about $750 per month, a 25% reduction that would continue for life. On the other hand, if John waited to age 70 to start taking Social Security, his monthly benefit would be $1,320 per month, a 32% increase. The longer you wait to claim Social Security, the higher your subsequent monthly benefit amount will be as the potential amount you can receive increases until age 70. It’s important to carefully consider your situation and the personal and financial goals you’ve set for yourself as you decide when to start taking your benefits.

You can find an easy-to-use Social Security Calculator to help determine what your potential benefits could be at different ages by visiting www.socialsecurity.gov/planners/benefitcalculators.htm.

Increasing Income/Reducing Expenses

There are other ways to repay debt or meet necessary monthly expenses without tapping retirement funds or taking Social Security early. Consider the ideas below.

To Increase Income

• Are you eligible for public benefits and/or government assistance programs? (For more information, visit the AARP Benefits QuickLINK in Online Resources, page 123.)
• Have you considered starting a small business out of your hobby (such as baking, knitting, child care services, or handyman work)?
• Do you have anything you could sell, including an automobile?
• Can you rent an extra room out in your home?
• Have you considered a reverse mortgage through a reputable institution?

To Reduce Expenses

• Does it make sense to move?
• Are there friends or family who could live with you and share expenses?
• Can you refinance high interest debt?
• Could you reduce your food costs?
• How can you cut energy costs?
• Can you substitute less expensive generic or store-brand items for name-brand items that you purchase regularly?
• Could you make fewer long-distance calls or use low-cost prepaid phone cards for calls?
• Can you substitute a generic for a name-brand prescription drug?
• Can you shop at thrift stores, discount stores, and sales for clothes?
• Can you eliminate cable or subscription costs?
• Could you reduce your entertainment costs by doing things like renting movies instead of going to the theater or cooking at home instead of going out to eat?
• Can you re-evaluate your current insurance coverage by doing things like cancelling unneeded policy features or shopping around for better rates?
• Do you carefully review your monthly statements and recurring bills to make sure you’re not being charged for services you don’t use?

Facilitator Tip:

Direct participants to review the material in this segment. Underline the point that there are many ways to increase income and/or reduce expenses. You don’t need to read each question line by line. Refer to the preceding sidebar to explain the long-term implications of tapping retirement funds or taking Social Security early.

Facilitator Tip:

The last item (reverse mortgage) and similar actions (such as borrowing against an insurance policy) are typically “last resort” options. If they come up during conversation, emphasize that participants should consider them only with guidance from a reputable reverse mortgage counselor or financial advisor, including nonprofit organizations that offer financial guidance.

Do you carefully review your monthly statements and recurring bills to make sure you’re not being charged for services you don’t use?
Here is an example of how several small cost-cutting measures can lead to large savings for you and your family in the immediate and long-term future.

### 12 Cost-Cutting Tips

<table>
<thead>
<tr>
<th>Cost-Cutting Tips</th>
<th>Estimated Monthly Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cut out one restaurant meal per week</td>
<td>$40–$100</td>
</tr>
<tr>
<td>2. Make coffee at home</td>
<td>$20–$50</td>
</tr>
<tr>
<td>3. Use coupons</td>
<td>$20–$40</td>
</tr>
<tr>
<td>4. Rent a DVD (instead of watching a movie at the theater)</td>
<td>$10–$20</td>
</tr>
<tr>
<td>5. Buy generic drugs</td>
<td>$20–$40</td>
</tr>
<tr>
<td>6. Downsize from premium to basic cable</td>
<td>$10–$40</td>
</tr>
<tr>
<td>7. Use public transportation or carpool</td>
<td>$40–$60</td>
</tr>
<tr>
<td>8. Keep tires inflated and engine tuned</td>
<td>$5–$10</td>
</tr>
<tr>
<td>9. Explore basic phone plans (comparison shopping with your current rate)</td>
<td>$20–$30</td>
</tr>
<tr>
<td>10. Cut energy costs</td>
<td>$25–$100</td>
</tr>
<tr>
<td>11. Get free checking</td>
<td>$5–$10</td>
</tr>
<tr>
<td>12. Use only your bank’s ATM</td>
<td>$5–$10</td>
</tr>
</tbody>
</table>

**Total Monthly Savings**

$220–$510

In 1 year, these simple cost cuts can add up to anywhere from about $3,000 to $6,000. In 10 years that’s an additional $30,000 to $60,000 you can use to pay down debt or add to savings. As this exercise shows, little steps can make a big difference.

---

**SPENDING PRIORITIES**

Saving money by spending money wisely is all about stretching your dollars to address your needs while putting your money to maximum use. To do so, it’s important to prioritize expenses for both you and your family.

1. **Essential needs**: These fall into the “must have” category. Needs include things like paying your rent or mortgage, taxes, child support, buying food, and paying for basic utilities and necessary medications.

2. **High-interest debt**: The quicker you can pay down high-interest debt, such as credit card balances, the more money you’ll save in the long run.

3. **Emergency savings**: Life has a way of sneaking up on you. When it comes to emergency funds, it’s not a question of if you’ll need them but when. To prepare for the unexpected, such as the loss of a job, house or car repairs, medical emergencies, or traveling to see your child or grandchild receive a special honor, even a small amount saved every week can go a long way.

**Group Discussion**:

- When did you most recently have to deal with unexpected expenses?
- Did you feel prepared to handle the situation financially?
- What could you have done differently before you had the unexpected expenses?

4. **Retirement**: You have many years ahead of you, and it’s important to plan for the future you want for yourself and your loved ones. For many people over 50, retirement still seems like a distant concept. With careful planning, careful spending, and careful savings—even a small amount every week—you will feel more confident about your future. For more information about retirement planning, see pages 120–121 in the Resources section.

5. **Goals**: Everyone has a vision—vague though it may be right now—about what they want to do and where they want to be in the next 5 to 10 years. This could include anything from a comfortable retirement to helping grandchildren get to college. Using what you learn in this program can help you get on the road to achieving those goals.

---

**FACILITATOR TIP:**

Treat the following discussion questions with particular sensitivity. If you feel comfortable doing so, start the conversation with an example from your own life to ease into the discussion. If possible, use a relatively low-anxiety example (such as a dishwasher or car breaking down) rather than something more stressful (such as a death in the family). The numbered list of spending priorities continues after this group discussion.

**FACILITATOR TIP:**

Concepts like retirement can have different meanings and different priority levels for different people and cultures. As such, consider opening up the dialogue by asking participants to share with the group what retirement means to them. In lieu of that dialogue, reiterate to the group that each individual should feel comfortable that they should make the best decisions for their situation.
HEALTHY HABITS

As you prioritize your spending and look for ways to increase your savings, take a moment to think about how your physical health might affect your financial health in the future. Consider the following statements:

1. I have looked into whether disability insurance makes sense in my situation.
2. I have health insurance to cover most of my medical expenses.
3. I have an advance health care directive and a basic will (including guardianship of any minor dependents).

If you answered “No” to any of these statements, you may want to consider seeking more information about how insurance and advance planning can help you and your loved ones prepare for the unexpected.

“FREE” MONEY

When you're living week by week and month by month, it can easily feel like you have nothing to save. But there are several ways to capitalize on “free” money by making your money count. Among them—

**Smart shopping:** Whenever possible, take the time to compare prices for similar items at different stores. You’ll often find that the exact same name brand item—or one of comparable quality—can be found for less at discount stores.

**Coupons, rebates, and sales:** Be watchful for special offers and significant discounts. However, be cautious about buying items just because they’re on sale. Ask yourself first if you truly need the item. Use coupons only for items you regularly purchase and don’t forget to claim your rebates.

**Buy in bulk:** Certain recurring expenses (such as toilet paper or personal care items), as well as nonperishable food and other high-use, long-term items can be purchased at a discount at bulk retail stores.

**Warranties:** Being mindful of the warranties on items you own could save you a lot of time, headaches, and money. Before you consider replacing something—such as a dishwasher or car parts—check the warranty. It’s possible you could get the item fixed or replaced for free. However, be cautious about offers for “extended warranties” or service plans when purchasing an item, as extra coverage may not be worthwhile.

**FACILITATOR TIP:** Walk participants through the high points of the methods without delving into great detail.

Earned Income Tax Credit (EITC): You may be eligible for this tax credit that helps individuals with low to moderate incomes keep more of what they’ve earned. When an individual’s EITC exceeds the amount of taxes owed, those who qualify and claim the credit can receive a refund.

**401(k) match:** If you currently work at a company that offers to match your 401(k) contribution, take advantage of the opportunity. To do otherwise literally means leaving money on the table.

**Group Discussion:**

- What are some other “free money” methods you've used?

**WHERE TO SAVE**

On the subject of personal finance, one phrase that frequently pops up is “pay yourself first.” Whenever possible, setting aside money in advance for emergency or retirement savings is critical—but not at the risk of defaulting on your bills. You should consider addressing your immediate/essential needs and debts first, then “pay yourself.” By spending wisely—and consciously saving—you’ll be able to put aside something for the future, week by week and dollar by dollar.

So where should you put your savings? In better economic times, there have been options that offer both safety and steady growth for your money. However, annual percentage yield (APY) interest rates (what an institution pays you for keeping your money with them) continue to remain very low for most conventional accounts. Still, there are options.

**Savings/checking account:** While there’s little change of growth by accruing interest in a weak economy, a conventional savings account with an FDIC insured bank or a credit union insured by the National Credit Union Association (NCUA) is one of the safest places to keep your money. Debit cards connected to a savings/checking account can be a useful budgeting tool (spending cash instead of using credit), while direct deposit can be a reliable and effective way to pay bills and receive income. Money in a savings or checking account is easy to access when needed.

