Get Financially Fit Early in Your Career
Important Information for Workers Starting Out
Get Financially Fit Early in Your Career

- U.S. Department of Labor, Employee Benefits Security Administration

- Federal Trade Commission, Division of Consumer & Business Education

- U.S. Department of Education, Office of Federal Student Aid
Understand Your Employer-Based Benefits

- It’s important to understand the benefits your employer is providing
  - Employer retirement savings plans
  - Health coverage
Employer-Based Retirement Plans

- Defined Benefit Plans
  - Pay a guaranteed benefit based on a set formula
  - Usually the employer funds the plan

- Defined Contribution Plans
  - Do not provide a guaranteed benefit; the benefit is based on how long you participate, how much is invested, and how well the investments do
  - Most common type is the 401(k) plan
How to Make the Most of A Defined Contribution or 401(k)-type Plan

- Read your employee handbook and summary plan description
- Join your plan as soon as possible
- Put in as much as you can
- Try to contribute enough to maximize the employer contribution
- Learn about plan fees
Your First Job – Health Insurance

- Consider enrolling in your employer’s health plan
- Find out the eligibility requirements
- Look at your options and compare your needs
- Determine how much you will pay
- Get information about the plan
- No employer plan? Visit healthcare.gov
Why Get Health Care Coverage?

- Helps to pay medical costs for a sudden accident or serious medical illness
- May also help to pay for access to routine or preventive medicine
- May allow you to get medical services that you would not be able to afford
- Helps protect your personal assets
Getting Fit and Managing Your Financial Life

- How to work on all your goals at once?
  - Write down each goal
  - Sort them: short-term and long-term goals
  - Prioritize the goals
  - Make retirement a priority!
  - Write what you need to do to accomplish each goal
# Worksheet 1 – Goals and Priorities

## SHORT-TERM GOALS (5 years or less)

<table>
<thead>
<tr>
<th>Priority</th>
<th>What is your goal?</th>
<th>By when?</th>
<th>How much will it cost?</th>
<th>What money do you have saved for this goal?</th>
<th>What are you willing to do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td></td>
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<td>3</td>
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<tr>
<td>4</td>
<td></td>
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</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## LONG-TERM GOALS (longer than 5 years)

<table>
<thead>
<tr>
<th>Priority</th>
<th>What is your goal?</th>
<th>By when?</th>
<th>How much will it cost?</th>
<th>What money do you have saved for this goal?</th>
<th>What are you willing to do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td></td>
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<td>3</td>
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<tr>
<td>4</td>
<td></td>
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<tr>
<td>5</td>
<td></td>
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</tr>
</tbody>
</table>
Retirement Savings Worksheet

- To estimate how much to save, start with:
  1. Number of years until retirement
  2. Current annual salary
  3. Number of years in retirement
  4. Current retirement savings
Worksheet 4 – Retirement Saving

Years until retirement (retirement age minus current age)

Current annual salary

Years in retirement

Current savings

Target saving rate

What goes into the estimate?
What is a target saving rate?
Retirement Saving

- The target saving rate is an estimate of how much to save as a percentage of your current annual salary

- 2 examples:
  - Jen is 30, plans to retire at age 65 and live to about 95. She earns $50,000 a year, $2,000 retirement savings. Her target rate is 9.5%
  - Mike is 45, plans to retire at age 65 and live to about 95. He also earns $50,000 a year and has $2,000 savings. His target savings rate is 24%.
Managing Your Cash Flow

- Keep track of your current spending and make a plan or budget for your future spending
  - It can help you find the money to reach your goals

- Add up your income
  - Wages, tips or bonuses, investment income, etc.

- Add up your expenses
  - Track your monthly expenses
  - Review credit and debit card records, receipts
  - Include saving as an expense
# Worksheet 5 – Cash Flow Spending Plan

<table>
<thead>
<tr>
<th></th>
<th>Monthly</th>
<th>Annual</th>
<th>Actual Income/Spending</th>
<th>Was it more + or less – than planned?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross income (total pay before deductions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductions</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Retirement contributions</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Health, dental, vision insurance</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Net take-home pay (gross income minus deductions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>TOTAL NET INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings and investing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement (outside of workplace plan)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash reserves</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Down payment for a home</td>
<td></td>
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</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Mortgage (including condo fees)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rent</td>
<td></td>
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<tr>
<td>Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food (at home)</td>
<td></td>
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</tr>
</tbody>
</table>
# Worksheet 5 – Cash Flow Spending Plan

