

**CALSTRS**  
HOW WILL YOU SPEND YOUR FUTURE?

## Save for Your Future

Budgeting basics, savings and investing, credit and debt





## **CalSTRS Financial Awareness Series**

### **Save for Your Future**

Budgeting basics, savings and investing, credit and debt

### **Plan for Your Future**

Retirement lifestyle, expenses, income, obstacles

### **Protect Your Future**

Retirement distributions, maximizing and protecting income



## Please note

**In today's session, your CalSTRS benefits specialist will guide you through the basics of financial literacy and retirement planning.**

**All specialists have CalSTRS benefits knowledge and are your resources. We are committed to CalSTRS' mission: Securing the financial future and sustaining the trust of California's educators.**

**CalSTRS benefits specialists are not financial advisers, so they cannot advise, recommend or in any way influence your financial decisions. In addition, the information provided in this workbook is not intended to be financial advice and so should not be considered financial advice.**



# Save for Your Future



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# Budgeting basics





# Evaluating Evelyn's budget

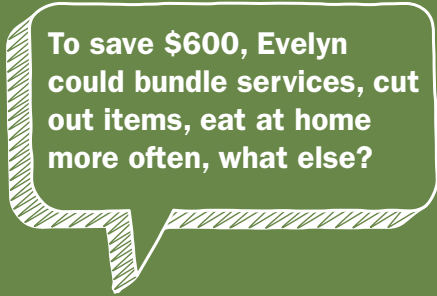
Do you know where your money goes each month?

Let's start with Evelyn's budget and then move on to yours.

Evelyn earns \$3,000 a month after taxes and has about \$3,200 in monthly expenses. She knows that until she balances her budget, she'll continue to rack up credit card debt or fall behind on her bills. She's also not saving for retirement and would like to find a way to do so. If she could reduce her expenses by \$600 a month, Evelyn would like to use that money to pay down her debt and start saving for retirement.

Below is a breakdown of Evelyn's monthly expenses. Help her decide where she can trim her monthly budget by \$600. Keep in mind she would like to keep some discretionary items.

Monthly expenses	Monthly cost	Budget savings
Rent	\$905	
Utilities	\$100	
Cable TV	\$100	
Internet	\$75	
Home phone	\$50	
Cell phone	\$90	
Car insurance	\$125	
Credit card payments (minimum)	\$300	
Groceries/household items	\$350	
Medication	\$50	
Gas	\$250	
Newspaper subscription	\$25	
Coffee shop	\$150	
Netflix subscription	\$15	
Gym membership	\$65	
Hair salon/day spa	\$150	
Restaurants	\$400	
<b>Totals</b>	<b>\$3,200</b>	<b>\$600</b>



To save \$600, Evelyn could bundle services, cut out items, eat at home more often, what else?

# Monthly budget worksheets

Do you know where your money goes every month? To manage your money wisely, you need to first understand your expenses—the ones you have every month and the ones you can expect throughout the year.

Start by looking at your income and tracking your spending. Write down your estimated costs, then compare them to your actual spending. Next, determine if your expenses are a Must-Have or a Want.



Review your budget each month. Are you falling short?  
Do you need to spend less or earn more?

Income	Actual
Monthly pay (after taxes)	\$3,967
Alimony or child support	
Interest income	
Other income: part-time job	\$420
Other income:	
<b>Total monthly income</b>	<b>\$4,387</b>

Budget for the month of:

October

Expenses	Estimate	Actual	Difference	Must-Have or Want?
<b>Home</b>				
Mortgage/rent	\$895	\$895	\$0	Must-Have
Second mortgage				
Property taxes				
Homeowner's insurance				
Association dues				
Repair/maintenance				
Other				
<b>Total home expenses</b>	<b>\$895</b>	<b>\$895</b>	<b>\$0</b>	<b>N/A</b>
<b>Utilities</b>				
Electric	\$35	\$45	-\$10	Must-Have
Gas	\$15	\$15	\$0	Must-Have
Water/sewer				
Phone (landline)				
Phone (cell/family plan)	\$75	\$82	-\$7	Must-Have
Other				
<b>Total utilities expenses</b>	<b>\$125</b>	<b>\$142</b>	<b>-\$17</b>	<b>N/A</b>
<b>Food and household items</b>				
Groceries and household items	\$400	\$386	\$14	Must-Have
Eating out (meals, snacks, coffee)	\$500	\$587	-\$87	Want
Other				
<b>Total food and household expenses</b>	<b>\$900</b>	<b>\$973</b>	<b>-\$73</b>	<b>N/A</b>



# Monthly budget worksheets

**Expenses** Estimate Actual Difference Must-Have or Want?

## Transportation

Car payment 1	\$205	\$205	\$0	Must-Have
Car payment 2				
Gas	\$100	\$85	\$15	Must-Have
Car insurance	\$60	\$60	\$0	Must-Have
Repairs/maintenance				
Other				
<b>Total transportation expenses</b>	<b>\$365</b>	<b>\$350</b>	<b>\$15</b>	<b>N/A</b>

## Health and grooming

Health insurance	\$145	\$145	\$0	Must-Have
Prescription medication				
Gym/health club	\$40	\$40	\$0	Want
Grooming (hair, nails)				
Other				
<b>Total health and grooming expenses</b>	<b>\$185</b>	<b>\$185</b>	<b>\$0</b>	<b>N/A</b>

## Family and pets

Childcare/babysitting				
Child support				
Alimony				
Allowances				
Tuition and fees				
Pet food, supplies, veterinarian	\$50	\$38	\$12	Must-Have
Other				
<b>Total family and pet expenses</b>	<b>\$50</b>	<b>\$38</b>	<b>\$12</b>	<b>N/A</b>

## Entertainment and recreation

Cable TV, internet, streaming services	\$185	\$185	\$0	Want
Movies, concerts, other events	\$30	\$0	\$30	Want
Newspapers, magazines, books				
Clubs, sports, hobbies	\$30	\$25	\$5	Want
Vacations				
Other				
<b>Total entertainment and recreation expenses</b>	<b>\$245</b>	<b>\$210</b>	<b>\$35</b>	<b>N/A</b>

# Monthly budget worksheets

**Expenses** Estimate Actual Difference Must-Have or Want?

## Debt

Credit card 1	\$100	\$65	\$35	Want
Credit card 2	\$150	\$115	\$35	Want
Credit card 3				
Student loan 1	\$230	\$230	\$0	Must-Have
Student loan 2				
Personal loan				
Other Medical bill	\$85	\$85	\$0	Must-Have
Other				
Other				
Other				
<b>Total debt expenses</b>	\$565	\$495	\$70	N/A

## Expenses: Savings and investing

Emergency savings	\$125	\$125	\$0	N/A
Education savings				N/A
Retirement [403(b), 457(b), IRA]	\$278	\$278	\$0	N/A
Short-term goal 1 Hawaii vacation	\$143	\$143	\$0	N/A
Short-term goal 2				N/A
Short-term goal 3				N/A
Long-term goal 1 New house	\$167	\$167	\$0	N/A
Long-term goal 2				N/A
Long-term goal 3				N/A
Other CalSTRS contribution	\$500	\$500	\$0	N/A
<b>Total savings and investing expenses</b>	\$1,213	\$1,213	\$0	N/A

## Expenses: Miscellaneous

Gifts (family, friends)				
Donations (church, charities)				
Other				
<b>Total miscellaneous expenses</b>				N/A

$$\$4,387 - \$4,501 = \$-114$$

Monthly income

Monthly expenses

Net income



If your monthly expenses exceed your monthly income, look for ways to cut back on your expenses. If your Must-Haves exceed your monthly income, you'll need to find ways to supplement your income with part-time work or other resources. Consider cutting back or cutting out items you list as Wants.

# Your monthly budget worksheets

Use these worksheets to track your household income and expenses for one month. For each expense, jot down what you estimate you spend in the Estimate column, then write down what you actually spent in the Actual column. Next, calculate the difference between your estimated and actual expenses in the Difference column. Finally, determine if the expense is a Must-Have or Want.

On the final page, calculate your net income by subtracting your monthly expenses from your monthly income.



Make sure you cover all expenses. You may find some of your expenses vary from month to month, so you may want to track your spending for three months.