1 Withdrawals from tax-advantaged retirement accounts—such as IRAs and 401(k)s—prior to age 59½ may be subject to a 10% federal tax penalty.
Money market account: Money market accounts typically offer a higher APY than a conventional savings account though they also generally require a higher minimum balance. Money in this type of account is also generally easy to access.

Certificates of deposit (CDs): CDs are "time deposits." Each has a specified time range (typically from 1 month up to 10 years) and usually a higher, fixed interest rate. The money placed in a CD "matures" (earns interest) until the specified time range is over. Penalty fees are typically charged for cashing in a CD before its maturity date. You will lose interest if you take the money out before the CD has matured, so these vehicles are best for money you don’t plan to access for a while.

Individual retirement account (IRA): A traditional IRA (as well as a Roth IRA and other retirement accounts) is another method of saving that typically has certain tax advantages.

Investment account: Investment (or "brokerage") accounts typically involve investing in things like stocks and bonds—which have the highest potential for growth but also can carry substantial risk. Any investment in the stock or bond market—including mutual funds that include stocks and bonds—is subject to market volatility that can cause an investment to drop (or gain) value unpredictably.

U.S. savings bond: A savings product issued and guaranteed by the U.S. government. The most common types are Series EE and Series I savings bonds. Savings bonds are a low-risk savings option. While paper bonds can no longer be purchased over the counter, you can purchase them online at treasurydirect.gov.

"Beware of little expenses: a small leak will sink a great ship."

Benjamin Franklin
Nobody expects to be victimized by financial fraud, scams, or predatory financial practices. On some level, we all think, “It can’t happen to me.” Of course, it can happen to anyone—especially in a digital era of rapidly evolving technology. Movie director Steven Spielberg, Nobel Peace Prize winner Elie Wiesel, baseball great Sandy Koufax, actress Zsa Zsa Gabor, and TV host Larry King were just a few of the financial victims of one man—Bernie Madoff.

That’s a high-profile example. Far more common are everyday schemes that frequently target people over the age of 50. In fact, financial fraud is considered by researchers to be one of the fastest-growing forms of elder abuse. But there are several ways to protect yourself—and your loved ones—from the devastating impacts that can result.

Fast Facts
- According to a 2011 survey by AARP Foundation, only 25% of fraud victims over the age of 55 reported the fraud to authorities, compared with 44% of victims under age 55. The number of financial crimes involving victims 50 or older is chronically underreported because victims are too embarrassed and ashamed (or protective, if the crime was committed by a family member or friend) to report the abuse.
- Financial exploitation of older Americans has been called the “Crime of the 21st Century” with an estimated 1 in 5 people over age 65 having been victimized. The actual number is likely far greater due to underreporting. And people over age 50 are particularly susceptible. It’s entirely possible everyone attending this workshop will be targeted in one form or another—including via email, Internet, phone, direct mail, and in person—every single day.

GROUP EXERCISE: RED FLAG DRILL

Group discussion:
- What are the “red flags” or warning signs in the following situations?
- Do you know anyone who has been victimized by a fraud?

Angela, 66, was taking her contacts out and getting ready for bed when the phone rang. She didn’t recognize the number on the caller ID but figured that it must be important at this time of night. When she answered, this is what she heard: “This is an automated message from the Social Security Administration. There has been unusual activity on your account and we need you to verify information for security purposes.” Angela was stunned. She relies heavily on Social Security and can’t imagine what she would do if her monthly payment was disrupted or even delayed. The automated service asked Angela to type in her Social Security number and numerical date of birth at the prompt. She hastily did so. Feeling relieved, Angela hung up the phone and finished preparing for bed.

John, 74, was surprised to see an email had arrived from his grandson. He was proud of Ryan—a “nice boy” away at college studying to be an accountant—but he hadn’t heard from him in several months. John’s jaw dropped when he read the message. The email was frantic and short: “Grandpa, I’m in trouble. I was traveling in Mexico with some friends and got arrested. It’s a total misunderstanding but they won’t let me go unless I pay $500 for bail. I need you to wire the money to the bail account below as soon as possible. Mom and Dad would kill me if they found out. Please don’t tell anyone.” John sat still for a moment. His mind was racing. Finally, he thought to himself, “I have to help Ryan.”

[Red Flags: Asking for Social Security number over the phone, calling after hours, automated call]

[Red Flags:Hasn’t heard from Ryan in several months, “don’t tell anyone,” urging to wire the money immediately, emailing from prison versus calling]
Henry, 61, is a divorcé who had limited contact with his two adult children—both of whom lived hundreds of miles away. Two years ago, Henry was forced to retire after an accident at the steel mill where he worked left him partially blind. Six months ago, his daughter Sarah—a single mother with two children—moved back to town to take care of him. It was an unexpected but welcome surprise for Henry. He quickly became dependent on Sarah for helping with daily chores and also relied on her to help pay his bills. He didn’t mind when she complained about her “deadbeat boyfriend” or when she talked about suing the steel mill “for everything it has” because of the accident. It made Henry feel good to have someone he trusted close by and caring for him. Given his poor eyesight, Henry would sign checks Sarah presented to him without reviewing the amount. Sarah told him how much they were for, so why bother? Then one day the bank called and told Henry that his account was overdrawn. “There must be some mistake,” Henry replied in confusion.

[Red Flags: Sarah’s unexpected re-emergence, Sarah hinting at her own financial troubles, signing checks without reviewing]

**WHAT TO WATCH OUT FOR**

Financial fraud, scams, and predatory financial practices come in many different shapes, sizes, and disguises. In today’s age, a potential fraudster could approach you in person, over the phone, in the mail, or via email, offering promises of huge discounts, can’t-miss opportunities, or “free” prizes. It’s important to be extremely careful about sharing sensitive personal information. Here are a few things to watch out for:

**Social Security number:** It’s not often that a reputable source asks you to share your Social Security number. Even then, they’ll typically ask for only the last four digits. Be particularly vigilant of such requests that take place in any context other than face to face (phone, email, mail, etc.) or when the requests come from an unknown source.

**Account numbers:** Be very cautious about sharing bank account and credit card numbers and PINs. There are a few occasions where this may be necessary—when making a purchase online through a reputable source, for instance—but be wary.

**“Something for nothing”:** The old adage “if it sounds too good to be true, it probably is” applies to almost any offer for “free” prizes or drastic discounts. Such offers are increasingly prevalent in emails and online.

**“Act now!”:** Many companies—some reputable, many not—use a false sense of urgency to get you to act without thinking. Don’t let a phrase like “Don’t let this opportunity pass you by” hook you into making rush judgments.

**The catch:** Always be on the lookout for the “catch” that explains why a deal seems too good to be true is just that. Even legitimate business operating legally can cause severe financial trauma. So-called “payday lenders,” for instance, will lend money to people legally but at exorbitant interest rates that can quickly snowball into a huge financial burden.

**Protect Your Identity—and Your Credit**

**Identity theft** is an escalating issue in our digital age. The repercussions of having your identity stolen can be devastating and long-lasting—especially on your credit.

**Fast Fact**

According to a 2012 report by the Federal Trade Commission, identity theft was the number-one source of consumer complaints in 2011—the 12th year in a row it’s topped the FTC’s list. An estimated 10 million Americans or more have their identities stolen each year.

Protecting yourself from unauthorized activity is a big part of safeguarding your creditworthiness. Obtaining your credit report annually, checking it for errors, and disputing all errors and unauthorized activity are often your first steps in protecting your credit.

However, just as credit cards are a part of everyday life, unfortunately so is identity theft. It starts when someone uses your personally identifying information (your name, Social Security number, or credit card number) without your permission, to commit fraud or other crimes.

Can you protect yourself? Absolutely. Here are three simple yet effective steps you can take right now.

**Be aware of how information is stolen**, such as completing a phoney change of address form to divert your billing statements to another location or using false pretenses to obtain your personal information from banks, telephone companies, and other sources.
Guard your personal and account information. Shred documents and paperwork that contain personal information and protect your PINs. Report stolen credit cards immediately. Don’t give out personal information on the phone, through the mail, or over the Internet unless you made the initial contact and know who you’re dealing with.

Report suspicious activity immediately. See page 119 to find resources for reporting activity to the proper authorities. There are many laws designed to protect your rights as a consumer and user of credit. For information on protecting your credit, see page 118 in the Resources section.

WHOM TO WATCH OUT FOR

It’s easy to be suspicious of strangers, but relatives, caregivers, friends, and neighbors are the culprits of financial crime more than half the time. Try to distance yourself from the emotional connections you may have long enough to clearly think through the situation. It’s more important to look at the information being given (or asked for) rather than letting your emotions dictate your judgment.

Whether you’re approached by a stranger or someone you know, it’s important to take your time, ask questions, and think carefully about the situation before taking action.

LEARNING WHOM TO TRUST

Typically trustworthy sources include official government entities, reputable nonprofit organizations, and brand-name companies (those with established reputations). Even then, some scammers will say they represent reputable organizations when they don’t have any connection. However, if you do a few simple things, you’ll avoid a lot of trouble.

Do your homework: It usually only takes a few minutes to check up on an unfamiliar company or source. A phone call to the Better Business Bureau or a quick Internet search can go a long way toward saving you a massive financial headache. A list of helpful sources—including the Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau (CFPB)—can be found in Online Resources on page 123.

Ask questions: It’s your money (and/or personal information), so you owe it to yourself to ask tough questions, as many as you can think of, even if you’re dealing with a close friend or relative.

Take your time: Any decision worth making is worth taking the time to make it right. Don’t be bullied into a rushed decision. Do research, ask questions, and understand what you’re being asked and why. Ask yourself what the benefit is to you and what the possible benefit is to the other person. Trust your instincts. If you feel like something is wrong, you’re probably right.