<table>
<thead>
<tr>
<th></th>
<th>Monthly</th>
<th>Annual</th>
<th>Actual Income/Spending</th>
<th>Was it more + or less – than planned?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health care – out-of-pocket spending</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Health, dental, vision insurance (if purchasing outside of work)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctor visits</td>
<td></td>
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</tr>
<tr>
<td>Hospital</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Medicine</td>
<td></td>
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</tr>
<tr>
<td>Over-the-counter medicine</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Noncovered items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Travel/vacations</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Entertainment</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Eating out</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hobbies</td>
<td></td>
<td></td>
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<tr>
<td>Movies/theatre</td>
<td></td>
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<tr>
<td><strong>Charitable contributions</strong></td>
<td></td>
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<tr>
<td><strong>Other</strong></td>
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<td></td>
</tr>
<tr>
<td>Gifts</td>
<td></td>
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<tr>
<td>Membership dues</td>
<td></td>
<td></td>
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<tr>
<td>Pet-related costs</td>
<td></td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>TOTAL NET INCOME – TOTAL EXPENSES</strong></td>
<td></td>
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</tr>
</tbody>
</table>
Tips on How to Save Smart for Retirement

- Start now
- Start small
- Use automatic deductions
- Save regularly
- Don’t dip into savings
Resources

- U.S. Department of Labor
  - dol.gov/ebsa
  - savingmatters.dol.gov
  - 1-866-444-3272

- Saving Fitness: A Guide to Your Money and Your Financial Future

  dol.gov/ebsa/publications/savingsfitness.html
About the FTC

• Protects and gets justice for consumers through legal action and consumer education
• Develops consumer education materials to help people avoid scams, protect personal information and make more informed buying decisions
• Complaints from consumers are critical to these efforts
Why Learn About Credit?

• You’re building a financial reputation
• Your credit history will likely affect what you’ll be able to do, including
  • Getting certain jobs
  • Buying/renting your own place
  • Buying an automobile
  • Paying for graduate school
  • Getting insurance
What, Exactly, is Credit?

• **Credit you have**
  • Credit report: bills you have, how much they are, and how you pay them
  • Credit reporting agencies: TransUnion, Equifax, Experian

• **Credit you use**
  • Using credit means borrowing money
  • Examples: Cash loans, mortgages, car notes, mobile phone, utility service, cable, credit cards
  • Buy/borrow now, pay later – with interest
What is Interest?

• What you pay for using someone else’s money.
• Annual percentage rate (APR) is how much interest you pay over a year
• The lower the interest rate, the less money you pay. The higher the interest rate, the more money you pay.
• The interest rate you get often depends on your credit history.
BUILDING YOUR FINANCIAL REPUTATION
Choosing a Credit Card

• Unsecured cards
  • Require no money upfront
  • Offered by banks, credit unions and retailers
  • Traditional unsecured credit cards offer low APRs to people with good credit
  • Some charge an annual fee
  • Store credit cards can be a good way to build credit history
Choosing a Credit Card

- Unsecured cards: Questions to ask
  - **What is the annual fee?**
  - **What is the APR?**
  - **Are there other fees?** Late payment fees, over-the-limit fees, etc.
  - **What is the grace period?** A longer grace period is better. Look for one that is at least 25 days long.
Choosing a Credit Card

• Secured Cards
  • Similar to a debit card
    • Pay money in advance into an account
    • Using YOUR money, not a loan from a bank
  • Different from a prepaid card
    • Secured cards have lower fees
    • Secured cards often report to credit agencies
  • A secured credit card can help you build your credit history.
Choosing a Credit Card

• Secured Cards: How they work
  • Apply with a credit union, bank, or credit card company.
    • The card issuer looks at your credit history
  • If approved, you pay the annual fee and a deposit
    • The deposit is usually $300-$500
    • Sometimes the deposit is your credit limit. But sometimes your credit limit is less than the amount you deposit.
  • Make payments on what you buy with the card – putting money back into the account
• Should report to the three credit reporting companies
Choosing a Credit Card

- When choosing a secured card, look for one with:
  - no application fee
  - a low APR, or annual percentage rate
  - lower annual fees
  - no processing fees
  - higher interest rates on the money you deposit
- Be sure the company reports to the credit agencies
Paying Your Bill