Income	Actual
Monthly pay (after taxes)	
Alimony or child support	
Interest income	
Other	
Other	
<b>Total monthly income</b>	

Budget for the month of

Expenses	Estimate	Actual	Difference	Must-Have or Want?
<b>Home</b>				
Mortgage/rent				
Second mortgage				
Property taxes				
Homeowner's insurance				
Association dues				
Repair/maintenance				
Other				
<b>Total home expenses</b>				
<b>Utilities</b>				
Electric				
Gas				
Water/sewer				
Phone (landline)				
Phone (cell/family plan)				
Other				
<b>Total utilities expenses</b>				
<b>Food and household items</b>				
Groceries and household items				
Eating out (meals, snacks, coffee)				
Other				
<b>Total food and household expenses</b>				

# Your monthly budget worksheets

**Expenses**                                      Estimate      Actual      Difference      Must-Have or Want?

## Transportation

Car payment 1				
Car payment 2				
Gas				
Car insurance				
Repairs/maintenance				
Other				
<b>Total transportation expenses</b>				

## Health and grooming

Health insurance				
Prescription medication				
Gym/health club				
Grooming (hair, nails)				
Other				
<b>Total health and grooming expenses</b>				

## Family and pets

Childcare/babysitting				
Child support				
Alimony				
Allowances				
Tuition and fees				
Pet food, supplies, veterinarian				
Other				
<b>Total family and pet expenses</b>				

## Entertainment and recreation

Cable TV, internet, streaming services				
Movies, concerts, other events				
Newspapers, magazines, books				
Clubs, sports, hobbies				
Vacations				
Other				
<b>Total entertainment and recreation expenses</b>				

# Your monthly budget worksheets

Expenses	Estimate	Actual	Difference	Must-Have or Want?
<b>Debt</b>				
Credit card 1				
Credit card 2				
Credit card 3				
Student loan 1				
Student loan 2				
Personal loan				
Other				
Other				
Other				
Other				
<b>Total debt expenses</b>				
<b>Expenses: Savings and investing</b>				
Emergency savings				
Education savings				
Retirement [403(b), 457(b), IRA]				
Short-term goal 1				
Short-term goal 2				
Short-term goal 3				
Long-term goal 1				
Long-term goal 2				
Long-term goal 3				
Other				
<b>Total savings and investing expenses</b>				
<b>Expenses: Miscellaneous</b>				
Gifts (family, friends)				
Donations (church, charities)				
Other				
<b>Total miscellaneous expenses</b>				N/A

Now that you have a completed budget, you have a realistic idea of your monthly income and expenses. To figure out your net income, simply subtract your monthly expenses from your monthly income.

$$\text{—} \quad \text{=}$$

Monthly income

Monthly expenses

Net income



If your monthly expenses exceed your monthly income, look for ways to cut back on your expenses. If your Must-Haves exceed your monthly income, you'll need to find ways to supplement your income with part-time work or other resources. Consider cutting back or cutting out items you list as Wants.



# Saving and investing









# Five simple questions to ask before investing

Whether you're opening an account to invest for the long-term or save for the short-term, it's important to make sure the opportunity is right for you. Fill in the blanks.

## 1. What is my \_\_\_\_\_?

All investments have risk. It's important you understand your **tolerance for risk** before you invest. If you have a low tolerance for risk, you may want to choose a conservative strategy that relies mostly on fixed investments, such as bonds and bond funds. If you have a higher risk tolerance, you may want to consider more aggressive investments, such as stocks and stock funds. Keep in mind that even bonds and other conservative investments can lose value. Before you invest, know your risk profile—your colleague's investment strategy may not be the best one for you.

## 2. What is my \_\_\_\_\_?

When it comes to investing, we all have a **timeline**. Your timeline is made up of the years that represent your financial life. Most of your timeline will be spent saving and growing money. The last part of your timeline will be spent withdrawing and living off that money. Regardless of where you are on your timeline, it's important to know when you will move from accumulation to withdrawal—and if you're on track to meet your goals.

## 3. Do I \_\_\_\_\_ it?

If you don't **understand** how an investment works, you probably should not invest in it. Without understanding an investment, you can't properly assess whether it matches your overall financial goals, risk tolerance and timeline. Investing does not have to be complicated. Take the time to find the investment that best meets your needs.

## 4. What are the \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_?

All fees and expenses should be transparent. If they are not, be wary of what's being offered and who is offering it. Returns are never guaranteed, but **fees, expenses** and **commissions** are. Investments should come with a prospectus or some other document that breaks down the costs of the products being offered. If you're working with a financial professional, be sure to ask ahead of time how they get paid: a commission on the investments you buy or a percentage of the value of the assets your professional manages for you, an hourly fee, a fixed fee, or all of these.

Compare fees and costs for 403(b) plans in California online at **403bCompare.com**. Financial professionals who offer or sell investments in California are required to register with the California Department of Corporations, and may be required to register with the Securities and Exchange Commission, or FINRA, the Financial Industry Regulatory Authority.

## 5. How easily can I \_\_\_\_\_?

Be sure you know your options if you change your mind and decide to **pull your money out of an investment**, or if you need your money for an emergency. For example, some 403(b) annuity investments require you to remain invested over a set period of time and charge hefty penalties if you pull your money out early.



Penalties that make it difficult to get out of an investment should make you think twice before getting in.

# Five simple questions to ask about CalSTRS Pension2

**Pension2 is CalSTRS' voluntary defined contribution plan. Pension2 offers the opportunity to invest in low cost, flexible 403(b), 457(b), Roth 403(b) and Roth 457(b) plans through tax-advantaged payroll deductions for additional retirement savings.**

## **1 What is my risk tolerance?**

Do you know your risk profile? If you don't know your tolerance for risk, Pension2 can help you determine your risk tolerance. Pension2 participants have access to a variety of tools and can discuss risk with a Pension2 financial adviser for free—no additional costs or commissions.

## **2 What is my timeline or time horizon?**

Your CalSTRS retirement benefit is the foundation of your income in retirement. Interested in an estimate of your CalSTRS retirement benefit? Go online to [CalSTRS.com/calculators](https://CalSTRS.com/calculators) or call CalSTRS at 800-228-5453. Keep in mind that only CalSTRS can give you an accurate estimate of what you can expect to receive in retirement.

Our Pension2 team can help you understand how a 403(b) or 457(b) account can supplement your CalSTRS retirement benefit. Pension2 will work with you to help you determine your timeline and risk tolerance, and then help you choose one of Pension2's Easy Choice Portfolios or create a custom portfolio at no additional cost or commissions.

With the Easy Choice Portfolios, you invest all of your contributions into the one portfolio that most closely matches your expected retirement date and your risk profile. The one-choice convenience and simplicity is designed for hands-off investors.

## **3 Do I understand it?**

We understand investing can be confusing. If education and knowledge are what you're seeking, then we're happy to teach and advise. If you'd prefer to contribute and not worry about the investing part, we'll take care of the investing for you at no additional cost or commissions. The Pension 2 Easy Choice Portfolios are designed for those participants who would prefer to have CalSTRS manage their 403(b) and 457(b) investments for them.

## **4 What are the fees, expenses and commissions?**

Pension2 is transparent when it comes to fees, expenses and commissions. The only fee you'll pay is our annual administrative fee of 0.25%. That equates to a fee of \$25 for every \$10,000 you have in your account balance. Pension2 does not have any other fees or expenses—you'll pay no commissions and no surrender fees. That means every dollar you contribute is invested.

## **5 How easily can I get out of it?**

If you decide to leave your Pension2 plan, you won't be charged a fee to pull out your funds. There are also no restrictions on how and when you can access your funds in retirement except for the federal required minimum distributions once you reach age 72.



# CalSTRS Pension2 403(b) and 457(b) plans



## Pension2.com

Learn more about program highlights, investment funds, low costs and more.

Call us today to learn more, or enroll by phone.

Toll free 888-394-2060



See the Pension2 ebook at [Pension2.com](http://Pension2.com).

## 403bCompare.com

With 403bCompare's online tools, you can compare the 403(b) products your district offers side by side, including costs, services and performance, to find the 403(b) that best matches your needs.

Investing involves risk, including the risk of loss of principal.

CALSTRS

**pension2**  
personal wealth plan

## Your future starts now

### Put the power of a tax-advantaged 403(b), 457(b), Roth 403(b) or Roth 457(b) account to work for you!

The median CalSTRS retirement benefit replaces 50% to 60% of a member's salary. You'll need to close any gap between your retirement income goal and your CalSTRS retirement benefit with savings and investments.

With Pension2, you'll belong to a plan with:

- **Simple, low-cost and transparent fees**—there are no commissions, no load fees and no surrender charges.
- **Easy payroll deductions**
- **Investments for everyone**—Pension2 offers choices that match every type of investor, including:
  - » **Easy Choice Portfolios** that provide ready-made diversified portfolios to simplify your investment decisions.
  - » **Core investment options** to build your own portfolio.
  - » **Self-Directed Brokerage Account** that gives you access to hundreds of mutual funds.
- **Services and a team to help you succeed**—you can manage your account 24/7 online or use the automated toll-free phone line. Online tools can help you plan and make decisions. Experienced retirement specialists can help you define and pursue goals in retirement.

It's your future. Choose **Pension2**<sup>TM</sup>.

## Why start now?

### It's smart

**Power of time and money.** With compounding, you earn interest on your total balance—your original contribution plus all interest earned and any additional contributions.