Ask for help: There are many reputable sources of assistance out there such as the FTC, CFPB, the Elder Financial Protection Network, and the National Center on Elder Abuse (see Online Resources on pages 123–124). If you need help with your financial affairs, consider a licensed, bonded, independent third party to provide assistance. In addition, some government agencies, nonprofit organizations, and counseling services may offer guidance at little or no cost.

Here are some of the most common scammers, along with tips on how to handle them.

Telemarketers: Ask to be removed from their call list, and then hang up. You can also add yourself to the national “Do Not Call” registry at donotcall.gov.

Advertisements: Remember that media outlets don’t usually investigate claims made by their advertisers. Ignore those that seem to be after your money—such as ads for tax relief, credit counseling, gold coins, and buying real estate on the cheap.

Emails: Don’t believe anything you read in an unsolicited email. Legitimate companies rarely ask for personal information by email.

Mail solicitations: Don’t let a slick presentation wow you into doing something you’ll regret. If you don’t recognize the company, don’t bite. Do your research and read the fine print. Write to the Direct Marketing Association to be removed from direct mailings at dmachoice.org. You can also avoid being inundated with credit card and insurance offers by visiting optoutprescreen.com.
IF IT HAPPENS TO YOU

Tell someone: More to the point, talk to an official law enforcement agency. Fraud and scams are grossly underreported (some estimates are that only 1 in 25 cases of financial fraud against seniors is reported). Don’t be taken in. The faster you report your suspicions, the quicker the perpetrator will be stopped and the easier it will be for you to repair any damage. For a list of state-by-state contacts for reporting suspected financial abuse, visit the National Center on Elder Abuse at nceaa.aoa.gov.

Many people have been or will become victims of financial crimes. You should not feel embarrassed or alone if it happens to you. However, one of the most important steps toward safeguarding yourself and your family is to have faith in yourself.

Throughout this program, you’ve learned to identify goals and simple, effective methods to reach those goals. Next, you’ll continue to put those methods and goals into action. Trust in yourself and all the thought and effort you’ve put into building a solid financial plan for you and your loved ones.

KEY TAKEAWAYS

5 MINUTES

• Spending wisely and avoiding unnecessary fees can be an effective way to save.
• I know I can save something, regardless of my financial situation.
• I can protect myself and my family from fraud, scams, and predatory financial practices.
• I know how I can improve my financial situation—and I have a plan for doing it.

NEXT STEPS

5-10 MINUTES

You’ve taken important steps toward improving your finances. We urge you to keep that momentum going after the program. If you discovered in this session that you have particular areas you’d like to address—including how to budget, set goals, manage debt, build savings, and protect yourself financially—you can find more information and follow-up activities, including:

• Action Plan (turn to page 75)
• Money Mentors (visit aarp.org/finances50plus or send an email to finances50plus@aarp.org for more information)
• aarp.org/finances50plus
• Resources on page 103

Group Discussion:

• Has the Finances 50+ program been helpful to you?
• Has your attitude toward managing money changed since you started the program?
• Do you feel more confident about what you can do to improve your financial situation?

Talk to your facilitator or host organization about the times, dates, and places of future workshops. If you have not taken Parts 1 and 2 of this program, you may take them at a future time.
The first step toward meeting any challenge is often both the hardest and the most important. By enrolling in the AARP Foundation Finances 50+ program, you’ve taken that difficult first step. What you learn—and are putting into practice—in this program can go a long way toward improving your financial situation. This segment is where you put all the information and methods you’ve learned into action.

The Action Plan ties together information from all three workshops, including concepts like setting goals, increasing your net worth, establishing a budget, improving credit, managing debt, and building savings. In completing this Action Plan, you are laying the groundwork for a more secure future for yourself and your loved ones.

Some portions of the Action Plan will be started or completed during a workshop. Others must be done on your own. As you build your Action Plan piece by piece, we encourage you to rely on your Money Mentor or another support person for assistance and encouragement. With time and persistence, you’ll be well on your way toward accomplishing your goals.

To start, take a moment to review your Checklist on the following page.

**TIPS FOR MONEY MENTORS:**

- Refer to the Action Plan Checklist as a tool for guiding participants through their Action Plan. Review the checklist with participants to better understand where they are and what they need to do to build toward achieving their goals.
- Become thoroughly familiar with the Action Plan material and how it relates back to content within the three workshops.
- Pay particular attention to the Action Plan worksheets and the relevant resources for each session. Your role will be to help participants complete the worksheets and the steps they will commit to taking as part of their Action Plan.
- Be an attentive listener and strive to understand participants’ goals and motivations. Your role is to guide participants toward practical solutions for addressing their problems and achieving their goals.
- Be patient but encouraging. Remind participants about their “life goal” (see Action Plan: Road Map on page 100) as a guide.
- Once complete, use the participant’s Road Map (page 100) as the North Star that is guiding all of their financial goals toward achieving their overall life goal.
- Take notes during your phone conversations with participants and review those notes before each session so you will show knowledge of the participant’s Action Plan and engagement in their success as you help them continue to build momentum.
- If you want more information on general or specific financial topics, explore the websites listed in the Online Resources section on page 123.
Action Plan: Checklist

This is where the rubber meets the road and you use what you’ve learned to improve your financial situation. This checklist allows you to track your progress in turning your Action Plan into a better financial reality for you and your loved ones. The first three segments (Goal Setting, Net Worth, and Budgeting) are crucial to the foundation of your Action Plan. The next three segments (Credit Report, Managing Debt, and Savings) allow you to refine your strategy and work on specific problem areas. Finally, the Road Map helps you tie the elements of your Action Plan together.

- **GOAL SETTING:** I have written down my goals and identified steps I’ll take to achieve them.

  Writing down your goals can help you focus on what’s most important to you. The more you are able to clearly picture your goals, the more real they will become and the more achievable they will be. Write down your goals on page 80–81.

- **NET WORTH:** I know my net worth.

  This exercise gives you an understanding of how much you owe and how much you own. It’s a simple calculation that helps give you a clear idea of your financial standing and can help you track your progress toward your goals. Calculate your net worth on page 83.

- **BUDGETING:** I have created a realistic budget that works for me.

  Your budget is the foundation for your everyday finances—it helps you spend more wisely, save more money, and get that much closer to achieving the goals you have set for yourself and your family. Complete your budget on page 84–89.

- **CREDIT REPORT:** I have reviewed my credit report and identified ways to improve my credit score.

  Your credit report is one of the most crucial tools you can have for assessing and improving your financial situation. Learn more about your credit report and what your credit score really means on page 89. Pages 90–93 will help you determine your credit action plan.

- **MANAGING DEBT:** I know how much debt I have and I have a plan for paying it down.

  Debt can be one of the most difficult financial obstacles to overcome. But you can save money—and erase your debt more quickly—when you have a targeted plan for paying down your debt. Make your plan for managing debt starting on page 94.

- **SAVINGS:** I have a plan for building my savings.

  Saving just a little bit now will steadily add up over time. It can help you in an emergency and keep you from going into debt unexpectedly. Create your savings plan on page 97.

- **ROAD MAP:** I have created a road map to guide me toward my financial goals.

  The summary of your Action Plan—and your guiding light for a better financial future for you and your loved ones. Create your Road Map on pages 100–101.
You need to know where you want to go in order to establish a plan for getting there. Take a moment to think about what you’d like to get out of AARP Foundation Finances 50+. Re-read what you wrote on page 10 about what’s important to you and how improving your financial situation can benefit what matters most to you. Think about how improving your credit, managing your debt, and building your savings can help you get to where you want you to be. Use the following worksheet to start mapping out your plan for getting there.

### WORKSHEET 1: GOAL SETTING

**MY OVERALL FINANCIAL GOAL**

- Why it’s important to me:
- Sacrifices I may need to make:
- People who will support me:
- Realistic deadline for achieving this goal:

**THINGS I CAN DO TO ACHIEVE MY OVERALL FINANCIAL GOAL**

<table>
<thead>
<tr>
<th>This week</th>
<th>This month</th>
<th>This year</th>
</tr>
</thead>
</table>

**MY CREDIT AND DEBT GOAL**

- Why it’s important to me:
- Sacrifices I may need to make:
- People who will support me:
- Realistic deadline for achieving this goal:

**THINGS I CAN DO TO ACHIEVE MY CREDIT AND DEBT GOAL**

<table>
<thead>
<tr>
<th>This week</th>
<th>This month</th>
<th>This year</th>
</tr>
</thead>
</table>

I have written down my goals and identified steps I’ll take to achieve them.

Take a moment to reflect on what you took away from this section and how setting goals can help you improve your financial situation.

- What I found interesting or useful:
- What I learned about myself:
- Things I can do to help me stick to my goals:

Consider using this information to inform the action steps you will take on your Road Map.
**Action Plan: Net Worth**

I know my net worth.

**WORKSHEET 2: NET WORTH**

It’s hard to build something that will stand the test of time without first laying a foundation. Now that you’ve established the goals you would like to achieve, the first step toward achieving those goals is to have a clear understanding of your financial situation. That starts with calculating your net worth.

As you recall from the “Orson’s Net Worth” exercise on page 8, your net worth is a combination of what you own and what you owe. Knowing what your net worth is helps you establish a foundation for building an Action Plan that can set you on a path toward achieving your goals.

