REAL MONEY 101

Credit | Banking | Investing | Student Loans

Make wise decisions
about your fiscal future

HESAA

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

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DAVID J. SOCOLOW
Executive Director

Dear New Jersey Student,

Earning a postsecondary education is an increasingly important element of success. By completing a high-quality postsecondary program, you will not only expand your knowledge, skills, and abilities, but also improve your chances of achieving long-term financial rewards by entering the workforce with the credentials that are valued highly by employers in today's economy.

The Higher Education Student Assistance Authority (HESAA) is committed to providing students and families with the tools and resources needed to thrive here in New Jersey – and throughout life. This booklet, Real Money 101, was designed with you in mind. You can refer to this resource throughout your educational and working career, as you choose options to pay for higher education and as you make other major financial decisions. Now is an ideal time for you to learn about credit, banking, investing, and student loans.

For more information, please call HESAA at (609) 588-3300, ext. 1403. Our team of professionals is available to support you and your family in making higher education an attainable goal.

All the best,

David J. Socolow

Executive Director

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Money Management

Good financial habits don't start after you leave school. They begin now. During school, you can develop the necessary skills that will assist you with money management throughout your life. Before we get started, answer these twelve questions to learn if you control your money, or your money controls you. Be honest with your answers, and check below to see how you score.

Debt Management Quiz

1. A couple of days after taking money out of an ATM, I have no idea where my money went.
   Yes/No

2. I only make the minimum payments on my credit cards each month.
   Yes/No

3. I often buy things on impulse, figuring "you only live once."
   Yes/No

4. I never think about reducing spending, even if I'm having problems paying my bills.
   Yes/No

5. Putting money into a savings account is something I can worry about later.
   Yes/No

6. I don't have a checking account, or if I do, I never bother to reconcile my checkbook when I get my statements.
   Yes/No

7. I'm too young to think about investing. There's time for that.
   Yes/No

8. I have never seen or requested my credit report.
   Yes/No

9. No one looks through my trash for my personal or financial information, so I never shred any documents.
   Yes/No

10. I don't have a plan to reach my financial goals.
    Yes/No

11. I don't keep a file or record of pay stubs, bank statements, receipts, ATM transactions, etc.
    Yes/No

12. When filling out a student loan application, it's always best to ask for the maximum amount available, even if I don't really need it.
    Yes/No

If you answered YES to 0-2 questions, you're on the right path to controlling your money.

If you answered YES to 3-5 questions, you need to seriously re-evaluate your spending and saving habits.

If you answered YES to 6-11 questions; STOP and TAKE A DEEP BREATH. You may need help from a credit counselor or financial planner to avoid financial disaster.

If you answered YES to all 12 questions, your need for help is urgent.

Money Management

Why Budget?

A budget is the most fundamental and effective financial management tool available.

Whether you earn thousands of dollars a year or hundreds of thousands, it's extremely important to know how much money you have to spend and where it is going.

A budget is the first and most important step toward maximizing the power of your money.

Needs, Wants and Goals

Your money should cover:

- Needs
- Wants
- Short-term goals
- Mid-term goals
- Long-term goals

Needs, essential for survival, are things you cannot live without. They also include payments that you must make. Wants are things that you can live without, but you get them because you want them. Goals are things you want in the future. Your money should cover all your needs before your wants.

The chart to the right lists samples of needs, wants and goals.

How To Budget Your Money In School And Beyond

Developing a budget will help you manage your finances and assist you in reaching your financial goals. To get started, figure out where your money goes. The first step is to keep track of all your spending for one month (ideally three months or more). Your expenses should include money you spend; money you save; money you invest; and money you give away. Write down all expenses including purchases as minor as a cup of coffee. At the end of the month you will be able to accurately assess where your money is being spent.

The next step is to figure out your income. To correspond with step one, calculate your monthly income. Don't forget to use your net income, money left after all deductions have been taken out, because this is the money you will actually have available to you.

Needs	• a place to live • utilities • basic food • basic clothes • transportation • health care
Wants	• luxury food • luxury clothes • books • entertainment • computer • hobbies • cable TV • travel
Short-Term Goals	• buy a car • new TV • new smartphone
Mid-Term Goals	• Find a career
Long-Term Goals	• buy a house • send kids to college • start account for retirement income

Money Management

Federal Taxes
FICA contributions are shared between the employee and the employer.

Federal income tax and FICA are mandatory withholdings from employee wages. However, those are not the only items deducted from your paycheck. If you pay any amount towards your employer-sponsored health insurance coverage, that will also be deducted, as well as any sort of flexible spending account to assist with medical or other expenses. Other payroll taxes for unemployment and disability insurance are also withheld from your salary.

Retirement contributions can be made either pre- or post-tax depending on your situation.

Taxpayers fall into one of seven brackets, depending on their taxable income. As taxable income rises, increasingly higher taxes are imposed. Not all income is taxable; tax deductions reduce the amount of your income that is subject to taxes.

Those in the higher tax brackets do not pay the highest rate on every dollar of their income. For instance, as shown on the below chart, a single individual with $50,000 in taxable income pays the 22% federal tax rate only on the last $10,524 of income earned in the third bracket for income above $39,476, while paying 12% of the income earned in the second bracket and 10% of the earnings in the first bracket. When the tax rates for each segment of income are combined, the total federal tax rate would be 13.7% for a single taxpayer with $50,000 in taxable income.

2019 Federal Income Tax Brackets

Marginal Tax Rate	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	0 - $9,700	0 - $19,400	0 - $13,850	$0 - $9,700
12%	$9,701 - $39,475	$19,401 - $78,950	$13,851 - $52,850	$9,701 - $39,475
22%	$39,476 - $84,200	$78,951 - $168,400	$52,851 - $84,200	$39,476 - $84,200
24%	$84,201 - $160,725	$168,401 - $321,450	$84,201 - $160,700	$84,201 - $160,725
32%	$160,726 - $204,100	$321,451 - $408,200	$160,701 - $204,100	$160,726 - $204,100
35%	$204,101 - $510,300	$408,201 - $612,350	$204,101 - $510,300	$204,101 - $306,175
37%	Over $510,300	Over $612,350	Over $510,300	Over $306,175

Money Management

New Jersey State Taxes

New Jersey has seven marginal tax brackets, ranging from 1.4% to 10.75%. They are the same, unlike the Federal income tax brackets, for single, married filing jointly and head of household.

As with the federal income tax, you don't have just one "tax bracket" – you pay New Jersey state income taxes on each portion of your income in the range for each bracket.

To view the current NJ tax brackets, go to:
www.tax-brackets.org/new jersey tax table

For sales made on and after January 1, 2018, the New Jersey sales tax rate is 6.625%. New Jersey does not charge sales tax on unprepared food, household paper products, medicine, and clothing (aside from fur).