• **Minimum payments versus paying the whole balance**
  • You pay less for your credit if you pay off the whole balance every month.
  • You’ll pay interest on the amount you did not pay back. The interest rate goes up - meaning you’ll pay more.
  • Credit is more expensive if you only pay the minimum amount due.
    • your interest rate might go up
    • you might have to pay fees
Paying Your Bill

- Making minimum payments - example
  - Your credit card interest rate is 18%.
  - Balance = $1,000.
  - Minimum payment = $50 each month
  - 5 years to pay the bill in full
  - Interest = $360
  - Total paid = $1,360
Building a Good Credit History

• Basic rules of thumb:
  • Write down what you make and spend in a month
  • Look at where your money goes
  • Look for ways to save money
Building a Good Credit History

• Basic rules of thumb:
  • Use your credit card a few times a month.
  • Buy things you can pay for that month.
  • Don’t miss payments
  • Pay off debts quickly—try to pay off the balance every month
  • Don’t borrow up to, or go over, your credit limit
  • Don’t have too many credit accounts
Building a Good Credit History

• If you do get in trouble, call the companies where you owe money
  • Explain why you have trouble paying the bill
  • Ask for a plan to let you pay less each month
  • Stick to the plan
Information for You

- Consumer.gov
- Consumer.ftc.gov
- Annualcreditreport.gov
- FTC.gov/bulkorder
- FTC.gov/complaint
- 1-877-FTC-HELP
Managing Your Student Loans

Basic Understanding of the Repayment Process

Kevin Roberts | April 28, 2015
Your Financial Aid History

What types of financial aid have you received?

• Grants
• Work-study
• Scholarships
• Merit Awards
• Student Loans
• Parent Loans
Your Loan History

The National Student Loan Data System (NSLDS):  
- Is a centralized national database  
- Stores information on federal grants and loans (no private student loans)  
- Shows how much aid you've received  
- Displays your current enrollment status

Access NSLDS using your Federal Student Aid PIN at www.nslds.ed.gov
NSLDS: Home Page

NSLDS STUDENT ACCESS
National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education’s (ED’s) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

Financial Aid Review
Exit Counseling
Your Loan Servicer

- Collects payments on a loan
- Responds to customer service inquiries
- Performs other administrative tasks associated with maintaining a loan on behalf of a lender

If you're unsure of who your federal student loan servicer is, you can look it up on www.nslds.ed.gov
Current Federal Student Loan Types

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct Consolidation Loans
- Federal Student Loans
- Perkins Loans
- Direct PLUS Loans for Parents
- Direct PLUS Loans for Grad. or Professional Students
Interest – Simple Daily Interest

• The “simple” in “simple daily interest” means that interest does not compound unless there is a specific reason for it to do so
• The “daily” in “simply daily interest” means that interest accrues every day

• Let’s walk through the calculation to determine how much interest accrues in one day on a $10,000 loan with an interest rate of 4.66%

\[
\text{(Interest Rate ÷ Days in Year)} \times \text{Outstanding Principal Balance}
\]

\[
\left(\frac{0.0466}{365}\right) \times 10,000 = 1.27
\]
How Payments are Applied

First payment on:
- $10,000 loan
- Interest rate: 4.66%
- Monthly payment amount: $104.41

Fees $0
Interest $38.83
Principal $65.58
Repayment Plans – FFEL and DL

- Traditional plans:
  - 10-Year Standard
  - Extended
  - Graduated
  - Extended Graduated
  - Consolidation Standard
  - Consolidation Graduated

- Income-driven plans:
  - Income-Based Repayment (IBR)
  - IBR for New Borrowers
  - Income-Contingent
  - Pay As You Earn
Consolidation: www.StudentLoans.gov

**In-School**

- Stafford
- Perkins
- PLUS

**Components**

- Direct Sub. Consol.
- Direct Unsub. Consol.