**My Net Worth**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Value</th>
<th>Liabilities</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td>Home mortgage</td>
<td></td>
</tr>
<tr>
<td>Checking account #1</td>
<td></td>
<td>Home equity loan</td>
<td></td>
</tr>
<tr>
<td>Checking account #2</td>
<td></td>
<td>Credit card#1</td>
<td></td>
</tr>
<tr>
<td>Savings account #1</td>
<td></td>
<td>Credit card#2</td>
<td></td>
</tr>
<tr>
<td>Savings account #2</td>
<td></td>
<td>Credit card#3</td>
<td></td>
</tr>
<tr>
<td>Retirement account (IRA/401(k)) #1</td>
<td></td>
<td>Credit card#4</td>
<td></td>
</tr>
<tr>
<td>Retirement account (IRA/401(k)) #2</td>
<td></td>
<td>Medical debt</td>
<td></td>
</tr>
<tr>
<td>Money Market account</td>
<td></td>
<td>Vehicle loan(s)</td>
<td></td>
</tr>
<tr>
<td>Certificates of Deposit (CDs)</td>
<td></td>
<td>Personal loan(s)</td>
<td></td>
</tr>
<tr>
<td>Investment account #1 (stocks, bonds, mutual funds, etc.)</td>
<td></td>
<td>Student loan(s)</td>
<td></td>
</tr>
<tr>
<td>Investment account #2 (stocks, bonds, mutual funds, etc.)</td>
<td></td>
<td>Furniture loan(s)</td>
<td></td>
</tr>
<tr>
<td>Home</td>
<td></td>
<td>Appliance loan(s)</td>
<td></td>
</tr>
<tr>
<td>Real estate (home or land)</td>
<td></td>
<td>Electronics loan(s)</td>
<td></td>
</tr>
<tr>
<td>Business ownership interests</td>
<td></td>
<td>Business loan(s)</td>
<td></td>
</tr>
<tr>
<td>Vehicle(s)</td>
<td></td>
<td>Outstanding bills due</td>
<td></td>
</tr>
<tr>
<td>Furnishings</td>
<td></td>
<td>Taxes due</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Jewelry</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Appliances</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Electronics/TV/computer</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Recreation items</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Collectibles</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities</strong></td>
<td><strong>Net Worth</strong></td>
<td></td>
</tr>
</tbody>
</table>

To chart your progress toward your goals, revisit your net worth statement periodically.
Action Plan: Budgeting

Now that you've established your goals and gained a clear understanding of your net worth, you can combine that information into action with one of the most important building blocks for improving your financial situation: your budget.

**WORKSHEET 3: BUDGETING**

To start, enter all of your incoming cash on an average monthly basis. This will give you a good idea of what you have to work with, financially, as you begin to build your budget.

**INCOME**

Income (after taxes) | Monthly total
--- | ---
Wages/salary/bonus | 
Government benefits (Social Security, food assistance, etc.) | 
Child support/alimony | 
Interest income | 
Support from family or friends | 
Other: | 
Other: | 
Total Income | 

Now it's time to calculate your expenses. Read through each of the expenses listed and write down a reasonable monthly estimate for all the expenses that apply to your situation.

Next, take a moment to think about whether the expense is a "must-have" or a "nice-to-have." Mark a "W" in the Want or Need column if you consider the expense to be a Want and mark an "N" if it's a need.

Think back to what you learned from "Balancing Betsy's Budget" on page 12 as you are completing your budget. Remember, you can always ask for help from your Money Mentor or another support person if you need it.

**MONTHLY EXPENSES**

<table>
<thead>
<tr>
<th>Expense</th>
<th>Current Estimate</th>
<th>Want or Need?</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSING AND UTILITIES</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Rent/mortgage | 
Utilities (gas/oil, electric, water, etc.) | 
Home maintenance | 
Phone (cell phone, family plan, etc.) | 
Cable/satellite television service | 
Internet | 
Other: | 
Subtotals: | 
| LOANS AND CREDIT CARDS | 
Credit card payments | 
Personal loan payments | 
Student loan payments | 
Other: | 
Subtotals: | 
| SAVINGS AND INVESTING | 
Emergency savings | 
College/education savings | 
Retirement (IRA, Roth IRA) | 
Other: | 
Subtotals: | 
| TRANSPORTATION | 
Auto loan payments | 
Auto insurance | 
Gas and maintenance | 
Public transportation | 
Other: | 
Subtotals: | 

(Continued on next page.)
### Monthly Expenses (Continued)

<table>
<thead>
<tr>
<th>Expense</th>
<th>Current Estimate</th>
<th>Want or Need?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FAMILY AND PETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textbooks and supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pet food and supplies, veterinarian</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HEALTH AND GROOMING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health insurance (monthly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical visits, co-pays</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prescription medication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other medical bills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gym/health club</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grooming (hair, nails, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOOD, CLOTHING, AND ENTERTAINMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries and household items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating out (all meals, snacks)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco/alcohol</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing, shoes, and accessories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movies, concerts, other events</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDs, DVDs, other home entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspapers, magazines, books</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clubs, sports, hobbies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotals:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Monthly Expenses (Continued)

<table>
<thead>
<tr>
<th>Expense</th>
<th>Current Estimate</th>
<th>Want or Need?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-MONTHLY EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Divide by payment period—12 months, 4 months, etc.—to get monthly average)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes not deducted from payroll (federal and state)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeowner’s insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MISCELLANEOUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel and vacation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts (family, friends, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth and enrichment (adult education classes, workshops, seminars, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations (church, other charities, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Net Income

Now that you have an estimated budget, you can get a more realistic idea of your monthly income and expenses. To figure out your net income, simply subtract your monthly expenses from your monthly income.

- Monthly income
- Monthly expenses
- Net income

If your monthly NEEDS exceed your monthly income, you may need to look for ways to supplement your income with part-time work or otherwise generate additional resources. For some helpful tips, see the "Increasing Income" section on page 59. In the meantime, take a moment to write down a few ideas for how to balance your income and expenses.
Balancing Your Budget

Action Steps:

What will you do?

When will you do it?

Consider using this information to inform the action steps you will take on your Road Map.

One way to increase your net income is to reduce unnecessary expenses. Look again at the WANTS and NEEDS you’ve identified in your budget. Use the table below to list any areas where you could adjust your budget to free up more money to meet your needs and goals while increasing your net worth in the process.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Current cost</th>
<th>Possible savings</th>
</tr>
</thead>
</table>

Subtotals:

Consider using this information to inform the action steps you will take on your Road Map.

Exercise: Budget Diary

Another way to get a detailed picture of how you spend your money in a given week is to complete a Budget Diary to better understand what your day-to-day expenses are, help you identify areas where you can spend more wisely, and allow you to establish a realistic and attainable budget.

Instructions: Carry a small notepad with you and write down everything you spend during the upcoming week. If you like, you can find an electronic worksheet to help you do this on the program website at aarp.org/finances50plus. This information is for you alone, so be as truthful and detailed as you can. After the week is over, take a few minutes to reflect on the experience using the following questions as a guide:

What I found surprising or interesting about this exercise:

What I learned about how I spend money:

Areas where I can save money by spending more wisely:

Ways I can improve my spending habits:

Things I did during this exercise that will help me stick to a budget in the future:
Action Plan: Credit Report

Credit plays a big role in your daily life. Lenders, such as credit card companies, will look at your credit report—and so might landlords and employers. As you work toward your financial goals, it’s critical to review and understand your credit report. You may find errors you need to correct, or see behaviors you can improve. Your credit report can also help you look for signs of identity theft.

The good news is that it’s easy for you to get your credit report. Each of the three main credit reporting agencies is required to provide you with your free report once each year.

Here are the steps you need to take. Write down the date when you plan to complete each one.

1. Order your credit reports.
   You can order all three reports online from annualcreditreport.com, by phone at 877-322-8228, or by mailing in a request form (see page 116).
   You can obtain all three reports at once, or you can order one at a time. If you order one every 4 months, you can review your credit periodically throughout the year (be aware that the reports may have somewhat different information as a result).
   Deadline date: __________________________ Completed: ___ Yes ___ No

2. Review your reports for accuracy.
   Learn what information the reports will contain and how to read them. A credit report contains four types of records: public records, such as court judgments; credit accounts; inquiries from organizations that have asked for your credit history; and personal information. Make sure each account listed is accurate.
   Deadline date: __________________________ Completed: ___ Yes ___ No

WORKSHEET 4: CREDIT REPORT

Here are the steps you need to take. Write down the date when you plan to complete each one.

1. Order your credit reports.
   You can order all three reports online from annualcreditreport.com, by phone at 877-322-8228, or by mailing in a request form (see page 116).
   You can obtain all three reports at once, or you can order one at a time. If you order one every 4 months, you can review your credit periodically throughout the year (be aware that the reports may have somewhat different information as a result).
   Deadline date: __________________________ Completed: ___ Yes ___ No

2. Review your reports for accuracy.
   Learn what information the reports will contain and how to read them. A credit report contains four types of records: public records, such as court judgments; credit accounts; inquiries from organizations that have asked for your credit history; and personal information. Make sure each account listed is accurate.
   Deadline date: __________________________ Completed: ___ Yes ___ No

3. Dispute any inaccuracies.
   If necessary, write a dispute letter to the credit reporting agency that has the error on your report (see page 117 for a sample letter). Follow up to make sure the dispute is resolved.
   You also have the right to add up to 100 words to the credit report as a personal statement to explain credit issues to potential employers and landlords.
   Deadline date: __________________________ Completed: ___ Yes ___ No

Your credit score is linked to the information on your credit report, but it is not on the report. See Improving Your Credit Score below.

Improving Your Credit Score

Now that you’ve read your credit report, you can start taking steps toward improving your credit score. Review the information below and then determine what action steps you will take to improve your credit score. These five tasks each address components of your credit score.

Here are five tasks you can do to improve your credit score:

Task 1 Pay your bills on time. Your payment history accounts for about 35% of your score.

Task 2 Keep your credit card balances low. Ideally, you should keep the amount you borrow below 25% of your available credit limit. This accounts for about 30% of your credit score.

Task 3 Increase the length of your credit history. This accounts for about 15% of your score.