The average effective property tax rate in New Jersey is 2.4%. To calculate the exact amount of property tax you will owe requires your property's assessed value and the property tax rates based on your property's address. For example, if your home is deemed to be worth $200,000 and your local property tax rate is 1.5%, your property taxes would be $3,000 annually (or $250 each month). Some properties, such as those owned by religious organizations or governments, are exempt from paying property taxes. Others can qualify for an exemption on part of their homes.

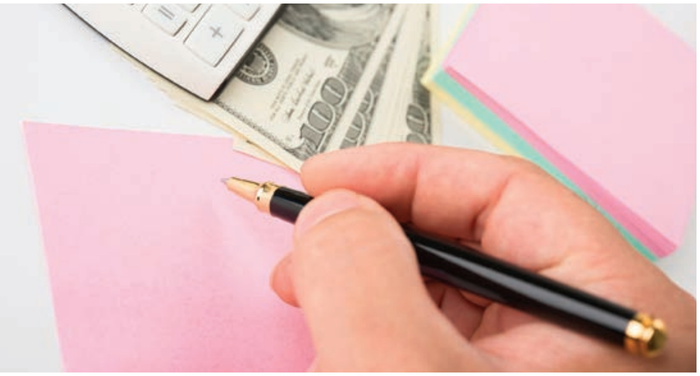
Money Management

Wages among college students can vary. The hours you work may differ from week to week, your income may include tips, or you may be paid on commission. If this is the case, the best way to evaluate your income is to figure out your average and use this number to calculate your budget.

As college students, you may have other sources of income such as:

- Financial aid refund
- Child support payments
- Public assistance
- Unemployment insurance
- Gifts or bonuses

However, these sources of income may not be issued on a monthly basis. For example, if you are a financial aid recipient, your refund normally occurs at the beginning of each semester. Due to the fact that funds from these sources may not be available on a monthly basis, resist the temptation to spend your refund all at once. Incorporate these funds into your monthly budget. The sum of all these sources, plus your wages, make up your monthly income.



Expenses can be divided into three categories.

Fixed	Expenses that do not change from month to month. • Rent/Mortgage • Insurance • Car payments • Loan payments
Variable	Expenses that change from month to month. • Groceries • Gas • Utilities*
Periodic	Expenses that do not occur every month. • Gifts • Clothing • Vacations
** Depending on how your household pays utilities (ie..payment plans), they could either be fixed, variable, or periodic.*	

Now that you have all the components of a budget, you must determine if your income exceeds your expenses or vice-versa. If your income exceeds your expenses, you can use part of your excess on wants or goals, such as reducing your debt, purchasing a special item, or building your savings.

What do you do if your expenses exceed your income?

You have two choices:
1. Reduce your spending.
2. Increase your income.

Since increasing your income while in school may not be feasible, the best alternative is to reduce your expenses. You may also want to seek professional debt management help from one of New Jersey's Licensed Consumer Credit Counseling Agencies (for more information visit www.state.nj.us/dobi).

Money Management

Budget Worksheet

My Income	
Wages	$ ____________
Public Assistance	$ ____________
Child Support/Alimony	$ ____________
Interest/Dividends	$ ____________
Social Security	$ ____________
Other	$ ____________
Total Income	$ ____________
Fixed Expenses	
Rent/Mortgage	$ ____________
Insurance	$ ____________
Car Payment	$ ____________
Car Insurance	$ ____________
Loan Payments (student loans)	$ ____________
Day Care	$ ____________
Taxes Withheld	$ ____________
Total Fixed	$ ____________
Variable Expenses	
Savings	$ ____________
Gas	$ ____________
Electricity	$ ____________
Water	$ ____________
Telephone	$ ____________
Food	$ ____________
Clothing	$ ____________
Transportation	$ ____________
Tuition	$ ____________
Miscellaneous	$ ____________
Total Variable	$ ____________
Total Income	$ ____________
Total Fixed Expenses	$ ____________
Total Variable Expenses	$ ____________

Expected Starting Salaries

To help you develop a budget, we have provided a table of expected starting salaries. Listed below are typical starting salaries for recent graduates. Please check the "Average Entry-Level Starting Salaries" to get an estimate of your first year's salary. It is important that you use net income when figuring out your budget. If you cannot find your occupation below, you can visit **www.salary.com**.

Average Level Starting Salaries as of 2018*

Occupation	Gross Salary
Accountant	$50,705.00
Computer Operator	$44,090.00
Engineer	
Civil	$67,070.00
Mechanical	$66,409.00
Chemical	$74,465.00
Nurse Practitioner	$103,995.00
Occupational Therapist	$84,698.00
Pharmacist Director	$167,790.00
Police Patrol Officer	$53,306.00
Retail Store Manager Trainee	$36,713.00
Social Worker	$55,601.00
Teacher (High School)	$58,948.00

**www.salary.com*

Money Management

Sample Budgets

Social Worker

Social Worker (gross)	$46,671
Net Monthly Income	$2,884
Taxes withheld	$706
Rent/Mortgage	-$950
Food (including lunch)	-$300
Utilities	-$150
Car Loan/Transportation	-$260
Student Loan	-$300
Miscellaneous	-$300
Total	$2,260
Monthly Surplus	$624

Occupational Therapist

Occupational Therapist (gross)	$73,064
Net Monthly Income	$4,188
Taxes withheld	$1,432
Rent/Mortgage	-$1,425
Food (including lunch)	-$325
Utilities	-$300
Car Loan/Transportation	-$500
Student Loan	-$980
Miscellaneous	-$300
Total	$3,830
Monthly Surplus	$358

Things to think about

- What should be done with the surplus or to prevent a surplus in the first budget example?

Banking Services

Banks are both a convenient and safe place to temporarily store your money until you either spend or invest it. They aren't only convenient because you can deposit or withdraw funds from your account at the corner ATM at any hour of the day or night, but with the advancement of technology you can now easily track your account online. Banks provide a safe place to store your money because, in many cases, the federal government will insure bank deposits up to $250,000. The Federal Deposit Insurance Corporation (FDIC) is the government agency responsible for insuring banks and helping to maintain a secure and efficient banking system.

Checking Accounts

Checking accounts traditionally are used to pay bills by writing a check or using a debit card. Usually, you place moneyin your checking account that you do not expect to keep for very long. There are many different types of checking accounts such as Basic Checking, Student Checking Interest Bearing, JointChecking, and Express Checking. When you want to open a checking account, it is recommened you do some research and see what local bank offers the most valuable deal that suits your needs.