**Tax advantages.** When you contribute to your 403(b) or 457(b) account directly out of your paycheck, you defer taxes on the money you invest each month. Your earnings grow tax-deferred, and your monthly taxable income is lower. With a Roth 403(b) or Roth 457(b), you invest after-tax dollars, and your contributions and earnings are tax-free at retirement when you withdraw funds.

**More time to take risks.** The earlier you start, the longer you'll have to weather financial downturns and reap the benefits of strong economic times.

### It's easy

Three steps to opening your Pension2 account:

- 1 **Enroll online at Pension2.com or call 888-394-2060.**
- 2 **Determine how much you want to invest.**
- 3 **Fill out your district's salary reduction agreement form,** available from your payroll office or online at [403bCompare.com](http://403bCompare.com) (select Find Employer, then look for the link on your district's page).

To increase your contribution, simply complete another salary reduction agreement form with your new contribution amount.

## How a 403(b) or 457(b) can work for you

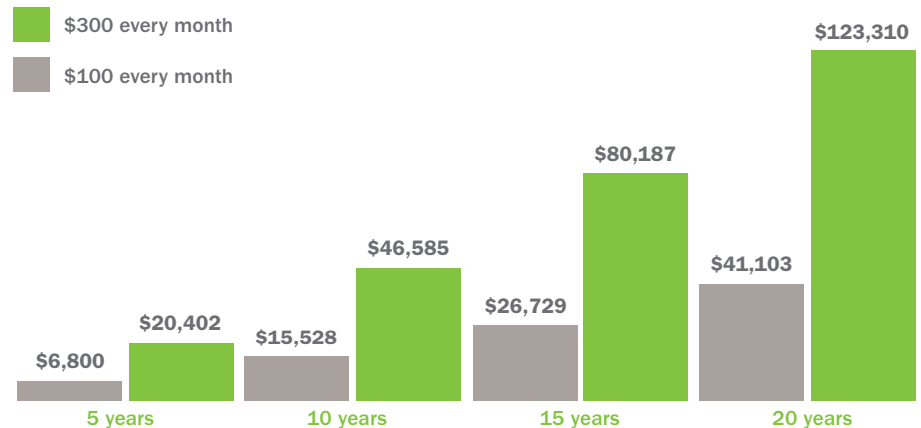
A monthly contribution of \$50 to your tax-deferred account may reduce your paycheck by only \$32.

Monthly contribution	Reduces your take-home pay by
\$50	\$32
100	63
150	95
200	126
250	142
300	173
400	252
500	315

## A little now can really add up later

Let's say you contribute \$100 a month to your account directly from your paycheck. If your account averages a 5% rate of return annually, after 20 years you could have \$41,103. If you increase your monthly contribution to \$300 a month, your savings could grow to \$123,310.

**+ An added benefit of tax-deferred contributions: Your \$300 investment may reduce your paycheck by only \$173.**



These hypothetical illustrations assume a combined 37% state and federal tax rate. They are not meant to represent the performance of any investment product and should not be used to predict investment performance. Any taxes and expenses associated with an actual investment are not reflected. While taxes are paid when funds are withdrawn, investors are often in a lower tax bracket at retirement. CalSTRS Pension2 does not guarantee any rate of return on investments. Investing involves risk, including risk of loss of principal.

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## Did you know you can start a 403(b) or 457(b) account with as little as \$25 a month?

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# Savings goals worksheet

## What are your short-term goals?

Save for a vacation, down payment on a car, wedding, child birth or adoption? Build an emergency fund or capital to start a business? Pay down credit card debt?

Short-term savings goals (within the next 5 years)	Estimated cost	Months out	Monthly amount to save (Estimated cost/Months out)
Hawaii vacation	\$ 2,000	14	\$ 143 (\$2,000/14)
Build emergency fund	\$ 3,000	24	\$ 125 (\$3,000/24)
	\$		\$
	\$		\$
	\$		\$
	\$		\$
<b>TOTAL to save:</b>			\$ 268

## What are your long-term goals?

Save for retirement or college education for your kids or grandkids? Set aside money for a down payment on a home or to start a new business?

Long-term investment goals (5+ years in the future)	Estimated cost	Months out	Monthly amount to save (Estimated cost/Months out)
House down payment	\$ 20,000	120	\$ 167 (\$20,000/120)
Retirement	\$ 100,000	360	\$ 278 (\$100,000/360)
	\$		\$
	\$		\$
	\$		\$
	\$		\$
<b>TOTAL to save:</b>			\$ 445

**Short-term and long-term GRAND TOTAL to save: \$713**

# Your savings goals worksheet

## My short-term goals

Save for a vacation, down payment on a car, wedding, child birth or adoption? Build an emergency fund or capital to start a business? Pay down credit card debt?

Short-term savings goals (within the next 5 years)	Estimated cost	Months out	Monthly amount to save (Estimated cost/Months out)
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
<b>TOTAL to save:</b>			\$

## My long-term goals

Save for retirement or college education for your kids or grandkids? Set aside money for a down payment on a home or to start a new business?

Long-term investment goals (5+ years in the future)	Estimated cost	Months out	Monthly amount to save (Estimated cost/Months out)
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
	\$		\$
<b>TOTAL to save:</b>			\$

**Short-term and long-term GRAND TOTAL to save: \$**



Make sure you transfer your savings goals over to your budget worksheet on page 13.



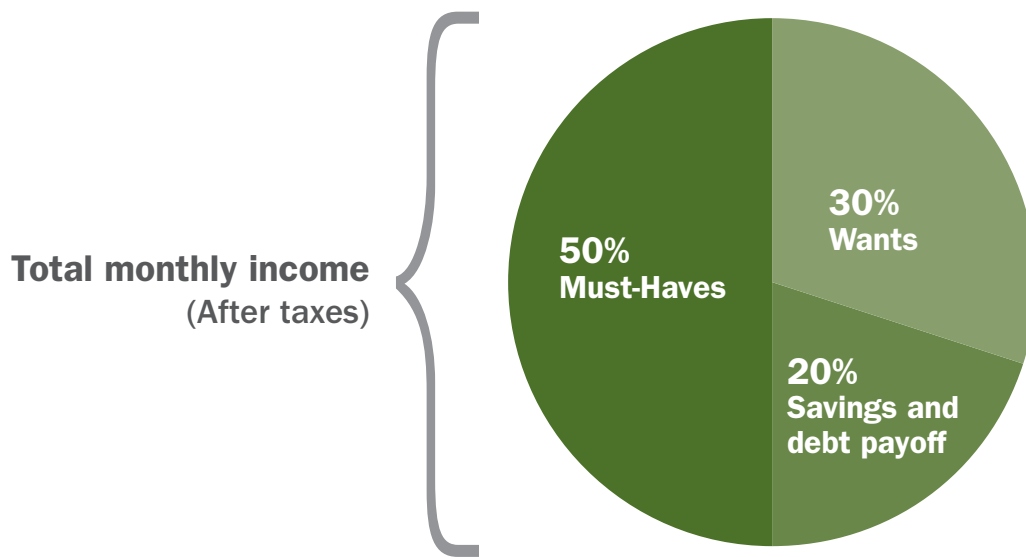
# The 50/30/20 monthly budget guide

The best kind of budget is all about moderation—one that allows you to pay your Must-Have living expenses, put some money in the bank, pay down debt, and have some left over for the fun stuff. The 50/30/20 budget lets you do just that. Not only does it help you live within your means, it also helps you figure out exactly what your means are.

Think of your total monthly income as a pie. With the 50/30/20 budget, you're dividing your monthly household income into three categories:

1. **Must-Haves**
2. **Wants**
3. **Savings and debt payoff**

With the 50/30/20 budget, 50% of your total monthly household income goes toward Must-Haves, 30% to Wants and 20% to your savings and debt payoff.



## Create your 50/30/20 budget in four easy steps:

### 1 Calculate your total monthly income

Your after-tax income is the amount you have after all taxes—local, state, federal, Medicare and Social Security—are taken out of your paycheck. If you have health insurance, retirement contributions or any other savings deducted from your paycheck, simply add them back in. You'll deduct them again when you place them in their respective category. Remember, we're looking at your total household income, so you'll need to add in your spouse or partner's income, too.