Task 4 Minimize the frequency of new card requests. This accounts for about 10% of your score.

Task 5 Keep a combination of different types of debt (such as mortgages and credit cards). This makes up the remaining 10% of your score.

I have reviewed my credit report and identified ways to improve my credit score.
Review the tasks on the previous page and pick two you want to work on. Write an action step for each task and include a date when you will take the action. Here are some examples:

Step 1  Look into online bill payment tied to a designated date (days before the actual due date) to see if it can help you stay on top of your bills.

Step 2  You might pledge to use cash for more purchases starting on a specific date.

Step 3  Carefully review your existing accounts to get a sense of how long your credit history is. If you don’t have credit in your own name, you could apply for a low-limit credit card to responsibly build your credit history.

Step 4  Resist the urge to apply for new cards or lines of credit. Instead plan to manage all purchases within existing credit limits.

Step 5  If you find that you absolutely need additional credit, consider a different type of loan or line of credit than you already have. But be sure you can pay it back, because missing payments will hurt you more in this area than it can help you.

Be as specific as possible. Remember, you can incorporate these steps into your Action Plan Road Map (see pages 100–101) to help you get to your goal.

Task

Action steps:

What will you do?

When will you do it?

Consider using this information to inform the action steps you will take on your Road Map.
Action Plan: Managing Debt

Managing debt is a critical step toward improving your financial situation. This section is intended to help you identify, prioritize, and plan how best to address any issues you may have. Use what you’ve learned in Part 2 of AARP Foundation Finances 50+ to inform this work toward achieving your goals.

Start by writing down all of your debt, along with the current balance and interest rate. Then prioritize each item according to your own situation and what you learned in Part 2.

Secured debt (such as a mortgage, home equity loan, auto loan, or other debt where an asset is pledged as collateral for the loan) is generally prioritized above other kinds of debt because you can lose the property (home, car, etc.) if you default on the loan. However, you can also save a lot of money in the long run by paying down your high interest, high balance unsecured debt (credit cards, medical debt, personal loans, etc.) while still addressing your other debt obligations.

### WORKSHEET 5: MANAGING DEBT

<table>
<thead>
<tr>
<th>Type of credit/debt</th>
<th>Current balance</th>
<th>Interest rate</th>
<th>Priority #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home mortgage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home equity loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student loans/tuition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card #1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card #2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card #3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card #4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Next, use the information from the table above to establish a 3-month plan for paying down your “unsecured” debt (credit cards, medical debt, personal loans, etc.). In the far left column on the next page, fill in your debts according to the priority order you have established. At the end of the third month, write down your new balance for those debts that you have prioritized (perhaps by highest interest rates and/or balances).

**TIP**

Once you have paid off a debt in full, use the extra money you had been applying to that debt and add it to the amount you are paying to the next debt in your priority order. You won’t miss the “extra” money and you’ll pay off your debts faster.
Action Plan: Saving

I have a plan for building my savings.

Saving money can seem like a daunting task. However, as you’ve learned during the course of the Finances 50+ program, you know that you can improve your financial situation. Saving is a habit. When you do it consistently—no matter how much or how little you put away—over time you will see your assets slowly begin to grow, and you’ll want to continue saving.

Many people think they don’t have enough money to save. But by spending wisely and keeping track of your money, you can put aside even a tiny amount every day. Using the following worksheet, pledge to yourself that you will save something every day, even if it’s $1 or loose change you found in your car. As the saying goes, “Pay yourself first.”

Mark an “X” on each day that you save something, and write in the amount you saved that day. Keep your savings in one place (such as a jar in the closet) that is reasonably secure. Post your Savings Calendar where you will see it regularly (but where it can also be kept private if necessary), such as on your closet door or bathroom mirror.

Just think: If you put aside $5 every day (perhaps by using money you might have spent on small items like a coffee drink or a magazine), you will save $175 in the 5 weeks on your calendar. If you continue to save $5 a day, you’ll have more than $900 in 6 months and $1,825 a year from now. Step by step, day by day, and week by week, you can do it.

<table>
<thead>
<tr>
<th>Unsecured debt (by priority)</th>
<th>Current balance</th>
<th>Current minimum payment</th>
<th>Payment goal month 1</th>
<th>Payment goal month 2</th>
<th>Payment goal month 3</th>
<th>Balance after 3 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Totals:

Take a moment to reflect on what you took away from this section and how managing debt can help you improve your financial situation.

What I found interesting or useful:

What I learned about myself:

Things I can do to help me manage and reduce my debt:

Consider using this information to inform the action steps you will take on your Road Map.
WORKSHEET 6: SAVINGS

SAVINGS CALENDAR

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
<th>Week 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>Monday</td>
<td>Monday</td>
<td>Monday</td>
<td>Monday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Tuesday</td>
<td>Tuesday</td>
<td>Tuesday</td>
<td>Tuesday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Wednesday</td>
<td>Wednesday</td>
<td>Wednesday</td>
<td>Wednesday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Thursday</td>
<td>Thursday</td>
<td>Thursday</td>
<td>Thursday</td>
<td>Thursday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Friday</td>
<td>Friday</td>
<td>Friday</td>
<td>Friday</td>
<td>Friday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Saturday</td>
<td>Saturday</td>
<td>Saturday</td>
<td>Saturday</td>
<td>Saturday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Sunday</td>
<td>Sunday</td>
<td>Sunday</td>
<td>Sunday</td>
<td>Sunday</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>Total:</strong></td>
<td><strong>Total:</strong></td>
<td><strong>Total:</strong></td>
<td><strong>Total:</strong></td>
</tr>
</tbody>
</table>

Take a moment to reflect on what you took away from this section and how creating a plan to build your savings will help you improve your financial situation.

What I found interesting or useful:

What I learned about myself:

Things I can do that will help me save money now and in the future:

Consider using this information to inform the action steps you will take on your Road Map.

EXERCISE: SAVING FOR THE FUTURE

Now that you’ve worked on establishing a daily savings habit, it is helpful to think a little further down the road and how you can approach achieving long-term savings goals. Identify a few goals (such as saving for your emergency fund, retirement, or a specific purchase), fill in the blanks and then track your progress.

Saving for:

Steps I can take:

Deadline date:___________ Completed:___ Yes ___ No

Saving for:

Steps I can take:

Deadline date:___________ Completed:___ Yes ___ No

Consider using this information to inform the action steps you will take on your Road Map.
Action Plan: Road Map

I have created a road map to guide me toward my financial goals.

This is where you tie together everything you’ve learned in the Finances 50+ program and through your years of experience managing your finances. Refer to your goal-setting worksheet on pages 80–81 to help you think about the goals you want to achieve (some will remain the same; some may have changed). Think back to the exercise you completed on page 10 about what matters most to you and how improving your financial situation can help you achieve your life goal. This is where you want to go.

Now think about everything you’ve learned in this program and what you’ve accomplished already with other elements of your Action Plan. Think about how improving credit, managing debt, and building savings can help you get to your overall goal—then write down the steps you will take. This is how you will get there.

As the days pass, you can track your progress as you strive toward meeting your deadlines as you cross items off your “To Do” list. Step by step, day by day, week by week, you will see that your Road Map is leading you closer and closer to where you want to be.

WORKSHEET 7: ROAD MAP

My Credit & Debt Goal:

Action Steps “To Do” List

<table>
<thead>
<tr>
<th>Step</th>
<th>Deadline</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

My Savings Goal:

Action Steps “To Do” List

<table>
<thead>
<tr>
<th>Step</th>
<th>Deadline</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How improving my financial situation will help me achieve what’s most important to me (my overall goal):

MY OVERALL GOAL:

Why This Is Important to Me:

My Support Team:
The resources in this section offer information about topics relevant to the program. The Online Resources section provides links to more extensive and in-depth information. As you continue working toward your goals, you may find it helpful to review these documents on your own or with a Money Mentor or other member of your support network.

If you have no computer at home, check to see if your local library offers free computer use. Many do. In addition, librarians can help you locate additional printed resources.

CONTENTS:
Resource 1: Six Tips for Getting Organized
Resource 2: Nine Things to Remember When You Can’t Pay Your Bills
Resource 3: Reading Credit Card Agreements and Disclosures
Resource 4: Sample Credit Card Statement
Resource 5: Sample Credit Report and Request Form
Resource 6: Sample Credit Report Dispute Letter
Resource 7: Credit Protection: Know Your Rights
Resource 8: What to Do if Your Identity Is Stolen
Resource 9: Start Saving for Retirement
Resource 10: 10 Retirement Planning Steps
Resource 11: Five Tips for Evaluating Websites
Online Resources
Local Resources
Answer Key

Resource 1

SIX TIPS FOR GETTING ORGANIZED

Getting your finances organized is the first step to getting them under control. Once you know where to store and find important documents and bills, you’ll feel better prepared for budgeting and saving. Here are some helpful suggestions.

1. Check your budget at least once a month and adjust expenses if necessary as bills come in. Be sure to collect and open your bills and keep track of them.

2. Contact your bank about online bill pay, which can help you keep track of your bills and transfer money between accounts if necessary to cover a bill. Alternatively, keep all your unpaid bills in one place and note due dates on your calendar. Check your balance regularly to ensure there are no unexpected charges on your account.

3. Set up a filing system, with one or more separate files for the following:
   - Household accounts (such as mortgage or rent statements and paid household bills, if needed for tax purposes)
   - Income, such as pay stubs and benefit statements
   - Savings and checking accounts
   - Credit cards and department store cards (be sure to save the terms and conditions documents that came with your cards)
   - Other debts
   - Retirement and investment accounts
   - Children’s accounts
   - Tax returns for each of the last 7 years, plus one for this year, and any related correspondence
   - Net worth worksheet—complete a new net worth worksheet (see page 83) periodically to keep track of your progress

4. Keep insurance policies, wills/trusts, birth/marriage certificates, passports and other hard-to-replace documents in a fireproof safe box. If you have a computer, keep a back-up copy of the financial records in a password-protected area or on a separate drive.
5. **Look into online recordkeeping.** Many of your records may already be available online, particularly bank and investment accounts. If so, make note of URLs and other contact information.