Credit Unions

Anyone can belong to a credit union, just not the same one. It's about fit. Unlike banks, credit unions are organized by a common bond, whether it's where you work, worship, or live. Credit unions are owned by their members, not by stockholders.

According to the Credit Union National Association, 7,351 credit unions existed in the United States in 2011.

Benefits of joining a credit union can include:

- Free educational workshops on saving, reducing debt, investing, etc.
- Credit unions tend to have a stronger relationship with their customers
- Low or no minimum balance checking and typically free checking
- Often lower fees and higher yields

Possible downsides of a credit union:

- May or may not have less technology than banks
- Fewer branches for in-person transactions but usually have "shared" branching*
- Not all are alike so one still needs to read the fine print on all credit union products

* *Shared branching is a national network of credit unions from all over the country that share facilities to give members thousands of convenient locations to perform transactions just as if they were at their home credit union.*

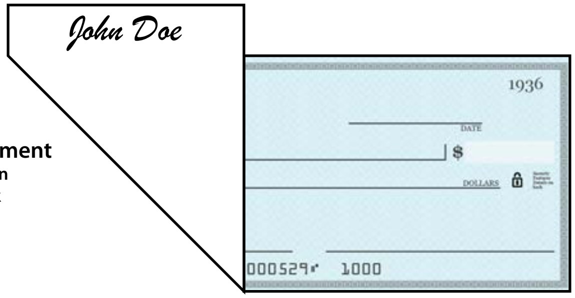
Banking Services

Comparison Chart	Credit Card	Debit Card
Where the money comes from	Being borrowed from a bank or some other financial institution	Funds taken directly from one's own bank account
Can be used as	Credit only	Credit and Debit
Line of credit	Yes	No
PIN Number	No	Yes but not always required to punch in
Interest	Yes	No
Affects credit history	Yes	No
Risk involved	Low	High, as a debit card is attached to one's bank account
Limit	Whatever credit limit is applied by credit issuer	Equal to one's account limit
Monthly bills	Yes	No

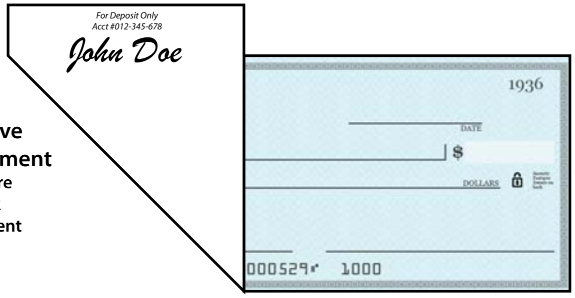
How To Cash A Check

Before cashing a check made out to you, sign your name on the back. Your signature must appear within 1-1/2 inches of the top. You can also write "For Deposit Only" and your account number above your signature. This ensures that the money goes into your bank account.

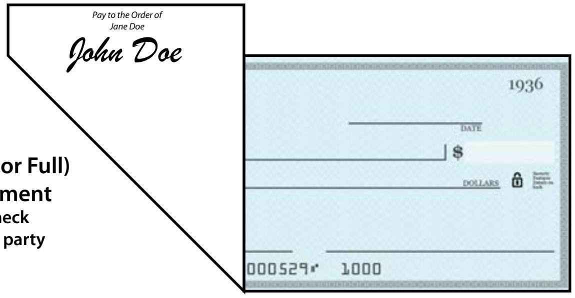
Blank Endorsement
Anyone can cash check



Restrictive Endorsement
More secure than blank endorsement



Special (or Full) Endorsement
Transfer check to another party



Banking Services

Maintaining And Reconciling A Checkbook Register (whether online or manually)

It's important to keep track of your checking account. Record all of your checks, withdrawals, charges, and deposits. However, that is only part of the responsibility of having a checking account. When you receive your bank statement, you should balance your checkbook. This ensures your records correspond with the bank's record of your account.

Online Banking

Fifty-one percent of U.S. adults, or 61% of internet users, bank online. Thirty-two percent of U.S. adults, or 35% of cell phone owners, bank using their mobile phones.

Key Considerations For Selecting An Online Bank Or Credit Union

1. Products and Services – can you invest in a certificates of deposit, Money Market funds, and other saving vehicles through an online service?

2. Customer Service – how easy is it to get questions answered?

3. Safety & Security – do you trust the online security?

4. Perks and rewards – does the bank offer these and are they redeemable or usable online?

5. Can I pay bills, view transactions, filter, view check images and pending purchases, check balances, or transfer funds between accounts?

Financial Investments

Financial Investments

Investing means putting your money where you think it will earn a profit. Before you begin investing however, you should have a sound budget and savings plan. We suggest that you consult several resources before investing such as financial magazines, newspapers, or television and radio shows on money management. Also, talk to others who have made similar investments. Obtaining information from state and federal regulatory agencies, stockbrokers, insurance agents, and financial planners is also a good idea.

Types Of Savings Accounts

	Regular Savings Accounts (Deposit Accounts)	Certificates of Deposit (CD's)	Money Market Accounts
Description	• Money can be deposited at any time. • Deposits can be made at a bank branch, or at an ATM machine. • You will get a monthly statement from the bank indicating transactions. • Sometimes online only banks will offer better interest rates.	• You may have to deposit a minimum amount depending on the financial institution. • You agree to leave the money for a certain period (from a month to 5 years).	• You may have to deposit a large amount to open the account or maintain a higher balance in order not to be charged. • The bank pays you interest based on the money market.
Pros	• Either none, or low minimum balance requirement. • Your money earns interest. • You can withdraw your money at any time. • The bank may raise your interest if rates go up. • The bank may give you free checking if you have a savings account.	• You get higher interest than with regular savings. • Your interest rate stays the same, even if rates go down. • You can use CDs to plan for future money needs.	• You get higher interest than with regular savings. • Your interest rate can go up. • You can write a few checks each month and sometimes unlimited.
Cons	• CDs and Money Market accounts pay more interest than traditional savings. • You may need to keep a minimum balance. • The bank can lower your interest if rates go down.	• Your money is tied up for a specific period. • You pay large penalties if you withdraw it early. • Your interest rate stays the same, even if rates go up.	• You may have to keep a large minimum balance. If you don't, the bank charges high fees. • Your interest rate can go down.