**End Result**

- Interest rate is weighted average of consolidated loans
- Interest rate is rounded to nearest higher 1/8 of 1%
- No interest rate cap
Repayment Plan Summary

John Smith has $35,000 in Direct Loan debt at an interest rate of 4.66%. His income is $30,000, he is single, and he lives in Indiana. His income increases at a rate of 5% per year.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Initial Payment</th>
<th>Final Payment</th>
<th>Total Paid</th>
<th>Total Paid in Interest</th>
<th>Total Time in Repayment</th>
<th>Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Year Standard</td>
<td>$366</td>
<td>$366</td>
<td>$43,934</td>
<td>$8,934</td>
<td>10 years</td>
<td>-</td>
</tr>
<tr>
<td>Graduated</td>
<td>$206</td>
<td>$619</td>
<td>$46,212</td>
<td>$11,212</td>
<td>10 years</td>
<td>-</td>
</tr>
<tr>
<td>Extended</td>
<td>$199</td>
<td>$199</td>
<td>$59,561</td>
<td>$24,561</td>
<td>25 years</td>
<td>-</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>$137</td>
<td>$332</td>
<td>$65,102</td>
<td>$30,102</td>
<td>25 years</td>
<td>-</td>
</tr>
<tr>
<td>Income-Based</td>
<td>$154</td>
<td>$366</td>
<td>$52,840</td>
<td>$17,840</td>
<td>16 years</td>
<td>$0</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>$103</td>
<td>$366</td>
<td>$54,328</td>
<td>$27,364</td>
<td>20 years</td>
<td>$8,037</td>
</tr>
<tr>
<td>Pay As You Earn</td>
<td>$104</td>
<td>$366</td>
<td>$54,328</td>
<td>$27,364</td>
<td>20 years</td>
<td>$8,037</td>
</tr>
<tr>
<td>Income-Contingent</td>
<td>$236</td>
<td>$287</td>
<td>$50,457</td>
<td>$15,457</td>
<td>16 years</td>
<td>$0</td>
</tr>
</tbody>
</table>
Sign up for IBR, Pay As You Earn or ICR at StudentLoans.gov!
Estimate your student loan payments

Available at StudentLoans.gov.
StudentLoans.gov

Click on the right-hand side: “Complete IBR / Pay As You Earn / ICR Repayment Plan Request”
## Deferment & Forbearance Reasons

### Deferment
- Unemployment
- Economic hardship
- Graduate fellowship
- Rehabilitation training program
- Military
- In-school

### Forbearance
- Medical/dental internship residency
- Student loan debt burden
- AmeriCorps
- Teacher Loan Forgiveness
- DOD Student Loan Repayment Program
- National Guard
- Medical/other acceptable reasons
Discharge, Forgiveness, Cancellation

- **Death (DL, FFEL, Perkins)**
- **Disability (DL, FFEL, Perkins)**
- **Public Service (DL)**
- **Teaching (DL, FFEL, Perkins)**
**Minds can achieve anything. We make sure they get to college.**

*At Federal Student Aid, we make it easier to get money for higher education.*

<table>
<thead>
<tr>
<th>HOW DO I PREPARE FOR COLLEGE?</th>
<th>WHAT TYPES OF AID CAN I GET?</th>
<th>DO I QUALIFY FOR AID?</th>
<th>HOW DO I APPLY FOR AID?</th>
<th>HOW DO I MANAGE MY LOANS?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learn about exploring careers, choosing and applying to schools, and taking required tests. Use checklists to help get ready.</td>
<td>Read about the types of financial aid available from the government and other sources: grants, scholarships, loans, and work-study.</td>
<td>Most people are eligible for financial aid. Find out who gets aid, how to stay eligible, and how to get eligibility back if you've lost it.</td>
<td>Learn how to submit your Free Application for Federal Student Aid (FAFSA®), how aid is calculated, and how you'll get your aid.</td>
<td>Choose a repayment plan, pay on time, avoid default, and get help with problems.</td>
</tr>
</tbody>
</table>
Additional Resources - StudentAid.gov
(“Repay Your Loans” menu options)
Federal Student Aid Information Center

The Federal Student Aid Information Center (FSAIC) operates a toll-free hotline to provide comprehensive assistance in English, as well as Spanish on:

- General information about federal student aid (Title IV programs);
- The FAFSA application (paper and online);
- FAFSA corrections;
- Student loan history

- 1-800-4-FED-AID (1-800-433-3243)
- www.StudentAid.gov
- www.fafsa.gov

Hours:
Monday through Friday
8:00a.m. – 10:00p.m. ET
*Extended hours may be available*
Get Financially Fit Early in Your Career

- U.S. Department of Labor
  Employee Benefits Security Administration
    - dol.gov/ebsa
    - savingmatters.dol.gov

- Federal Trade Commission
  Division of Consumer & Business Education
    - consumer.ftc.gov

- U.S. Department of Education
  Office of Federal Student Aid
    - studentaid.gov