6. **Shred sensitive documents** (such as paid bills, old bank statements, old investment statements, and tax returns more than 7 years old) once they are no longer needed.

**FOR MORE INFORMATION**

Several reliable websites offer tips about shredding. Search online for “shredding personal information” for help finding what and when to shred.

---

### Resource 2

**NINE THINGS TO REMEMBER WHEN YOU CAN’T PAY YOUR BILLS**

1. **Prioritize your debts.** If there would be serious consequences for not paying a bill, such as losing your car or house, make sure you keep up with your payments or talk to your lender.

2. **Budget for getting out of debt.** Stick to your budget and try to include realistic amounts you can pay off each month.

3. **Seek help immediately.** Be willing to accept help when offered. Contact your bank or a U.S. Department of Housing and Urban Development (HUD)-certified housing counselor for free or low-cost advice about avoiding foreclosure, for example. If you feel you need a lawyer, find out if there is free legal aid in your community.

4. **Talk to your creditors.** Let them know about your situation. Some might agree to a payment plan.

5. **Consider reputable credit counseling.** A reputable credit counselor can help you sort out your debts and start creating a repayment plan. Look for a local nonprofit credit counseling service by contacting the National Foundation for Credit Counseling, 800-388-2227, or visit nfcc.org.

6. **Watch out for scams.** Credit repair agencies are generally not worth the money. They may claim to repair your credit, but they would most likely charge you for things you could do yourself. Similarly, watch out for credit counseling agencies that charge hefty fees without doing much for you.

7. **Avoid ‘debt relief’ or ‘debt settlement’ companies.** These services typically charge high fees without really relieving you of the debt or changing the habits that led to it. In addition, your use of such a service may be noted on your credit report. A debt management plan with a reputable credit counseling agency is the better choice. Also, be aware that legitimate debt consolidation—through a reputable company or organization—may be an option. For more information, see nfcc.org.
8. Consider the pros and cons of bankruptcy. Bankruptcy is complicated, and it does not eliminate certain kinds of debt. But as a very last resort option, it may be worth investigating the different types of bankruptcy to determine if any would help your situation. A nonprofit credit counseling agency or attorney may be able to help you look into it.

9. If a debt collector calls, be sure you know your rights. There are limits on what debt collectors can do and say. For example, they may not contact you at unreasonable times, harass you, or make false or misleading statements.

FOR MORE INFORMATION
Visit the Consumer Financial Protection Bureau (CFPB) at consumerfinance.gov. The CFPB has information about mortgage help that includes a list of foreclosure prevention resources by state, as well as a list of legal aid by state.

For information about bankruptcy and debt collection, see nolo.com or ftc.gov, and search for the term you want to learn about.

Resource 3

READING CREDIT CARD AGREEMENTS AND DISCLOSURES
Every credit card comes with an agreement that clearly spells out the interest rates, fees, and penalties charged by the card, as well as your consumer rights and the process for disputing charges.

It’s important to keep a copy of your credit card agreement so you understand how much interest each card charges, how to avoid triggering penalties, and so on. But if you don’t have a copy of your credit card agreement, contact your credit card issuer to get one, or visit the Consumer Financial Protection Bureau (CFPB) at consumerfinance.gov/credit-cards/agreements/ and search for your credit card agreement in their database. The CFPB is also a good place to go if you have an issue with your credit card provider or need to file a complaint.

Sample Credit Card Disclosure Box
Every credit card application has a disclosure box. You can find critical information about fees and interest rates in the fee disclosure box. When you think about getting a new card, compare the cards’ disclosure boxes to see which is best for you. On the next page is an example of the kind of information you can find.
SAMPLE CREDIT CARD DISCLOSURE BOX

DETAILED TERMS, FEE, AND OTHER COST INFORMATION

As required by law, rates, fees, and other costs of this credit card offer are disclosed here. All account terms are governed by the Credit Card Agreement sent with the card. Account terms are not guaranteed for any period of time; all terms, including the APRs and fees, may change in accordance with the Agreement and applicable law.

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Percentage Rate (APR) for purchases</td>
<td>6.99%, 10.99%, or 12.99% introductory APR for one year, based on your credit worthiness. After that, your APR will be 14.99%. This APR will vary with the market based on the prime rate.</td>
</tr>
<tr>
<td>APR for Balance Transfers</td>
<td>15.99%</td>
</tr>
<tr>
<td>APR for Cash Advances</td>
<td>21.99%</td>
</tr>
<tr>
<td>Penalty APR and When it Applies</td>
<td>26.99%</td>
</tr>
<tr>
<td>How to Avoid Paying Interest on Purchases</td>
<td>Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.</td>
</tr>
<tr>
<td>Minimum Interest Charge</td>
<td>0%</td>
</tr>
<tr>
<td>Set-up and Maintenance Fees</td>
<td>NOTICE: Some of these fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of $250, your initial available credit will be only about $209 (or $204 if you choose to have an additional card). Annual Fee: $20 Account Set-up Fee: $20 (one-time fee) Participation Fee: $12 annually ($1 per month) Additional Card Fee: $5 annually (if applicable)</td>
</tr>
<tr>
<td>Transaction Fees</td>
<td>Balance Transfer: Either $5 or 3% of the amount of each transfer, whichever is greater (maximum fee: $100). Cash Advance: Either $5 or 3% of the amount of each cash advance, whichever is greater. Foreign Transaction: 2% of each transaction in U.S. dollars.</td>
</tr>
<tr>
<td>Penalty Fees</td>
<td>Late Payment: $29 if balance is less than or equal to $1,000. $35 if balance is more than $1,000. Over Credit Limit: $29 Returned Payment: $35</td>
</tr>
<tr>
<td>How We Calculate Your Balance</td>
<td>We use a method called “average daily balance (including new purchases).”</td>
</tr>
<tr>
<td>Loss of Introductory APR</td>
<td>We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill.</td>
</tr>
</tbody>
</table>

What to look for in a disclosure box:

1. Check the real interest rate or annual percentage rate (APR) for purchases, beyond the introductory rate. Introductory rates can quickly go up.
2. Find out if there’s an annual fee.
3. Compare late fees and “over credit limit” fees. When you first get a card, the credit limit is probably fairly low, so you can go over your limit before you know what happened. Late fees may increase as the balance goes up.
4. Read details of the default rate, which is the rate charged if you miss payments. These can be as high as 25%–30%.
5. Compare grace periods—the time you have after making a purchase to pay for it without having to pay interest. Grace periods are usually 21 days.
6. Don’t be late with a payment. Write “payment due” dates on your calendar and mail your check a week before to allow for postal delays. Or consider setting up electronic payment with your bank.
7. Expect changes to your fees. The small print probably tells you that “rates, fees, and terms of this account are subject to change at any time, for any reason.”
8. While prizes, points, and rebates are nice, don’t make them your reason for choosing one card over another. They can encourage you to spend more.
Resource 4

SAMPLE CREDIT CARD STATEMENT

Your credit card statement includes details on your current purchases, fees, charges, and any changes to your account terms. The numbered list below explains the various parts of a credit card statement. Your own statement might look different but will have the same information.

Reading Your Credit Card Statement

The numbers here correspond to numbers on the sample statement.

1. The summary of account activity shows all the charges you're responsible for. If anything is past due, it will be listed here.

2. The payment information section shows your balance, minimum payment, and due date.

3. Note the late payment warning.

4. The statement even tells you how long it could take to pay off your balance if you pay only the minimum.

5. If your interest rate changes, it will show up here. You'll see on the next page that there was a late payment that triggered the penalty rate.

6. If there are changes to your account terms, you'll see them here. In this case, the interest rate went up.

7. This is a list of everything you charged and when.

8. Each type of fee and interest charge is listed.

9. Here is the year-to-date total of the total fees and interest charged to your card.

10. Finally, this is a summary of your rates for different types of transactions. This also includes your current rate. Remember, another part of the statement showed your interest rate was changing.

Your credit report says a lot about you—and what it says can help or hurt you. A high score can help you get a better interest rate. A low score can keep you from getting a job, a loan, or a lower interest rate.

It is important to monitor your credit report so you can dispute any errors and identify problems you need to correct.

By law, each of the three main credit reporting agencies—Experian, Equifax, and TransUnion—is required to provide you with your credit report free once a year. To stay up to date, consider requesting a free report from one agency every 4 months on a rotating basis.

You can also get a report from all three by contacting annualcreditreport.com or by calling 877-322-8228. This is the only authorized one-stop source of the annual credit report for all three bureaus. Watch out for scam companies that claim they are the one-stop source. You can also complete the form on page 116 and send it to the address listed on the form.

As this sample shows, your credit report includes personal information, your existing credit, your public record, and inquiries about you.

Each of the three credit bureaus offers a sample credit report with tips on how to read it. For sample reports, or for a copy of your own credit report, contact:

Equifax: 800-525-6285; equifax.com
Experian: 888-397-3742; experian.com
TransUnion: 800-680-7289; transunion.com

For more information, visit annualcreditreport.com.

Source: http://www.moneymattersmakeitcount.com/creditdebt/Pages/CreditHistories.aspx
When you get your credit report, you’ll find it includes information about how to report errors. Follow those instructions. You will need to tell the credit bureau(s) in writing what information you believe is inaccurate. If you find a dispute with one bureau’s credit report, you will want to request reports from the other bureaus, as they may differ. This sample letter is a good guide.