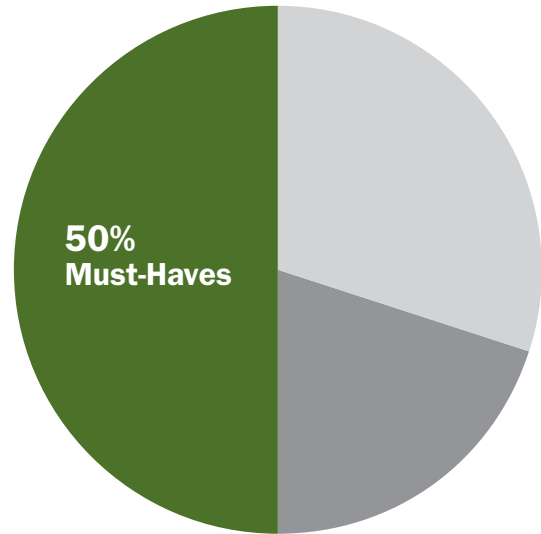
<b>Total monthly income</b>	<i>\$3,464 net income after taxes and deductions</i>
<i>\$4,387</i>	<i>\$145 health insurance</i>
	<i>\$500 CalSTRS contribution</i>
	<i>+ \$278 403(b) contribution</i>
	<i>\$4,387</i>



## 2 Calculate your Must-Haves

A Must-Have is any payment that would severely affect your quality of life if you didn't make it. Review your budget and note how much you spend on Must-Haves, such as groceries, housing, utilities, insurance, prescription medicine and minimum credit card payments. The amount you spend on your Must-Haves should be no more than 50% of your total monthly income.

Must-Haves	Monthly amount
Rent	\$ 895
Utilities	\$ 50
Cell phone	\$ 75
Groceries/household	\$ 400
Car loan	\$ 205
Gas	\$ 100
Car insurance	\$ 60
Pet food/supplies	\$ 50
Student loans	\$ 230
Medical bill	\$ 85
Credit cards min. payment	\$ 50
Health insurance	\$ 145
	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>My total Must-Haves</b>	<b>\$ 2,345</b>
My recommended Must-Haves (50% of total monthly income)	\$ 2,193.50



**Are your total Must-Haves below or over 50% of your total monthly income?**

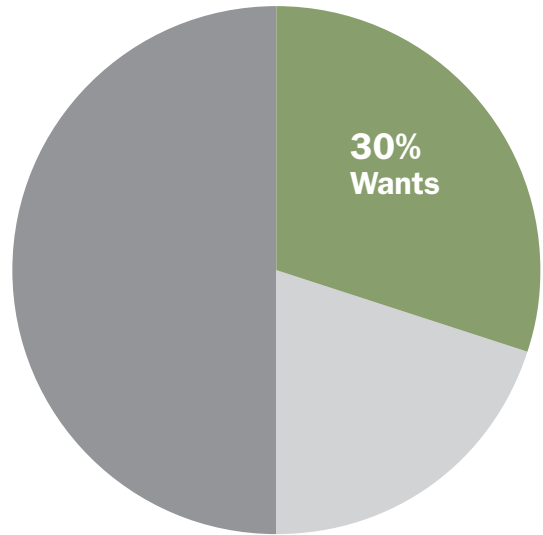


These Must-Haves are \$151.50 above the 50% benchmark.

### 3 Calculate your wants

No more than 30% of your total monthly income should go to lifestyle choices—personal, often fun choices about how you spend your discretionary income. Your Wants may include cable, internet and phone plans, charitable giving, entertainment, gym, hobbies, pets, personal care, restaurants, bars and shopping.

Wants	Monthly amount
Eating out	\$ 500
Gym	\$ 40
TV, internet	\$ 185
Movies, concerts	\$ 30
Sports, hobbies	\$ 30
	\$
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	\$
<b>My total Wants</b>	<b>\$ 785</b>
Recommended Wants (30% of total monthly income)	\$ 1,316.10



**Are your total Wants below or over 30% of your total monthly income?**

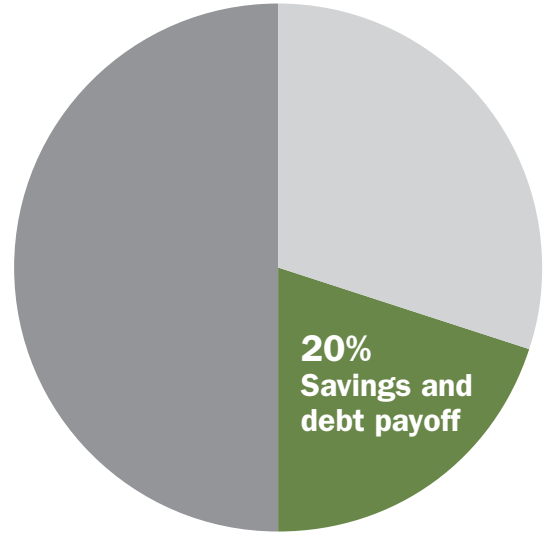


These Wants are \$531.10 below the 30% benchmark.

#### 4 Spend at least 20% on savings and debt repayments

The 20% that is left over goes to you for your retirement savings, regular savings account, emergency fund or debt repayment. For debt repayments, the minimum payment is considered a Must-Have. Any payment you make above the minimum falls into this category. List all savings and debt repayment items below to see if you're above or below 20%.

Savings/Debt payoff	Monthly amount
Credit cards above minimum	\$ 200
Emergency saving	\$ 125
Vacation	\$ 143
New house	\$ 167
CalSTRS contribution	\$ 500
Pension <sup>2</sup> 403(b)	\$ 278
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>My savings and debt payoff</b>	<b>\$ 1,413</b>
Recommended savings and debt payoff (20% of total monthly income)	\$ 877.40



Is your total savings and debt payoff below or over 20% of your total monthly income?

↑ The total savings and debt payoff is \$535.60 above the 20% benchmark.



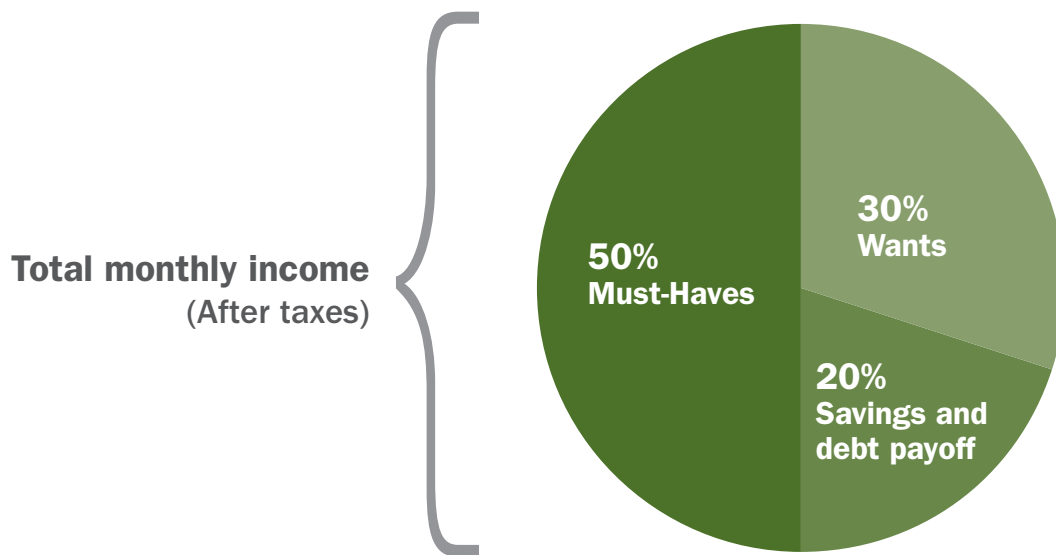
# Your 50/30/20 monthly budget guide

The best kind of budget is all about moderation—one that allows you to pay your Must-Have living expenses, put some money in the bank, pay down debt, and have some left over for the fun stuff. The 50/30/20 budget lets you to do just that. Not only does it help you live within your means, it also helps you figure out exactly what your means are.

Think of your total monthly income as a pie. With the 50/30/20 budget, you're basically cutting your monthly household income into three pieces:

1. **Must-Haves**
2. **Wants**
3. **Savings and debt payoff**

With the 50/30/20 budget, 50% of your total monthly household income goes toward Must-Haves, 30% for Wants and 20% into your savings and debt payoff.



## Create your 50/30/20 budget in four easy steps:

### 1 Calculate your total monthly income

Your after-tax income is the amount you have after all taxes—local, state, federal, Medicare and Social Security—are taken out of your paycheck. If you have health insurance, retirement contributions or any other savings deducted from your paycheck, simply add them back in. You'll deduct them again when placing them in their respective category. Remember, we're looking at your total household income, so you'll need to add in your spouse or partner's income too.