Financial Investments

Types Of Investments

Annuities	• Can be purchased directly from electronic payroll deduction. • Tax Deferred Annuity is a contract between you and an insurance company for a guaranteed interest-bearing policy with guaranteed income options. • Annuity pays you regularly in the future. • Most often pays off during retirement. • Often nontaxable until payments begin. • Low risk, generally high fees associated with these investments.
Mutual Funds	• Funds are a group of stocks, bonds, and other investments managed by investment experts. • Each investor buys shares in the fund. • Funds regularly pay profits to investors. • Investors can sell shares to make a profit, but may lose money if value has decreased. • Levels of risk and return vary.
Bonds	• Investor loans money to government or corporation that issues the bond. • Bonds take 5 to 20 years to mature. • Low to moderate risk.
Stocks	• Investor buys shares from a broker or from an electronic broker. • Stocks rise in value when corporation does well. Stocks may also decrease in value. • Success requires knowledge of the stock market and the business issuing the shares. • Risk varies.
Real Estate	• Investor may make money by buying property and renting it out. • Investor may make money by buying property and selling it for a profit. • Moderate to high risk.
529 Savings Plan	A 529 Plan is an education savings plan operated by a state or educational institution designed to help families prepare for future college costs. It is named after Section 529 of the Internal Revenue Code which created these types of savings plans in 1996. Nearly every state now has at least one 529 plan available. It's up to each state to decide whether it will offer a 529 plan (possibly more than one) and 529 plans can differ from state to state. Be sure to research the features and benefits of the 529 plan and compare the various state 529 plans prior to investing. For more information on NJ BEST, New Jersey's premiere 529 Savings Plan, please visit www.njbest.com
Financial Planners	• Some may charge a fee. (They present more options.) • Some work on commission. (They may try harder to sell you particular investments.)

More on Investing & Saving

College students and recent graduates face particular challenges in saving and planning for retirement. Saving early and capitalizing on years of compounding interest is key to retiring comfortably. The most important thing to remember is that you will retire someday. Younger students should be more focused on building up a cash reserve than putting money in a retirement account. This will provide them with an emergency fund, which can be used for incidental expenses or as a savings account for an eventual down payment on a home.

Social Security is another component of retirement that students should become familiar with early on. Social Security payments are based on the average of the 35 years when you have the most reported earnings. Current students can expect to claim full Social Security benefits at age 67, although partial benefits become available at age 62. Social Security, however, will not ensure a comfortable retirement by itself.

Employer–provided 401(k) plans often have the benefit of a company match, which can increase retirement funds dramatically over time. For those who don't have access to a 401(k), an individual retirement account (IRA) allows savers to take advantage of compound interest. Savers have the option of a traditional IRA, in which contributions aren't taxed until you withdraw them during retirement, or a Roth IRA, in which funds are taxed before being added to your savings, but the withdrawals are not taxed. The Roth IRA is a particularly advantageous option for young savers who are likely in a lower tax bracket than they will be upon retirement (see page 4 and 5 for more information on tax brackets).

Determining your investment approach - or in other words, discovering what type of investor you are - can help you choose the right investment mix. There are multiple factors to consider, including your time horizon, risk tolerance, and financial situation.

Investments over time: The chart on the following page depicts four different investment types. The returns on stocks can fluctuate greatly over time. Yet, historically, stocks have outperformed bonds and short-term investments and have greatly offset the effects of inflation. The longer you have to invest, the better equipped you are to ride out short-term fluctuations in the stock market, and the more aggressive your investment strategy can be. But if you're nearing retirement, you may need more of the security that bonds and short-term investments can bring.

Your risk tolerance: Before deciding on your risk tolerance level, there are two types of risk to think about: the risk that an investment will not generate the return you'd hoped for (investment risk), and the risk that inflation will eat away at the value of your savings (inflation risk). Stocks tend to involve greater investment risk and less inflation risk. Bonds and short-term investments offer less investment risk, but greater inflation risk. Ultimately, your comfort level with each type of risk will help determine which investment mix is right for you.

Financial Investments

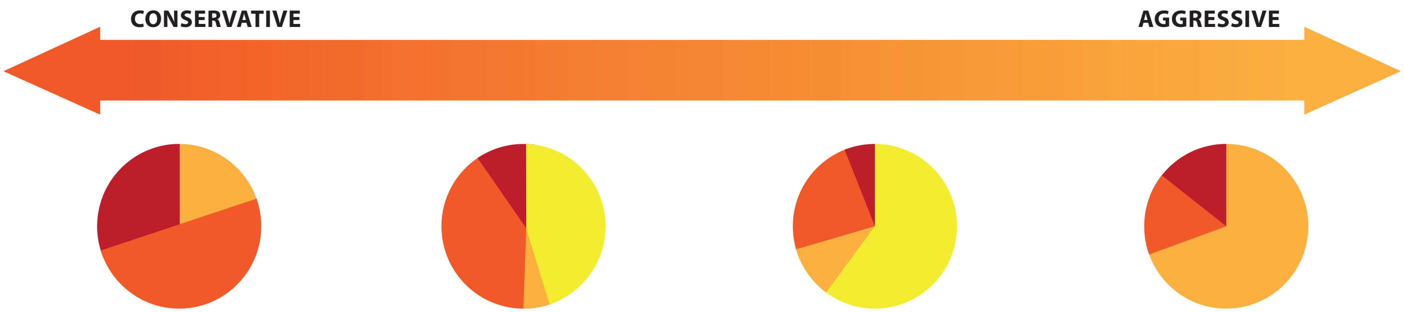
No two people are alike, which is why you need to identify your unique financial situation. Understanding both your short- and long-term financial needs will help you choose the best approach to help you meet your goals.

Where do you fit along the spectrum of investment approaches?

- Shorter time horizon
- Lower risk tolerance
- Financially unstable
- Longer time horizon
- Higher risk tolerance
- Financially stable

To sum it up, the higher your risk tolerance and the longer your time frame, the more weight you may want to give to stocks. On the other hand, the lower your risk tolerance and the shorter your time frame, the more you may want to rely on bonds and short-term investments.

This chart shows how four hypothetical investment mixes align with different approaches to investing from conservative to aggressive



Conservative Mix

- 20% domestic stocks
- 50% bonds
- 30% short-term investments

May be appropriate if you prefer steadier performance over time, with some opportunity for growth.

Balanced Mix

- 45% domestic stocks
- 5% foreign stocks
- 40% bonds
- 10% short-term investments

May be appropriate if you want some opportunity for growth, and can tolerate some up and down movement in your portfolio's value.