Along with the letter, include copies (NOT originals) of documents that support your position. You may want to enclose a copy of your credit report with the items in question circled. Send your letter by certified mail, return receipt requested, so you can document that the credit bureau received your correspondence. Keep copies of your dispute letter and enclosures. You can use the sample letter to draft your correspondence. In addition, the bureaus offer online tools for handling disputes.

Date
Your Name
Your Address
Your City, State, Zip Code

Complaint Department
Name of Credit Bureau
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are circled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records or court documents) supporting my position. Please reinvestigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your Name

List Enclosures
Credit Protection: Know Your Rights

Many federal laws protect your rights when you interact with your credit card company. For example, these laws protect you by:

- Requiring that you be told clearly about fees and interest rates
- Limiting fee and rate increases
- Prohibiting discrimination in availability of credit
- Requiring that mistakes on your bill be corrected without damaging your credit score
- Allowing you to dispute errors in your credit file
- Limiting your liability to $50 if your card is lost, stolen or used without your permission

You can file a complaint online with the Consumer Financial Protection Bureau (CFPB), consumerfinance.gov/complaint.

The CFPB also has information about financial protection for older Americans at consumerfinance.gov/older-americans.

For information about consumer protection laws, visit federalreserveconsumerhelp.gov.

What to Do If Your Identity Is Stolen

Identity theft can wreak havoc with your finances, credit history, and reputation. And it can take time and patience to resolve. According to the Federal Trade Commission (FTC), acting quickly is the best way to limit the damage.

The FTC recommends four first steps if your identity is stolen.

1. Place a fraud alert on your credit reports, and review your reports. To place a fraud alert, contact any one of the three main credit reporting agencies. That agency in turn informs the others on your behalf. This makes it harder for anyone to open more accounts in your name. Once you place a fraud alert, you can order free reports from each agency.

2. Close the accounts that you know, or believe, have been tampered with, used, or opened fraudulently.

3. File a report with the police in your local community or in the community where the identity theft took place.

4. File a complaint with the FTC. You can file a complaint online. (On their website, ftc.gov; see “File a Complaint” under the “Consumer Protection” tab.)

For more information, visit ftc.gov.

Information to Place a Fraud Alert and Order Credit Reports:

Equifax: 800-525-6285; equifax.com
Experian: 888-397-3742; experian.com
TransUnion: 800-680-7289; transunion.com
START SAVING FOR RETIREMENT

It is never too early or too late to start thinking about saving for retirement. Retirement planning is an ongoing process. Each plan is unique, but everyone should make one. And the sooner, the better.

Getting Started

It’s hard to save for retirement when you have other financial concerns, but if you break it down into manageable steps it will seem a lot easier. Here are some ideas to help you get started:

Make saving a habit. Decide how much you can set aside in your monthly budget toward your retirement savings—and stick to your goal. Consider making automatic contributions—contact your bank or financial institution to find out how.

Explore ways to save. How much you save and spend are the most important factors in achieving your retirement goals—even more important than how you invest. Look at your expenses and determine where you can cut back and how you can save more.

Make the most of tax-advantaged retirement accounts. Investing in a tax-advantaged account, such as an individual retirement account (IRA)—or a 401(k) if available through your work—allows your earnings to grow tax-free, so that even small contributions can become more significant over time.

For more information, see Schwab MoneyWise® at schwabmoneywise.com and search for “retirement account,” or visit aarp.org and search for “retirement planning.”

Resource 10

10 RETIREMENT PLANNING STEPS

How can you prepare financially for your retirement? For help, follow these steps.

1. Decide what you want to do in retirement. Write down your top five goals. Be realistic and practical.

2. Take stock of what you have. Don’t think only about money. Think about your skills and hobbies, too. These help you enjoy life—and sometimes you can use them to earn money in retirement.

3. Evaluate your health. Schedule checkups and preventive exams. Eat healthy, exercise, and get enough sleep. Staying in close contact with family and friends will help you maintain your health physically and mentally.

4. Decide when to collect Social Security. The longer you wait to collect Social Security (generally until age 70), the more you will receive each month.

5. Network. Building your network can help you find opportunities—and perhaps a job. Do you enjoy using social media? If so, staying in touch via Facebook or LinkedIn can help you build relationships. If not, be socially active with friends and organizations.

6. Decide about a retirement job. Whatever your main reason for working—money, social connections, interests—don’t wait until after retirement to make a decision about your employment prospects during retirement. The sooner you are comfortable with your decision, the better you can prepare.

7. Create a retirement budget. As you track income and expenses, think about whether you will be able to manage with less in retirement—or not—and plan accordingly.

8. Cut expenses. Any way you can trim expenses or spend wisely will help you save more for retirement.

9. Prepare for the unexpected. Don’t get caught off guard. Consider how you would pay for an extended illness, home repairs, or some other emergency, and put money aside. Make sure your insurance is adequate.

10. Stick to your plan. Get the support of friends, family, your network, or your Money Mentor to help you stay on track.

---

Withdrawals from tax-advantaged retirement accounts—such as IRAs and 401(k) plans—prior to age 59½ may be subject to a 10% federal tax penalty.
FIVE TIPS FOR EVALUATING WEBSITES

Not all online sources are equally valuable or reliable. Before trusting a website, consider these questions:

1. Is the site accurate? Can information be verified from other sources? Are there obvious spelling mistakes or other errors?
2. What are the authors’ credentials? If the website belongs to an institution, is it reputable? Is there a way to contact the author(s) or institution?
3. Is the information current? What is the date of the last publication or update?
5. Have you looked at other sources on the same topic before deciding to trust this one?

For more information, go online and search for “evaluating websites.”

Online Resources

- **AARP Foundation Finances 50+:** aarp.org/finances50plus
- **AARP Money:** aarp.org/money
  Tips, tools, and articles on everything related to your financial life.
- **AARP Benefits QuickLINK:** benefitscheckup.org/aarpkeybenefits
  See if you qualify for public assistance and if you can save money on health care, medication, food, utilities, and more.
- **Schwab MoneyWise:** schwabmoneywise.com
  Find guidance on financial fitness and making the most of your money.
  Includes a financial fitness quiz.
- **Consumer Financial Protection Bureau:** consumerfinance.gov
  A wealth of information to help consumers with credit, debt, and asset protection.
- **Elder Financial Protection Network:** bewiseonline.org
  Information about protecting yourself and your money.
- **Federal Trade Commission:** ftc.gov
  Government agency charged with consumer protection. See the Consumer Protection tab.
- **Financial Literacy and Education Commission:** mymoney.gov
  Information on a wide range of financial topics from a number of federal entities.
- **Medicare:** mymedicare.gov
  Official Medicare site with information about the parts of Medicare, what’s new, and how to find Medicare plans, facilities, or providers.
- **National Council on Aging:** ncoa.org
  Information about improving the health and economic security of older adults.
- **National Endowment for Financial Education:** smartaboutmoney.org
  An excellent wide-ranging resource about life events and financial decisions.
- **National Endowment for Financial Education:** myretirementpaycheck.org
  Guidance on how to manage retirement income.
Local Resources

There’s a lot of personal help available right in your own community. Here are some ideas. Check with a librarian or senior center if you need help finding local contact information.

- Public library
- Social Security office
- State, county, and city offices; local health and human services agencies
- State attorney general’s offices handle consumer complaints and consumer protection issues
- Community colleges often have low-cost classes to prepare for various jobs and gain skills
- Housing agencies offer information about affordable housing
- Job search programs
- Local senior/community resource centers and trusted nonprofit organizations
- Nonprofit credit counseling services: Find a local resource at nfcc.org, or call 800-388-2227
- AARP Foundation Tax-Aide programs: Find a local site at aarp.org/applications/VMISLocator/searchTaxAideLocations.action
- Area Agency on Aging: Find a local agency that offers advocacy and resources to keep people independent at n4a.org
- Community action agencies: Find a local resource at communityactionpartnership.com

National Foundation for Credit Counseling: nfcc.org
The nation’s largest financial counseling organization—a network of more than 700 community-based offices located in all 50 states and Puerto Rico.

Social Security: ssa.gov
Official site, including information and online applications.

U.S. Administration on Aging: nce.aaoa.gov
National Center on Elder Abuse. Includes links to finding state resources.

Public library
Social Security office
State, county, and city offices; local health and human services agencies
State attorney general’s offices handle consumer complaints and consumer protection issues
Community colleges often have low-cost classes to prepare for various jobs and gain skills
Housing agencies offer information about affordable housing
Job search programs
Local senior/community resource centers and trusted nonprofit organizations
Nonprofit credit counseling services: Find a local resource at nfcc.org, or call 800-388-2227
AARP Foundation Tax-Aide programs: Find a local site at aarp.org/applications/VMISLocator/searchTaxAideLocations.action
Area Agency on Aging: Find a local agency that offers advocacy and resources to keep people independent at n4a.org
Community action agencies: Find a local resource at communityactionpartnership.com
Answer Key

Quiz: What Do You Know About Credit and Debt? [Page 22]

1. True. An MIT study published in 2000 showed that subjects were likely to spend significantly more for an item paid with a credit card than if they paid cash. Bankrate.com also estimates that credit card purchases can end up costing users as much as 112% more than if cash had been used.

2. True. You can get a report free once a year from each of the three credit bureaus. By staggering your free reports, you can even get a report from a different bureau every 4 months.

3. False. The most recent total balance, including carried balance, will show on your credit report. But it is not as bad as a late payment, which can really hurt your score.

4. False. There is an additional fee to get cash, usually determined by how much you borrow, and the interest rate for cash advances is usually higher than for regular purchases.