**If you already completed the "Your monthly budget worksheets," transfer your monthly income below.**

**Total monthly income**

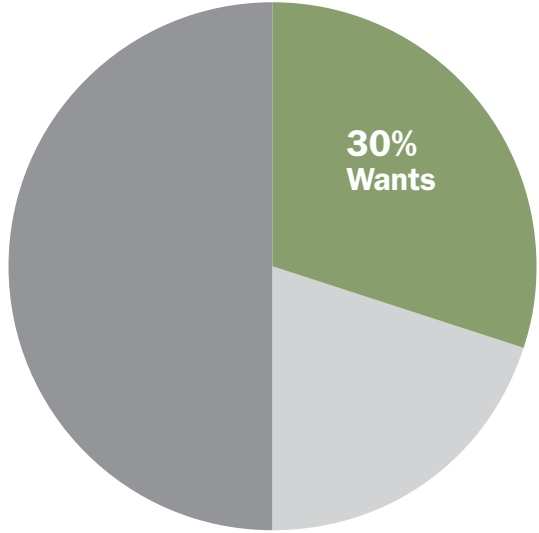


### 3 Calculate your Wants

No more than 30% of your total monthly income should go to lifestyle choices—personal, often fun choices about how you spend your discretionary income. Your Wants may include cable, Internet and phone plans, charitable giving, entertainment, gym, hobbies, pets, personal care, restaurants, bars and shopping.

**If you already completed the “Your monthly budget worksheets,” list the items you marked as Wants below.**

Wants	Monthly amount
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>My total Wants</b>	\$
My recommended Wants (30% of total monthly income)	\$



Are your total Wants below or over 30% of your total monthly income?







# Building and keeping good credit





# The truth about credit and debt quiz



**1. A credit report is the same as your credit score.**

True or False?

**2. The biggest factor in your credit score is:**

- a. Whether you pay your bills on time.
- b. How much debt you have.
- c. How long you've had credit.

**3. You're shopping for a mortgage and several lenders make inquiries for your credit report within a month of each other. This puts your credit score at risk.**

True or False?

**4. To keep your credit score high, you should keep old credit accounts active because:**

- a. You may need the money someday.
- b. The higher your total credit limit, the higher your score.
- c. The length of your credit history affects your score.

**5. No credit is the same as bad credit.**

True or False?



# The truth about credit and debt quiz



## ANSWERS

### 1. False.

A credit score is the numerical value calculated from information in your credit report that lenders and landlords use to assess your credit risk at that time. Credit reporting companies calculate scores in many different ways, but all take into account your payment history, amounts owed and credit history length.

A credit report is a summary of your financial history of paying debts and other bills. Credit reports also contain identifying information, the number and types of accounts you have, payment history, collection actions, outstanding debt and any public record information. Credit reports normally do not provide a credit score. In most cases, if you want to know your credit score, you'll need to purchase it. Scores can be purchased from the three major credit bureaus.

### 2. a. Whether you pay your bills on time.

Whether you pay your bills on time accounts for 35% of your credit score. See “What’s in your credit score” on page 42 for more information.

### 3. False.

For specific types of loans—auto, mortgage and student loans—credit scoring models are designed to take shopping for a loan into account. It’s understood that most people shop around for the best rates, fees and other terms. To avoid affecting your credit score, your inquiries must be made within a short period of time, usually 14 days. Also, shop around for only one type of loan at a time; for example, shop around for only a mortgage or car loan, not both at the same time.

### 4. c. The length of your credit history affects your score.

The length of credit history accounts for 15% of your credit score. In general, a longer credit history will increase your score. See “What’s in your credit score” on page 42 to learn more.

### 5. True and False.

Although bad credit and no credit are not the same, they can be similar in limiting your ability to qualify for a credit card or loan. When you apply for a loan or credit, lenders rely on your credit history to help determine your eligibility. If you have no credit history to draw upon, most lenders probably will turn you down just like they would if you had bad credit. The paths from bad credit to good credit and from no credit to good credit are similar, but someone with no credit is likely to get good credit faster.

To improve your credit score, look into getting a secured credit card or ask a family member with good credit to add you as an authorized user on their existing credit card.

# 4 Main components of a credit report

## 01

### Public records

This section includes finance-related legal proceedings such as:

- Bankruptcy
- Tax liens
- Foreclosures
- Repossessions
- Judgments

Items in this section can have a major effect on your credit score. Although there's not much you can do about existing public records, continuing to pay all your bills on time and reducing the amount of credit you're using are good strategies for raising your credit score. On the other hand, inaccurate information in this section could be a sign of identity theft, so be sure to review this section carefully.

## 02

### Credit history

This section lists the names of your current and past creditors, associated accounts and your payment history. This section includes:

- Age of the account—when you opened it
- Type of account—credit card, store card, mortgage, auto loan, credit line
- The total amount of the loan and how much is owed (outstanding balance)
- Monthly payment amounts
- Who owns or is responsible for the account—you alone or jointly with a co-signer
- Status of the account—open, closed, inactive, paid in full

Each account also lists your payment history, including missed payments, collections, charge-offs or defaults. Review this section carefully, paying close attention to any potentially inaccurate information.

## 03

### Inquiries

Credit inquiries are occasions when your credit report has been accessed for any reason. These inquiries may be “hard” or “soft:”

- Hard inquiries are those you initiate by applying for credit. Hard inquiries may affect your score, especially if you initiate multiple requests in a short period of time.
- Soft inquiries are those typically initiated by a lender that is considering you for a preapproved marketing program. Soft inquiries also could be initiated by your current creditors conducting an annual review of your creditworthiness. Soft inquiries do not affect your credit score.

## 04

### Personal information

This section includes your:

- Name
- Social Security number
- Current and previous addresses
- Birthdate
- Driver's license number
- Telephone number
- Employer

Scan the information to make sure it's accurate.

# Sample credit report



## Online Personal Credit Report from Experian for

Experian credit report prepared for  
**JOHN Q. CONSUMER**  
 Your report number is  
**1562064065**  
 Report date:  
**04/24/2012**

1

- Index:
- [Potentially negative items](#)
  - [Accounts in good standing](#)
  - [Requests for your credit history](#)
  - [Personal information](#)
  - [Important message from Experian](#)
  - [Contact us](#)

2

### Report number:

You will need your report number to contact Experian online, by phone or by mail.

### Index:

Navigate through the sections of your credit report using these links.

Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can expedite your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

To return to your report in the near future, log on to [www.experian.com/consumer](http://www.experian.com/consumer) and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

### Potentially negative items:

Items that creditors may view less favorably. It includes the creditor's name and address, your account number (shortened for security), account status, type and terms of the account and any other information reported to Experian by the creditor. Also includes any bankruptcy, lien and judgment information obtained directly from the courts.

## Potentially Negative Items

3

### Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

#### MAIN COUNTY CLERK

**Address:** 123 MAINTOWN S  
 BUFFALO, NY 10000

**Identification Number:** 1

**Plaintiff:** ANY COMMISSIONER O.

**Status:** Civil claim paid.

**Status Details:** This item was verified and updated in Apr 2012.

**Date Filed:** 10/15/2012  
**Claim Amount:** \$200

**Date Resolved:** 03/04/2012  
**Liability Amount:** NA

**Responsibility:** INDIVIDUAL

### Status:

Indicates the current status of the account.

## Credit Items

For your protection, the last few digits of your account numbers do not display.

#### ABCD BANKS

**Address:** 100 CENTER RD  
 BUFFALO, NY 10000  
 (555) 555-5555

**Account Number:** 1000000....

**Status:** Paid/Past due 60 days.

4

**Date Opened:** 10/2012  
**Type:** Installment

**Reported Since:** 11/2012  
**Terms:** 12 Months

**Date of Status:** 04/2012  
**Monthly Payment:** \$0

**Last Reported:** 04/2012  
**Responsibility:** Individual

**Credit Limit/Original Amount:** \$523

**High Balance:** NA

**Recent Balance:** \$0 as of 04/2012

**Recent Payment:** \$0



If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at:

[www.experian.com/disputes](http://www.experian.com/disputes)

Disputing online is the fastest way to address any concern you may have about the information in your credit report.