Growth Mix

- 60% domestic stocks
- 10% foreign stocks
- 25% bonds
- 5% short-term investments

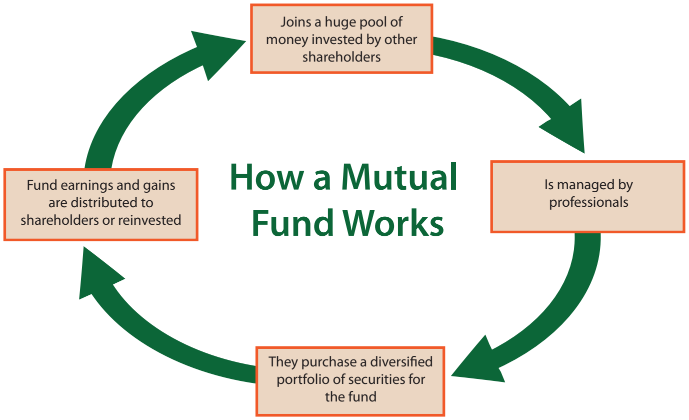
May be appropriate if you have a preference for growth, and can tolerate significant up and down movement in your portfolio's value.

Aggressive Growth Mix

- 70% domestic stocks
- 15% foreign stocks
- 15% bonds

May be appropriate if you have a strong preference for growth, and can tolerate wide, and sometimes sudden, up and down movement in your portfolio's value.

Financial Investments



Mutual Fund

Here's what mutual fund investing can mean to you. Today, more than 50% of all U.S. households invest in mutual funds.

When you invest in them, you will enjoy all these advantages:

1. Diversification* can help reduce your risk. Mutual funds are a great way to avoid "putting all your eggs in one basket." As a mutual fund investor, you own shares in a portfolio made up of as many as several hundred different securities – far more than you could ever hope to invest in as an individual.

2. Professionals, who manage your dollars. When you invest in a mutual fund, you're actually hiring full-time investment professionals. On your behalf, these professionals pursue the best possible performance for a mutual fund – devoting their careers to buying and selling securities for fund investors like you.

3. Easy access to your money. On any business day, you can redeem your shares for cash, which may be more or less than the original price you paid per share.

4. More ways to adapt to your changing needs.** You can easily exchange shares of one fund for shares of another to adapt to changes in your personal financial goals or market conditions.

5. The option to reinvest your earnings automatically. An easy way to build the number of your shares is to reinvest your earnings automatically.

Rule of 72

The "Rule of 72" is a mathematical guide that can help you calculate when money will double at a given interest rate. It's called the "Rule of 72" because at 10%, money will double every 7.2 years. To use this Rule, simply divide the interest rate into 72. It is important to note that this "Rule of 72" is intended as an educational and planning tool and as such should not be construed as investment advice.

Example:
So if you deposit $3,000 into an account with a 2% interest rate, 72 ÷ 2 is 36. So in 36 years you will have $6,000.

** Diversification does not assure a profit or protect against loss.*
*** This ability to exchange may be modified or discontinued at any time.*

Financial Investments

Protect Against Inflation and Taxes
Every successful financial plan includes a strategy to reduce the impact of inflation and taxes. If your investments earn less after taxes than the rate of inflation, your purchasing power will decrease over time. History has shown that equity investments (such as stocks) are the best hedge against inflation because of their potential for higher returns. Of course, equity investments are also subject to greater risk than other types of investments. An IRA is a great way to save on current taxes and to shelter investment growth and income from annual taxation until your money is withdrawn.***

Definitions

Inflation
Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling. Central banks attempt to stop severe inflation, along with severe deflation, in an attempt to keep the excessive growth of prices to a minimum.

Deflation
Deflation is a general decline in prices, often caused by a reduction in the supply of money or credit. Deflation can be caused also by a decrease in government, personal or investment spending. The opposite of inflation, deflation has the side effect of increased unemployment since there is a lower level of demand in the economy, which can lead to an economic depression. Central banks attempt to stop severe deflation, along with severe inflation, in an attempt to keep the excessive drop in prices to a minimum.

Investment Strategies

Stay Focused
Establish your time horizon for investing and stick to it. Avoid getting caught up in the day-to-day shifts in market performance and your funds' share prices. For longer-term investments, use time as a valuable ally and learn to look past short-term fluctuations.

Diversify
A mutual fund offers investors the opportunity to pool their money to own shares in a portfolio of dozens, or even hundreds of securities. But there's more to diversification than simply investing in one mutual fund. The best type of diversification occurs when you spread your investments across a mix of "asset classes," or financial markets, such as equities, bonds, and money market securities. This strategy, called "asset allocation," can help you capture the combined performance of several markets and smooth out downturns in any single market.†

Your financial advisor can assist you in properly diversifying your portfolio and can help explain the broad array of choices.

****Distributions of deductible contributions and earnings from Traditional, SEP, and Simple IRAs are subject to income tax when withdrawn and may be subject to a 10% penalty if the withdrawal is made before the age of 59 1/2.*

† Diversification does not assure a profit or protect against loss.

Rely On the Experience of Professionals

In a specialized world, investing can seem complicated. That's why your funds should have a dedicated team of professionals working behind the scenes for you. ***Source: MTB Funds***

Selecting a Financial Advisor 10 Questions to Ask:

1. Are you registered as an investment advisor?
If yes, then the advisor owes you a fiduciary duty, which is a fancy way of saying that they must put your needs first. Investment professionals who aren't fiduciaries are held to a lesser standard, called "suitability," which means that anything they sell you has to be appropriate for you, though not necessarily in your best interest. If the advisor is registered, ask for a copy of their Form-ADV and Form-ADV Part II.

2. How will I pay for your services?
The advisor should clearly state in writing how they will be paid for the services provided. The three basic methods of payment are: Fees based on an hourly or flat rate; fees based on a percentage of your portfolio value, often called "Assets Under Management" ("AUM"); and commissions paid per transaction. How often you expect to trade, and whether you want your money actively managed, will help determine which model works best for you.

Planners who earn money based on commission rather than a flat or asset-based rate could have an incentive to steer you in a particular direction. When considering how you will actually buy or sell, you should determine whether you need a salesperson or an advice-giver.

If you need a way to buy and sell securities, then you can open an online account with a discount brokerage firm (often the cheapest option), where you will not receive any advice.

3. What experience do you have?
If you want a money manager who will make investment decisions for you, based on your investor profile and risk tolerance, then you are likely to pay via AUM. But fee-based advisors aren't perfect. Advisors earning 1 percent of your assets might be disinclined to encourage you to liquidate your investments, even if that's the right move, because their fee would shrink as a result of that advice. Find out how long the advisor has been in practice and where. Also ask if they have any professional certifications, licenses or designations, such as a Certified Financial Planner (CFP), a Certified Public Accountant - Personal Financial Specialist (CPA-PFS), or Chartered Financial Consultant (ChFC). While these are signals of credibility, they don't guarantee a successful relationship.

4. What other services do you offer?
The services offered can depend on a number of factors including credentials, licenses and areas of expertise. Some offer advice on a range of topics, but do not sell financial products. Others may provide advice only in specific areas such as estate planning or tax matters.