5. True. Interest rates and fees vary greatly. And don’t forget that a low introductory annual percentage rate (APR) will most likely go away soon and be replaced by a significantly higher rate.

6. False. They can’t threaten you with violence or take your property, unless there is a legal procedure, such as foreclosure, that allows you a reasonable opportunity to contest the debt. Also, they are not allowed to contact you at inconvenient times.

7. Probably not. They may simply charge you for what you could do yourself for free. Less reputable credit repair agencies may even act illegally.

8. False. They may be able to take out a secured credit card, or get a card at a higher rate of interest.


10. True. And you’ll also be charged a penalty fee.

Quiz: Building—and Protecting—Assets [Page 54]

1. This can help you control spending, because you can spend only what you have, while avoiding the costs associated with credit card interest rates and fees.

2. This can help you avoid fees.

3. Knowing how much banks charge for these fees can motivate your behavior to avoid them.

4. A good practice to help you save.

5. A good practice to help you save.

6. A good practice to help you save.

7. This can help you avoid charging emergency expenses to your credit card.

8. If you have a retirement savings account at work, it is smart to take advantage of it, especially if your employer provides a match.

9. This may seem difficult, but saving something—even if it’s less than 10%—is a vital part of planning for retirement, goals, and unexpected events.

10. False—Relatives, caregivers, friends, and neighbors are the most likely to perpetrate financial abuse of people 50 and older.
Glossary

401(k) plan: A defined contribution plan in which an employer takes money directly from an employee's salary and places it in a tax-deferred retirement account. The employee doesn't pay taxes on this money until he or she withdraws it. Employers often match a percentage of employee contributions.

Annual fee: A charge imposed each year for using a credit card. It may also be called a membership or participation fee.

Annual percentage rate (APR): The cost of credit on a yearly basis, expressed as a percentage (or finance charge interest rate) of the loan amount.

Annual percentage yield (APY): The amount paid on the principal of an interest-bearing investment or account in a year, expressed as a percentage (or growth interest rate).

Asset: A property that has monetary value, including personal possessions (such as houses, cars, and jewelry) and financial assets (for example, savings and investments).

Asset allocation: How your assets are divided among stocks, bonds, and cash. These three basic asset classes respond to the market differently. When one is up, another can be down. Asset allocation is a key to investing success. Also known as asset mix.

Bankruptcy: A legal process that helps consumers and businesses get rid of debts and repay their creditors. There are different types of bankruptcy. Because it affects future credit and because bankruptcy does not eliminate some debts, it is a last resort option.

Bond: A type of investment that is similar to an IOU from a corporation or a municipal or federal government. Money is loaned, with interest, for repayment in full on a specific date.

Budget: A plan that estimates income and expenses in order to achieve financial goals.

Certificate of deposit (CD): An FDIC-insured investment made with a financial institution in which a specified amount is deposited for a specific period of time, at a preset, fixed interest rate.

Credit: Money that a lender may extend to a borrower. The borrower generally promises future payment with interest.

Credit builder loan: A loan designed to help improve one's credit report. Loans are typically for small amounts and generally involve giving the lender money upfront or in regular payments over a period of time.

Credit bureau: A company that collects and sells information about how people handle credit. The reports are made available to individuals and to creditors who profess to have a legitimate need for the information. The three major national credit bureaus are Equifax, Experian, and TransUnion.

Credit card: A card that allows a person to purchase goods and services by paying with money borrowed from a creditor. The borrower then repays the credit card company, often with interest. There is usually a grace period before interest is charged on new purchases.

Credit counseling: Personal financial services that include budget counseling and education, debt management plans, financial literacy courses, and housing counseling.

Credit report: A document containing financial information about a person, focusing on his or her history of paying obligations, such as mortgages, car payments, utility bills, and credit cards. Also includes current balances on outstanding debts, the individual's amount of available credit, public records such as bankruptcies, and inquiries about credit from various companies.

Credit score: A three-digit number that reflects the credit history detailed by a person's credit report.

Debit card: A card that allows an individual to transfer funds instantly from a bank account.

Debt: An amount owed.

Debt consolidation: The process of taking out one loan to pay off many others, often to secure a lower interest rate or for the convenience of paying only one loan.
Disclosure box: Also called fee disclosure box. The standardized disclosure box appears on credit card applications and features relatively consistent terms and conditions for credit card offers so that consumers can compare cards.

Diversification: Lowering risk potential by spreading money across and within different asset classes such as stocks, bonds, and cash equivalents.

Earned income tax credit (EITC): A tax credit for low-income workers who meet certain requirements, and have earned income under a specified limit. Even workers whose incomes are too small to have paid taxes may qualify for the earned income credit.

Equity: The difference between a home's current appraised value and what you owe on it. For example, if your home is worth $200,000 and you owe $147,000, your equity is $53,000.

Federal Deposit Insurance Corporation (FDIC): A government entity that insures deposits in banks and thrift institutions, assuring bank customers that their savings and checking accounts are safe. As of this printing, coverage is up to $250,000 per depositor per bank for individual, joint, and trust accounts, and for individual retirement accounts (IRAs). Business accounts are also insured.

Finance charge: The charge for using a credit card, including interest costs and other fees.

Grace period: The time during which you are allowed to pay your credit card bill without having to pay interest. The grace period usually applies only to new purchases. Most credit cards do not give a grace period for cash advances and balance transfers; instead, interest charges start right away.

Home equity loan: A loan based on the amount of equity a homeowner has in the property. The interest paid on a home equity loan may be tax deductible. It is different from a home equity line of credit (HELOC). A home equity loan features a fixed rate, payment and term, usually 5 to 15 years.

Identity theft: The unauthorized use of your personal information, such as your name, address, Social Security number, or credit account information.

Individual retirement account (IRA): IRAs are retirement accounts with tax advantages. You may contribute up to the limit for each taxable year. Or, if you're age 50 or older, you can put aside more. But your contributions can't exceed your earned income. The investment growth is not taxed until you begin making withdrawals, usually after age 59½. Before then, if you take money out, you will usually face a 10% penalty and pay taxes on the amount withdrawn.

Installment credit: A type of credit in which the monthly payment is the same every month and the loan has a set time period. The most common forms of installment credit are mortgages and auto loans.

Interest rate: A percentage the borrower must pay in addition to the amount borrowed. For example, if $100 is borrowed at a 10% interest rate, the borrower may need to pay the lender $110 over the course of a year (the amount borrowed, plus 10%). Generally, interest rates are higher when the risk is bigger for the lender.

Invest: To put money into something (such as a stock or mutual fund) in hopes of achieving a profit.

Investment account: Also known as a brokerage account, an investment account allows you to invest in a wide variety of securities including stocks, bonds, mutual funds, and fixed income products.

Liability: An obligation to make a payment or settle a debt (for example, a mortgage or car loan payment).

Minimum payment: The minimum amount a cardholder must pay to keep the account from defaulting. Often this amount is 2% of the outstanding balance.

Money market account: Bank deposit accounts that permit a limited number of cash transactions per month and typically pay interest at rates similar to or slightly below the rate on short-term certificates of deposit (CDs) from the same institution. However, unlike CDs, you can take your money out at any time and earn interest until you withdraw it. Like bank products, money market accounts have the safety of Federal Deposit Insurance Corporation (FDIC) protection.

Mortgage: A form of debt in which one can own property by paying the entire price over time with interest—typically, a loan to buy a house.

---

1 Diversification cannot ensure a profit or eliminate the risk of investment losses.
**Mutual fund:** A type of investment that pools the money of many investors to buy various stocks, bonds, and/or cash equivalents.

**Needs:** Necessary expenses, or must-haves, such as your mortgage/rent, groceries, and transportation.

**Net worth:** A person’s or an entity’s value, calculated by subtracting what is owed (liabilities) from what is owned (assets).

**Overdraft protection:** Ensures that all checks you write and electronic transactions you authorize will clear, even if you spend more than the balance in your account. If you link a savings account to the checking account or qualify for an overdraft line of credit, money is transferred from that account or line of credit to cover the shortfall. You will pay interest if you use your line of credit.

**Portfolio:** The collection of investment assets you hold is called your investment portfolio.

**Predatory lenders:** Lenders who take advantage of borrowers by employing a variety of deceptive financial practices. They may ask for money up front, charge very high interest rates or excessive fees, steer borrowers into larger loans, hide costs, or use high-pressure tactics.

**Prepaid debit card:** Often compared with an electronic bank account, the card is loaded with a specific amount of money that is prefunded (or paid for) in advance. You can pay for things with a debit card without carrying cash around. Some cards must be used in a particular store for a limited amount of money. Other cards can be used anywhere that accepts the card’s payment network (such as MasterCard or Visa). Some cards are reloadable, meaning you can add money to them.

**Reverse mortgage:** A special type of home loan that lets you convert part of the equity in your home into cash.

**Revolving credit:** An account that requires a minimum payment each month, plus service charges on the remaining balance. As the balance declines, so does the service charge. The most common examples are credit cards and store cards.

**Secured debt:** Debt that is attached to something tangible. Common examples of secured debt are mortgages and auto loans. If you fail to repay secured debt, you could lose the item attached to it. For example, if you do not pay your car loan, your car can be repossessed.

**Social Security:** America’s earned benefit program for workers who worked in Social Security–covered employment, and for their families. Payroll taxes from employers and employees pay for the benefits.

**Stock:** In investing terms, stock is a share or shares in ownership of a company, and individuals usually purchase them (invest in them) in hopes of gaining a profit. There are many types of stock.

**Unsecured debt:** Unsecured debt isn’t attached to any kind of property or product. Common examples of unsecured debts are credit cards, medical bills, and store cards, where you do not have to put up any material as security for the debt.

**Wants:** Expenses that are nice to have but not essential, such as entertainment, travel, and new clothing.