**Account History:**  
 60 days as of 12-2012  
 30 days as of 11-2012



# Sample credit report

## MAIN COLL AGENCIES

**Address:** PO BOX 123  
ANYTOWN, PA 10000  
(555) 555-5555

**Account Number:** 0123456789

**Original Creditor:** TELEWISE CABLE COMM.

**Status:** Collection account. \$95 past due as of 4-2012.

**Date Opened:** 01/2005  
**Type:** Installment

**Reported Since:** 04/2012  
**Terms:** NA

**Date of Status:** 04/2012  
**Monthly Payment:** \$0

**Last Reported:** 04/2012  
**Responsibility:** Individual

**Credit Limit/Original Amount:** \$95

**High Balance:** NA

**Recent Balance:** \$95 as of 04/2012

**Recent Payment:** \$0

**Your statement:** ITEM DISPUTED BY CONSUMER

**Account History:**  
Collection as of 4-2012

## Accounts in Good Standing

5

### AUTOMOBILE AUTO FINANCE

**Address:** 100 MAIN ST E  
SMALLTOWN, MD 90001  
(555) 555-5555

**Account Number:** 12345678998....

**Status:** Open/Never late.

**Date Opened:** 01/2006  
**Type:** Installment

**Reported Since:** 01/2012  
**Terms:** 65 Months

**Date of Status:** 04/2012  
**Monthly Payment:** \$210

**Last Reported:** 04/2012  
**Responsibility:** Individual

**Credit Limit/Original Amount:** \$10,355

**High Balance:** NA

**Recent Balance:** \$7,994 as of 04/2012

**Recent Payment:** \$0

### MAIN

**Address:** PO BOX 1234  
FORT LAUDERDALE, FL 10009

**Account Number:** 1234567899876

**Status:** Closed/Never late.

**Date Opened:** 03/1997  
**Type:** Revolving

**Reported Since:** 03/2012  
**Terms:** 1 Months

**Date of Status:** 08/2012  
**Monthly Payment:** \$0

**Last Reported:** 08/2012  
**Responsibility:** Individual

**Credit Limit/Original Amount:** NA

**High Balance:** \$3,228

**Recent Balance:** \$0 /paid as of 08/2012

**Recent Payment:** \$0

**Your statement:**  
Account closed at consumer's request

### Accounts in good standing:

Lists accounts that have a positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be listed.

### Type:

Account type indicates whether your account is a revolving or an installment account.

# Sample credit report

## Requests for Your Credit History

7

### Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, application for insurance, mortgage or loan application, etc. Creditors may view these requests when evaluating your creditworthiness.

#### HOMESALE REALTY CO

<b>Address:</b> 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555	<b>Date of Request:</b> 07/16/2012
<b>Comments:</b> Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2014.	

#### M & T BANK

<b>Address:</b> PO BOX 100 BUFFALO NY 10000 (555) 555-5555	<b>Date of Request:</b> 02/23/2008
<b>Comments:</b> Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.	

#### WESTERN FUNDING INC

<b>Address:</b> 191 W MAIN AVE STE 100 INTOWN CA 10000 (550) 555-5555	<b>Date of Request:</b> 01/25/2008
<b>Comments:</b> Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.	

### Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation;
- Experian or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your creditworthiness.

#### MAIN BANK USA

<b>Address:</b> 1 MAIN CTR AA 11 BUFFALO NY 14203	<b>Date of Request:</b> 08/10/2012
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#### MYTOWN BANK

<b>Address:</b> PO BOX 825 MYTOWN DE 10000 (555) 555-5555	<b>Date of Request:</b> 08/05/2008
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#### INTOWN DATA CORPS

<b>Address:</b> 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555	<b>Date of Request:</b> 07/16/2008
--	---------------------------------------

### Requests for your credit history:

Also called "inquiries," requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

- Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.
- Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.



# Sample credit report

## Personal Information

8

The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Name identification number and Address identification number are how our system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

### Names:

JOHN Q CONSUMER

Name identification number: 15621

JONATHON Q CONSUMER

Name identification number: 15622

J Q CONSUMER

Name identification number: 15623

### Social Security number variations:

000000000

### Year of birth:

1959

### Spouse or co-applicant:

JANE

### Employers:

ABCDE ENGINEERING CORP

### Telephone numbers:

(555) 555 5555 Residential

Address: 123 MAIN STREET

ANYTOWN, MD 90001-9999

Address identification number:

0277741504

Type of Residence: Multifamily

Geographical Code: 0-156510-31-8840

Address: 555 SIMPLE PLACE

ANYTOWN, MD 90002-7777

Address identification number:

0170086050

Type of Residence: Single family

Geographical Code: 0-176510-33-8840

Address: 999 HIGH DRIVE APT 15B

ANYTOWN, MD 90003-5555

Address identification number:

0170129301

Type of Residence: Apartment complex

Geographical Code: 0-156510-31-8840

9

### Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

### Address information:

Your current address and previous address(es)

### Personal statement:

Any personal statement that you added to your report appears here.

Note - statements remain as part of the report for two years and display to anyone who has permission to review your report.

## Your Personal Statement

10

No general personal statements appear on your report.


## Important Message From Experian

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements included on your report at your request that contain medical information are disclosed to others.

## Contacting Us

Contact address and phone number for your area will display here.

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FICO scores range from  
**300–850**

## What's in your credit score

### How your FICO score breaks down

Most lenders use the FICO score for credit scoring, though there are others. A credit score is determined much like a school grade. While a teacher may calculate a grade based on test scores, homework and attendance, FICO uses information from your credit report to come up with your credit score. Credit scores range from 300–850. Although the exact formula for calculating a credit score is proprietary information, here's an idea of how the final score is determined:

**Payment history (35%)**—The most important piece of information any lender wants to know is whether or not you've made past credit account payments on time. The score considers how many bills were paid late, how many were sent to collection, and how recent the late payments occurred.

**Amounts owed (30%)**—Owing money doesn't mean you're a high-risk borrower. However, when you're using a high percentage of your available credit, it may indicate you're overextended financially and more likely to make late or miss payments.

**Length of credit history (15%)**—In general, a longer credit history will increase your score. However, even people who haven't been using credit long may have a high score based on other factors.

**Types of credit (10%)**—Your score will benefit if you've had a mix of credit cards, retail accounts, installment loans and mortgages.

**New credit (10%)**—Your score will take into account how many new accounts you have, how long it's been since you opened a new account, how many recent inquiries you have, and how long it's been since credit inquiries were made.

# Ways to clean up and keep good credit scores



## Pay your bills on time

This goes for all bills, not just credit cards and loans. Although certain bills don't get reported to the credit bureaus when you pay on time, they could end up on your credit report if you fall behind.

## Keep credit card balances low

Your credit card balance should be within 30% of your credit limit.

## Manage your debt

Credit card balances aren't the only accounts that influence your credit score. Loan balances and lines of credit also affect your score. The lower your debt, the easier it will be to maintain a good credit score.

## Don't close old credit cards

When you close a credit card, your credit card issuer no longer sends updates to credit bureaus. The scoring formula places less weight on inactive accounts. After a time, credit bureaus will remove that closed account history from your report. Losing that credit history will shorten your average credit age and may cause your score to drop.

## Limit your applications for new credit

Every time you apply for credit, your credit score takes a small hit. Opening a new credit account also lowers your average credit age. To maintain a good credit score, open new credit sparingly.

## Watch your credit report

Errors could end up on your credit report leading to a drop in your credit score. Identity theft and credit card fraud can also lead to inaccurate information. Check your credit report throughout the year to stay in front of any errors.

## Keep an emergency fund

Keep an emergency savings fund of three to six months' living expenses in a liquid, interest-earning account. Use this fund if you lose your job or have a big unexpected expense.

## Pay what you owe

Always pay more than the minimum—better yet, pay the full balance each month. This will reduce your finance charges.

## Be organized

Put all your bills in one place, so you don't lose or forget about them. Keep a list of due dates. If it's easier for you, make your bills due the same day each month.

## Pay attention to the payment due dates

Mail your payment at least a week before the due date or schedule online payments.

## Stay in touch with creditors

Contact lenders immediately if you fall behind on your payments. Most are willing to set up alternative payment options.

## Be choosy

Read the small print on credit offers and shop around for the best terms and rewards. A small difference in the annual percentage rate, or APR, can make a huge difference.

## Ask for a credit line increase

After you've had a credit card for a period of time, call the issuer and ask to increase your credit limit. The idea is to raise the credit limit on the card, not your debt load. Raising the limit will help keep your debt-to-credit limit ratio low if you don't take on additional debt.

## Protect yourself from identity theft

Keep your private information safe and use only trusted websites.

## Maintain job stability

A good work history helps creditors feel more comfortable because it demonstrates reliable and financial stability.

## Open a secured credit card

A secured credit card can be an excellent tool for people with poor credit to rebuild their credit score. With these cards, you pay a lump sum upfront, which is used as collateral, and receive a credit card with that amount available. All your payments are then reported to credit bureaus and reflect positively on your credit history. Note: These cards come with fees. Try to find a card with no application fee and a low annual fee.

## Reduce unwanted offers

Visit [optoutprescreen.com](http://optoutprescreen.com) or call toll free 888-5-OPTOUT (567-8688) to remove your name from preapproved credit card offers.



A long credit history can help your score. Credit scores are based on experience over time. The more experience you have with getting credit and paying bills on time, the more information creditors have to determine whether you're a good credit risk.



# Managing debt





# Good debt vs. bad debt



Sometimes it makes sense to borrow—a lot of times it doesn't.