5. What is your approach to financial planning and investing?
Some advisors prefer to develop a holistic plan that brings together all of your financial goals. Others provide

Selecting a Financial Advisor
10 Questions to Ask (continued):

advice on specific areas, as needed. Make sure the advisor's viewpoint on investing is neither too cautious nor overly aggressive for your risk tolerance. Also ask whether the planner makes investment decisions alone, or depends on others in the firm to do so. What was the advisor's performance in both good and bad markets and ask yourself whether it's more important to you to make money in a rising market or prevent losses in a down market. A great follow up question: What were the three worst investment decisions you made over the past five years, and how did you correct them?

6. **Can you provide three references?**
   Ask for two current clients whose goals and finances match your own, as well as a professional reference, like an accountant or estate attorney.

7. **Do you have a financial interest in the entity that houses my account?**
   When interviewing advisors not associated with large brokerage or insurance companies, ask if they use an independent third-party custodian or clearing firm (this is the entity that produces your statements), which prevents the advisor from having direct custody of your assets and adds another level of security for your account. In the Madoff example, he was the investment advisor, broker-dealer, clearing agent and custodian for all of his client accounts -- a big red flag.

8. **How often will we interact?**
   What should you expect in terms of frequency of verbal, written, and in-person communication? Also ask whether the advisor will remain your primary contact.

9. **Is there anything in your regulatory record that I should know about?**
   Part of your research should include conducting background checks on the professional you may hire. You can visit the Securities & Exchange Commission and FINRA websites or the State Securities website NASAA as well as the CFP (Certified Financial Planner) Board. While some violations are non-starters (settlement of multiple customer complaints), others may be understandable (marketing materials not pre-approved; non-client or non-investment violations).

10. **Do I like this person?**
    At the end of your meeting, ask yourself the most important gut check question: Do I like this person? After all, you are about to enter into an intimate relationship that will hopefully last a long time. If you have any reservations, move on. There are plenty of qualified advisors out there who would like to help you out.

Identity Theft

What Is Identity Theft?

When someone, without lawful authority, knowingly transfers or uses a "means of identification" of another person with the intent to commit, or aid and abet, any unlawful activity that violates federal law, or that constitutes a felony under any state or local law.

Some examples: Identity theft occurs when someone steals another person's private information to take over their credit accounts, open new ones, take out a loan, rent an apartment, access bank accounts, or commit many other crimes using that person's identity.

How Identity Theft Strikes

When it strikes, the effects can be devastating. What's more, because it frequently involves no physical theft, identity theft may not be noticed by its victims until significant damage has been done – often, several months and thousands of dollars later.

Some of the ways your personal information can be stolen include:

- Going through your mail or trash, looking for bank and credit card statements, pre-approved credit offers, and tax information.
- Stealing personal information from your wallet or purse such as identification, credit, or bank cards.
- Completing change-of-address forms to redirect your mail.
- Obtaining your credit report by posing as a landlord or someone else who has a lawful right to the information.
- Acquiring personal information you share on unsecured sites on the internet.
- Buying personal information about you from an inside source – for example, a store employee that gets your information from a credit application or by "skimming" your credit card information when you make a purchase.
- Getting your personnel records at work.

Identity thieves can then use your stolen information in the following ways:

- Opening new credit card accounts using your name, date of birth, and Social Security number. When they use the credit cards and don't pay the bills, the delinquency is reported on your credit report.
- Establishing phone or cellular service in your name.
- Opening a bank account in your name and writing bad checks on the account.
- Counterfeiting checks or debit cards, and draining your bank account.
- Buying cars by taking out auto loans in your name.
- Calling your credit card issuer and, pretending to be you, changing the address on the account. Bills get sent to the new address, so you do not realize there's a problem until you check your credit report.
- Filing for bankruptcy using your name to avoid paying debts they have incurred under your name.

Computer Security Tips

1. Limit storage of personal information on your computer at home or your business.

2. After you file your taxes using your computer and a third party software like Turbo Tax, print a copy for your records and remove the file from your computer.

3. Password management practices must include strategies for maximum password protection and computer security. Such strategies suggest using unique, easy-to-remember and hard-to-guess passwords.

4. Assign a password to each user of the same computer to limit access to sensitive areas.

5. Avoid taking the computer around to public areas, vacations or business trips. When and if you do, make sure the computer is in your possession at all times. For example, when you take your computer to a café, make sure you have someone you trust watch over your computer if you have to leave the table.

6. Don't leave the computer in your car.

7. Don't dispose of your computer without first making sure that all sensitive contents are cleared from the computer.

8. Don't share your personal computer with others.

9. If you have to use your computer for storing personal and financial information, then avoid using that same computer to connect to the Internet.

10. Install anti-virus software and update it regularly as updates become available. Computer viruses can destroy a computer and its data and worms can lead to information theft and email spoofing.

11. Use a personal firewall on your laptop. Although some operating systems come with a personal firewall, you should use a good third-party personal firewall to secure your computer and prevent intruders from hacking into your system. This software is usually inexpensive and easy to install.

12. Apply patches to the operating systems as they become available. This could be done automatically by certain operating systems.

13. Use software to encrypt your sensitive files and improve your computer security controls, so even if the computer is stolen, the stored information would be useless.

14. Have a plan to prevent laptop theft or loss, protect your mobile device and report its theft or loss when it occurs.

15. Develop, communicate, enforce and monitor a computer security policy for your business and/or your family.

16. Educate your employees, family members, friends, agents, accountants, attorneys and others with whom you do business or allow handling of your sensitive information. Make sure everyone is aware of the identity theft risks and how they can help minmize this threat.

17. Recognize and delete without opening spam emails which are junk, unwanted, or unsolicited emails potentially containing malicious viruses and information.

18. Create and use your online accounts carefully.

19. Phishing is one internet scam which lures victims into giving away their personal information. Don't fall victim to phishing scams.

20. When accessing the Internet, especially for online banking and bill payment, always use trustedcomputers such as your office or home computer.

Identity Theft

21. Back up your important files on a regular basis to recover them in case they are lost or damaged.

22. Beware of the latest computer malware and your options to protect yourself.

23. Fake websites are increasingly used to steal personal information such as account information and consumers are encouraged to be extra cautious about fake emails and website links.

24. Use of the cloud is more important these days as people store a ton of business and personal information on their cell phones which can be lost or stolen.

Identity Theft

Monitor Your Credit Report Closely

Unless you check your credit report frequently, there is often no way to tell if identity thieves have used your personal information to obtain credit accounts or other services in your name.

To help protect yourself from impostors and identity thieves having expanded access to your credit report, there are credit monitoring services that can help you get an early alert to new and suspicious activity on your credit report. The three major credit reporting agencies (TransUnion, Equifax and Experian) all have individual credit monitoring services that can be subscribed to for a monthly fee.

No Credit Card Is Necessary

Credit card fraud is just one type of identity theft. While a thief may use your information to apply for a new credit card, some types of identity theft do not involve credit cards at all.

Someone with a bad credit rating may use your personal information to get a car loan, acquire phone service or another utility service, or open a bank account in your name.

Such cases can be seriously damaging since you may not realize anything is wrong until you notice unfamiliar charges on your monthly bills or statements.

ATM Skimmers

ATM skimmers are usually invisible to users as they blend right into the equipment itself. When a customer inserts his or her card, the account information is read and stored on the device or sent to the criminal's computer. Moreover, skimmers may also involve a camera that will record the user's PIN entry. Once all the information is obtained, it is encoded onto bank cards and used to withdraw money from the victim's accounts.

1.

2.

3.

4.

How ATM Skimmers Work

Figure 1.
The ATM looks normal to the average user but it has a false card slot attached to it.

Figure 2.
It contains an additional card reader to copy your card information and duplicate your card.

Figure 3.
The brochure holder next to the ATM is also false. The side of the box contains a micro camera that is angled to view the keypad .

Figure 4.
The micro camera can view and record as you enter your PIN number through a wireless device up to 200 meters.

Debt Management

Credit

The term "credit" refers to a contractual agreement in which a borrower receives something of value now and promises to repay the debt to the lender at a later date. A person's credit profile typically determines for what purpose, how much and how long, and at what interest rates they will be permitted to borrow. You not only need to manage your money wisely, you also need to manage your credit wisely. Having good credit makes it more likely that you can get financing whenever you want to make a major purchase such as a car or home. Maintaining good credit makes you more attractive as a borrower, which can translate to paying lower interest rates than a person with poor credit.

Credit Cards

Credit cards are attractive because of their convenience. Imagine how difficult it would be to make a hotel reservation or rent a car without a credit card. However, in order to receive a credit card you need to have decent credit.

Selecting a credit card and key terms

When selecting a credit card, you should shop around for the best deal based on your budget and repayment habits. Here are some suggestions that will assist you in selecting a credit card.

- A low annual percentage rate. The lower the rate the less interest you have to pay. Beware of "teaser" rates that increase after a year or less or if you are late in making a payment.

- The interest rate calculation method. This affects how much interest you pay, even when the APR is identical. The standard method of capitalization is once per month.

- Low or no annual fees. If the issuer charges an annual fee, ask them to waive it (develop your negotiating skills).

- Review all other charges such as late payment fees, transaction fees, over the limit fees, etc. These hidden fees can increase your debt substantially.

- A grace period. Not to be confused with a grace period on your federal student loans, this the number of days you have to pay your balance in full before the card issuer starts to charge interest. This normally does not apply if you carry a balance or take a cash advance. Please note: not all credit card issuers will provide a grace period.

- Credit limit. It is a good idea to start small; anywhere from \$500 to \$1,500 until you are well disciplined enough to handle a higher limit.

- Wide acceptance - a major credit card is convenient and easier to manage.

- Services and features such as cash rebates, frequent flyer miles, extended warranties, etc.

Types of credit

1. Revolving Credit - Consumer credit lines that can be used up to a certain limit or paid down at any time. Credit cards such as Visa or MasterCard are examples of revolving credit.

2. Installment Credit - A loan borrowed for a specific purpose that is repaid with interest in equal periodic payments. Examples of installment credit are home mortgages, car loans, and student loans.

3. Open Credit - Unlimited purchasing power that must be paid in full at the end of the billing cycle. American Express Green card is an example of open credit.

Debt Management

Compare the terms and conditions and decide which card is best for you. If you intend to pay your balance in full each month, a major credit card that has a higher annual percentage rate, but has a grace period and no annual fees would work best. If you plan to carry a monthly balance, look for a low annual percentage rate.

Importance of Establishing Good Credit

As mentioned before, having good credit makes an individual more attractive as a borrower, but credit can impact other areas of your life as well. Having poor credit can hinder your job search. Many employers are now checking credit reports as part of their screening process. Also, many landlords check credit before renting out apartments. Finally, some auto insurance companies now check credit. If you have a poor credit history, you will likely pay more for auto insurance than someone with good credit. If your credit is bad, you may not be able to get a job, rent an apartment, or obtain automobile insurance.

Credit Reports

A credit report is a detailed record of your credit activity. In essence, it is your report card on how you handle the responsibilities associated with credit. All credit reports contain basically the same information; however, the format will vary from agency to agency. Your Social Security number, date of birth, and employment information are used to identify you. These factors are not used in scoring.

Credit reporting agencies collect and organize information about you and your repayment history and make it available to those who are considering granting you credit. There are three major credit reporting agencies: Experian, Equifax, and TransUnion. It is recommended that you check your credit report at least once per year from each of the three credit bureaus to ensure the information on your report is accurate. This can also help you identify and ward off identity theft.

Credit Scores

Since the credit report is a detailed record of your credit activity, your credit scores are your grades on how well you have managed your credit; the higher the score the better. Most lenders rely on credit scores from Fair Isaac's Corporation (FICO®). FICO® compiles a score from each of the three major credit reporting bureaus. FICO® scores range from 300 to 850, with a median score of 692 in the U.S. Scores above 700 are generally considered to be good credit scores and scores above 760 are considered excellent by most lenders. The higher your credit score, the more likely you will pay a lower interest rate on credit.

FICO Score Grades	
800+	Exceptional
740-799	Very Good
670-739	Good
580-669	Fair
Lower than 580	Poor

Go to www.AnnualCreditReport.com or call 1-877-322-8228 to obtain a free credit report from all three top credit reporting agencies:
Experian • Equifax • TransUnion

Debt Management

Simply paying your bills on time does not guarantee good credit. Too many credit inquiries made by creditors can have a negative effect on your credit score.

Federal Credit CARD Act of 2009

Credit Card Rules
• Retroactive rate increases prohibited • More advance notice of rate hikes • Fee restrictions • Restricts marketing & issuance to students • Ends double-cycle billing • Fairer payment allocation • More time to pay • Gift card protections

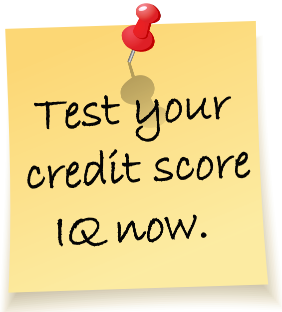
Factors that do not affect your credit score

There are several factors that are not considered in calculating your credit score. Here are some listed below:

- Your race, religion, national origin, sex, & marital status.
- Where you live.
- Your salary, occupation, title, employer, date employed, or employment history.
  Some lenders may consider this information and some of it is used as identifying information.
- Interest rates currently being charged on credit cards or other accounts.
- Items reported as child/family support obligations or rental agreements.
- Certain types of credit inquiries.
  Checking your own credit, "consumer inquiries," does not have an impact on your credit score. Other types of credit inquiries that do not impact your credit score are "promotional inquiries" and "administrative inquiries." These are requests made by lenders to "preapprove" you for a credit offer or your current lenders making an inquiry to review your account.
- Any information not found in your credit report.
- Any information that is not proven to be predictive of future credit performance.
- If you are participating in credit counseling of any kind.