## Good debt

✓ Creates \_\_\_\_\_  
\_\_\_\_\_

✓ Carries \_\_\_\_\_  
\_\_\_\_\_

✓ May be \_\_\_\_\_  
\_\_\_\_\_

Examples: Mortgage, student loan, business loan

## Bad debt

✓ Used to \_\_\_\_\_  
\_\_\_\_\_

✓ Carries \_\_\_\_\_  
\_\_\_\_\_

✓ Does not \_\_\_\_\_  
\_\_\_\_\_

Examples: Credit card, store credit, auto loan

## Notes

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# Six steps to managing your debt



## 01

### **Know who and how much you owe**

Before deciding on your debt pay-down strategy, create a list of who you owe and how much you owe.



## 02

### **Pay bills on time each month**

Late fees can add up, and missing payments allows credit companies to increase your interest rate.



## 03

### **Make more than the minimum payment**

Paying only the minimum payment due on credit cards could take years, even decades, to pay off your balances.



## 04

### **Create an emergency fund**

Use your emergency fund for those unexpected expenses you would normally charge on your credit card.



## 05

### **Use your monthly budget**

Sticking to your monthly budget will help you keep from incurring more debt and focus more on paying off existing debt.



## 06

### **Decide which debts to pay off first**

Highest APR? Highest annual fees? Lowest balance?







# Your debt summary worksheets

List all your debts here by category. Then prioritize them as a numeral ranking or by labeling them as high or low priority. You're prioritizing based on what debts you want to pay off first.

After categorizing your debts, use the table on the next page to list of all your debts ranked from highest priority to lowest. There is no absolute way to prioritize your debts—it's completely up to you. Regardless of your prioritization strategy, it's important you remain committed to your plan.

Lender	Balance	Payment	APR	Priority
Housing debt (all mortgages, home equity line of credit)				
Secured debt (car, boat, motorcycle, RV)				
Taxes (federal, state)				
Installment loans (personal loans, student loans)				
Medical bills				
Unsecured debt (credit cards, store credit)				
<b>Total balance</b>				
		<b>Total payments</b>		



# Resources

## Budgeting basics

### 50/30/20 budget guide

Learn more about the 50/30/20 budgeting rule of thumb, coined by Harvard bankruptcy expert Elizabeth Warren and her daughter, Amelia Warren Tyagi.

[budgeting.about.com/od/financial\\_rules/a/The-50-30-20-Rule-Of-Thumb.htm](https://budgeting.about.com/od/financial_rules/a/The-50-30-20-Rule-Of-Thumb.htm)

### 60% budget solution

The 60% budget solution was developed by Richard Jenkins and is what he believes to be a simpler way to save each month.

<https://www.thepennyhoarder.com/budgeting/simple-budget/>

### 80/20 budget

Explains the 80/20 budget, an alternative and simpler approach to the 50/30/20 budget guide.

<https://www.moneyunder30.com/80-20-rule-personal-finance>

### Budgeting 101

Credit.org's online workshop, Budgeting 101, covers budget basics, setting goals and more.

[credit.org/courses/budgeting101](https://credit.org/courses/budgeting101)

### Budget and saving advice

AARP, the American Association of Retired Persons, has a website that offers money management, budgeting and savings tips.

[aarp.org/money/budgeting-saving](https://aarp.org/money/budgeting-saving)

### Money management

Find helpful tips about jobs, money, credit and mortgages at this site sponsored by the Federal Trade Commission.

[consumer.ftc.gov](https://consumer.ftc.gov)

### Money smart—Financial education

Find computer-based education tools covering personal financial management provided by Federal Deposit Insurance Corporation.

[fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html](https://fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html)

### Practical Money Skills

Practical Money Skills, sponsored by VISA, can help you learn the essentials of personal finance, including planning a budget and saving for the future.

[practicalmoneyskills.com/personalfinance/savingspending/budgeting](https://practicalmoneyskills.com/personalfinance/savingspending/budgeting)

### Smart About Money

Smart About Money, created by the nonprofit National Endowment for Financial Education, is a great resource for managing money from early career to living in retirement.

[smartaboutmoney.org](https://smartaboutmoney.org)

## Credit and Debt

### Coping with debt

Find help—coping with debt problems.

[consumer.ftc.gov/articles/0150-coping-debt](https://consumer.ftc.gov/articles/0150-coping-debt)

### Credit reports and credit scores

Find information on money management, credit, loans and debt, scams, identity theft and more at this site sponsored by the Federal Trade Commission.

[consumer.gov/section/credit-loans-and-debt](https://consumer.gov/section/credit-loans-and-debt)

### **Credit education**

Transunion, one of the three largest U.S. credit reporting agencies, provides credit education.

[transunion.com/personal-credit/credit-education.page](https://transunion.com/personal-credit/credit-education.page)

### **Credit counseling and debtor education**

Find lists of approved credit counseling agencies and debtor education providers at this site administered by the U.S. Department of Justice.

[justice.gov/ust/eo/bapcpa/ccde](https://justice.gov/ust/eo/bapcpa/ccde)

### **Debt-snowball method**

Learn more about this type of debt reduction strategy most often applied to repaying credit cards at this Wikipedia page.

[wikipedia.org/wiki/Debt-snowball\\_method](https://wikipedia.org/wiki/Debt-snowball_method)

### **Debt stacking vs. debt snowball method**

This site compares two popular methods of paying off debt.

[budgeting.about.com/od/Debt/a/Debt-Snowball-Vs-Debt-Stacking.htm](https://budgeting.about.com/od/Debt/a/Debt-Snowball-Vs-Debt-Stacking.htm)

### **Disputing errors on credit reports**

Get information on how to dispute errors on credit reports.

[consumer.ftc.gov/articles/0151-disputing-errors-credit-reports](https://consumer.ftc.gov/articles/0151-disputing-errors-credit-reports)

### **Free annual credit reports**

Request your free annual credit report at this site directed by federal law and provided by the three major credit bureaus.

[annualcreditreport.com](https://annualcreditreport.com)

### **National Foundation for Credit Counseling**

This site, administered by the National Foundation for Credit Counseling, can help with information regarding credit, housing, bankruptcy counseling and more.

[nfcc.org](https://nfcc.org)

## **Savings and investments**

### **403bCompare.com**

This website provides free objective information about 403(b) vendors in California and their products, including fees.

[403bCompare.com/](https://403bCompare.com/)

### **Banking and your money**

Find tips for protecting your bank accounts and money at this Federal Deposit Insurance Corporation webpage.

[fdic.gov/consumers/banking](https://fdic.gov/consumers/banking)

### **Investing 101**

Here you'll find basic information for investors, including types of investments and how to choose an investment professional. You can also do a background check on a broker.

[finra.org](https://finra.org)

### **Investing basics**

Investor.gov can help you invest wisely and avoid fraud, including introduction to the markets, investing basics and researching and managing investments.

[investor.gov](https://investor.gov)

### **Investment fraud**

Learn about investment fraud and how to recognize the signs at this site sponsored by the U.S. government.

[investor.gov/protect-your-investments/fraud/how-avoid-fraud/what-you-can-do-avoid-investment-fraud](https://investor.gov/protect-your-investments/fraud/how-avoid-fraud/what-you-can-do-avoid-investment-fraud)

**Managing your money**

This site, sponsored by the Federal Trade Commission, provides information on managing money, credit, loans and debt, scams, identity theft and more.

[consumer.gov/section/managing-your-money](https://consumer.gov/section/managing-your-money)

**What is a 403(b)?**

This webpage provides information on 403(b) plans and evaluating your retirement options.

[sec.gov/investor/pubs/teacheroptions.htm](https://sec.gov/investor/pubs/teacheroptions.htm)

**What is a 457(b)?**

This IRS webpage provides information on 457(b) deferred compensation plans.

[irs.gov/retirement-plans/irc-457b-deferred-compensation-plans](https://irs.gov/retirement-plans/irc-457b-deferred-compensation-plans)

# Glossary

<b>401(k)/Roth 401(k)</b>	<p><b>401(k):</b> A retirement savings plan sponsored by an employer. It lets you save and invest some of your paycheck before taxes are taken out. You don't pay taxes on your contributions or earnings until you withdraw money from your 401(k) account.</p> <p><b>Roth 401(k):</b> An employer-sponsored investment savings account that is funded with after-tax money. After reaching age 59½, any withdrawals you make are tax-free.</p>
<b>403(b)/Roth 403(b)</b>	<p><b>403(b):</b> A 403(b) plan is a defined contribution retirement plan for employees of government and tax-exempt groups, including schools. You make contributions to your 403(b) account pre-tax from your paycheck. You don't pay taxes until you withdraw money from your account.</p> <p><b>Roth 403(b):</b> Same as above, except you fund your Roth 403(b) account with after-tax money. At retirement, your withdrawals are tax-free.</p>
<b>457(b)/Roth 457(b)</b>	<p><b>457(b):</b> A nonqualified, deferred compensation plan established by state and local governments, and tax-exempt employers. You make pre-tax contributions to your account from your paycheck. Your contributions and earnings are not taxed until you receive distributions from your account.</p> <p><b>Roth 457(b):</b> Same as above, except you fund your Roth 457(b) account with after-tax money. At retirement, your withdrawals are tax-free.</p>
<b>529 plan</b>	A college savings plan sponsored by a state or state agency. Savings can be used for tuition, books and other education-related expenses at most accredited two and four-year colleges and universities, U.S. vocational-technical schools and eligible foreign institutions.
<b>Annual percentage rate, APR</b>	The annual percentage rate, or APR, is the interest rate charged on money borrowed. It reflects the annual cost of borrowing money. APR makes it easier to compare different loans and credit cards because you can easily see which loan or credit card offers the best rate.
<b>Bankruptcy</b>	Bankruptcy is a legal status of a person or other entity that cannot repay the debts owed to creditors. In most jurisdictions, bankruptcy is imposed by a court order, often initiated by the debtor.
<b>Brokerage account</b>	An arrangement between an investor and a licensed brokerage firm that allows the investor to deposit funds with the firm and place investment orders through the brokerage, which then carries out the transaction on the investor's behalf. As the investor, you own the assets contained in your brokerage account and usually must claim any annual capital gains as income for that year.
<b>Budget</b>	A budget is a finance plan that allocates future personal income toward expenses, savings and debt repayment. Past spending and personal debt are considered when creating a personal budget.
<b>Certificate of deposit, CD</b>	A savings certificate that entitles you to receive interest. A CD has a maturity date, a specified fixed interest rate and can be issued in most any amount. CDs are generally issued by commercial banks and are insured by the FDIC, the Federal Deposit Insurance Corporation. The term of a CD generally ranges from one month to five years.
<b>Court judgment</b>	A court order to the loser of a lawsuit to pay the winner a specified sum of money.
<b>Credit</b>	A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at a future date, generally with interest. The term also refers to the borrowing capacity of an individual or company.
<b>Credit report</b>	A detailed report of your credit history prepared by a credit bureau and used by a lender to determine your creditworthiness for a loan or credit.
<b>Credit score</b>	A statistically derived numeric expression of your creditworthiness that is used by lenders to assess the likelihood that you'll repay your debt.



<b>Debt</b>	An amount of money you borrow. Many people and businesses use debt as a way to make large purchases that they could not otherwise afford. A debt arrangement gives you permission to borrow money with the conditions for repayment, usually with interest.
<b>FICO score</b>	A credit score that makes up a substantial portion of your credit report that lenders use to assess your credit risk and whether to give you a loan or credit. FICO is the acronym for the Fair Isaac Corporation, the creators of the FICO score.
<b>High-yield savings account</b>	A high-yield savings account, generally speaking, is a savings account that offers a comparatively high interest rate compared to a traditional savings account. This type of account is commonly offered by online or branchless banks.
<b>Installment loan</b>	A loan that is repaid over time with a set number of scheduled payments. Examples are car loans and home loans.
<b>Interest rate</b>	The amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, known as the annual percentage rate, or APR.
<b>IRA/Roth IRA/Rollover IRA</b>	An IRA, or Individual Retirement Account, is an account that allows you to save for retirement. <b>Traditional IRA</b> —Gives you tax advantages. Contributions you make to a traditional IRA may be fully or partially tax deductible. Generally, earnings and gains are not taxed until distributed to you. <b>Roth IRA</b> —Offers a future tax break, tax-free income in retirement. Your contributions are not tax-deductible upfront, but your distributions are tax-free. <b>Rollover IRA</b> —Often used by those who change jobs or retire and have assets accumulated in their employer-sponsored retirement plan, such as a 401(k) or 403(b).
<b>Money market account</b>	An interest-bearing account that typically pays a higher interest rate than a savings account and gives you limited check-writing ability. With a money market account, you get the benefit of both a savings and checking account. This account likely requires a higher balance than a savings account, and it is FDIC insured.
<b>Payroll deferral</b>	Payroll or salary deferral means taking some of your income and setting it aside for retirement savings or other savings. This can be automated or done manually.
<b>Prospectus</b>	A formal legal document, required by and filed with the Securities and Exchange Commission, that provides details about an investment offering for sale to the public.
<b>Savings account</b>	A deposit account held at a bank or other financial institution that provides principal security and a modest interest rate.
<b>Secured debt</b>	Debt that is backed or secured by collateral to reduce the risk associated with lending. An example would be a home loan: your house is considered collateral for the debt.
<b>Surrender charge or fee</b>	A surrender charge or surrender fee is a sales charge you must pay if you sell or withdraw money from a variable annuity during a period of time that usually lasts six to eight years after you purchase the annuity.
<b>Tax lien</b>	A legal claim by a government entity against a noncompliant taxpayer's assets. Tax liens are a last resort to force an individual or business to pay back taxes. If the taxes remain unpaid, the tax authority can then use a tax levy to legally seize the taxpayer's assets, such as bank or investment accounts or even part of a paycheck.
<b>Tax-deductible</b>	A deduction from gross income for certain expenses. Tax deductions are removed from your taxable income—adjusted gross income—and so lower your overall tax-expense liability.
<b>Treasury bills</b>	A short-term bond, a debt obligation backed by the U.S. government, with a maturity of less than one year. T-bills are sold in denominations beginning at \$1,000.
<b>Unsecured debt</b>	A loan not backed by an underlying asset. Unsecured debt includes credit card debt, medical bills, utility bills, or loans or credit that is extended without collateral.



# myCALSTRS

## Access your CalSTRS information online

myCalSTRS offers easy, secure and convenient access to your accounts and CalSTRS forms, anytime, anywhere. Register at [myCalSTRS.com](http://myCalSTRS.com). With myCalSTRS, you can:

- 1 Update your contact information.
- 2 Access your annual *Retirement Progress Report* and view information reported by your employer.
- 3 View your account balances.
- 4 Name and update your one-time death benefit recipient.
- 5 Submit and receive secure messages to and from CalSTRS representatives.
- 6 Complete and submit forms.
- 7 Link to your CalSTRS Pension2 403(b) or 457(b) account, if you have one.



Need help registering?

View the self-paced, interactive online registration guide on myCalSTRS.

You'll find help with resetting your password at [CalSTRS.com/myCalSTRS-help-videos](http://CalSTRS.com/myCalSTRS-help-videos).

## Connect with us on social media

Engage with us on your favorite social media. It's a great way to keep up on the latest CalSTRS news, share ideas and connect with other educators. Invite your colleagues to join us, too.

[CalSTRS.com/stay-connected](http://CalSTRS.com/stay-connected)



Visit **CalSTRS.com** from wherever you are.



## My action plan

To do Done

- |                          |                          |    |   |
|--------------------------|--------------------------|----|---|
| <input type="checkbox"/> | <input type="checkbox"/> | 1  | Research ways to create and monitor my budget.  |
| <input type="checkbox"/> | <input type="checkbox"/> | 2  | Build my monthly budget worksheets <a href="#">see page 11</a> .  |
| <input type="checkbox"/> | <input type="checkbox"/> | 3  | Research short-term and long-term savings and investment accounts.  |
| <input type="checkbox"/> | <input type="checkbox"/> | 4  | Complete my savings goals worksheet or create my own list of savings goals, <a href="#">see page 23</a> .                 |
| <input type="checkbox"/> | <input type="checkbox"/> | 5  | Create my 50/30/20 guide or develop my own guide, <a href="#">see page 28</a> .   |
| <input type="checkbox"/> | <input type="checkbox"/> | 6  | Request my free annual credit report.   |
| <input type="checkbox"/> | <input type="checkbox"/> | 7  | Review my credit report for errors.   |
| <input type="checkbox"/> | <input type="checkbox"/> | 8  | Correct any errors.   |
| <input type="checkbox"/> | <input type="checkbox"/> | 9  | Research ways to improve or clean up my credit score, <a href="#">see page 43</a> .                                       |
| <input type="checkbox"/> | <input type="checkbox"/> | 10 | Complete my debt summary worksheets or create my own list of debts and prioritize them, <a href="#">see pages 51–52</a> . |
| <input type="checkbox"/> | <input type="checkbox"/> | 11 | Review the Resources and Glossary for more information, <a href="#">see page 53</a> .                                     |
| <input type="checkbox"/> | <input type="checkbox"/> | 12 | Sign up for Financial Awareness Series—Plan for Your Future.  |
| <input type="checkbox"/> | <input type="checkbox"/> | 13 | Sign up for Financial Awareness Series—Protect Your Future.   |



### CalSTRS resources



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Click *Contact Us* to email  
myCalSTRS.com  
403bCompare.com  
Pension2.com



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**800-228-5453**  
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**916-414-1099**  
Calls from outside the U.S.  
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CalSTRS Pension2<sup>®</sup> personal  
wealth plan  
**855-844-2468** (toll free)  
Pension Abuse Reporting Hotline



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STAY CONNECTED



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