Credit Score Ingredients
• 35% Payment history • 30% Amounts owed • 15% Length of credit history • 10% New credit • 10% Types of credit used

Debt Management



Your credit score can affect all parts of your financial life. Test your credit scoring knowledge with this simple quiz.

1. Which of the following might use credit scores?

a. Mortgage lender	e. Electric utility
b. Credit card issuer	f. Landlord
c. Home insurer	g. All of the above
d. Cell phone company	

2. On a $20,000, 60-month auto loan, about how much more would a borrower with a low credit score typically pay than a borrower with a good score?

a. Under $1,000	c. $3,000-$5,000
b. $1,000-$3,000	d. More than $5,000

3. Which of the following does a credit score typically measure?

a. Knowledge
b. Attitude toward consumer credit
c. Amount of consumer debt
d. Risk of not repaying a loan
e. Financial resources to pay back loans

4. Which of the following factors are among those used to calculate a credit score?

a. A person's age	d. Marital status
b. Missed payments	e. State of residence
c. High balances on credit cards	f. Personal bankruptcy
	hint: more than one answer

5. Which group of Americans is most likely to have a credit score?

a. Those who have borrowed money
b. Those with a bank account
c. Those who've paid for any financial or utility service
d. All Americans at least 21 years old

6. Who collects the information on which credit scores are most frequently based?

a. FICO® and VantageScore®
b. Three main credit bureaus: Equifax, Experian, and TransUnion
c. Individual lenders
d. Federal government

7. Who may make a credit score available to an individual consumer?

a. Three main credit bureaus: Equifax, Experian, & TransUnion
b. Independent websites
c. Many individual lenders
d. All of the above

8. Does each consumer have just ONE generic credit score?

a. Yes b. No

9. What is a good generic credit score?

a. 600	d. 900
b. 700	e. It depends on the scoring system
c. 800	

10. Are generic credit scores free?

a. Always b. Sometimes c. Never

Debt Management

11. When are lenders who use generic credit scores required to inform borrowers of the credit score used in the lending?

a. After a consumer applies for a mortgage
b. On all credit card, auto & other consumer loans when a consumer doesn't receive the best terms and/or lowest interest rate available
c. Whenever a consumer is turned down for a loan
d. All of these
e. None of these

12. Which of the following actions helps a consumer raise a low score or maintain a high one?

a. Make all loan payments on time
b. Use a credit card keeping the balance under 25% of the credit limit
c. Avoid opening several credit card accounts at the same time
d. All of the above

13. When will multiple inquiries about getting a mortgage or auto loan or loans from lenders lower one's FICO or VantageScore® credit score?

a. Each time one makes an inquiry
b. Only when one makes at least five inquiries
c. Never during a 1-2 week window
d. Never

14. How would co-signing a student loan affect one's credit score?

a. At first, the co-signer's credit score is likely to decline slightly because their credit score is pulled and an inquiry reported
b. The co-signer's credit score is likely to improve if the student makes all payments on time
c. The co-signer's credit score is likely to decline if the student makes one late loan payment
d. All of these
e. None of these

15. How important is it to check the accuracy of your credit reports at the three main credit bureaus?

a. Very important
b. Somewhat important
c. Not very important

16. How often are credit repair companies helpful in correcting any credit report errors and taking other measures to improve one's credit score?

a. Always
b. Usually
c. Occasionally
d. Never

See how well you did by reviewing the answers on the following pages.

Debt Management

1. **The answer is g: All of the above.** Mortgage lenders and credit card issuers may use credit scores to help determine whether you can qualify for credit and what interest rate you'll pay. In some states, home insurers may use credit scores to help gauge your risk level as a potential customer and to accurately price that risk in your premium. Cell phone companies may use credit scores to help determine which plan you may be eligible for and whether any security deposit is required. Electric utilities may use credit scores as they evaluate whether or not to require a security deposit and the amount of such deposit. Landlords may use credit information and scores to help determine the amount of the deposit that may be required for a particular property.

2. **The answer is d: More than $5,000.** On a typical auto loan from a bank, a borrower with a low score would likely be charged a higher interest rate and likely pay at least $5,000 more.

3. **The answer is d: Risk of not repaying a loan.** There are other factors that may influence this risk, but it is the risk itself that a credit score tries to measure.

4. **The answers are: b, Missed payments; c, High balances on credit cards; and f, Personal bankruptcy.** The greater the severity or number of missed payments, the lower one's score. Generally, the higher one's balance is in relation to a card's credit limit, the lower one's score. A personal bankruptcy significantly harms one's credit score and can remain on one's credit record for up to ten years.

5. **The answer is a: Those who have borrowed money.** Credit scores are largely based on a borrower's record of loan payments.

6. **The answer is b: Three main credit bureaus.** They collect information on the credit use of more than 200 million Americans and make it available in credit reports. FICO® and VantageScore® have developed the most widely used scoring systems for using credit reports to compute credit scores.

7. **The answer is d: All of the above**. What's most important to understand is that there are two general types of credit scores — generic scores and lender-specific scores. Generic scores are available to all consumers through the credit bureaus, through FICO®, and through some independent websites. They give consumers an idea of their general credit risk and, thus, whether they should be able to obtain credit and at what interest rate. Lender-specific scores, which may or may not be available to a consumer borrower, are computed by individual lenders who also use them in making decisions whether to extend credit and at what interest rate. Like many individual lenders, some insurers also compute and use their own credit scores for risk assessment.

8. **The answer is b: No.** Generic scores vary depending on the specific credit report and scoring model used as well as the point in time when the score is computed. It is likely, for example, that if one obtained generic credit scores from several different sources, the scores would all differ at least somewhat.

9. **The answer is e: It depends on the scoring system.** Higher scores are better under virtually all scoring systems. Scores using the FICO® and VantageScore® 3.0 scales, which range from 300 to 850, are usually considered good if they are over 700. Scores from earlier VantageScore® models, which range from 501 to 990, are usually considered good if they're over 800. But the most important point is that, when one gets a score, one should look to see where it falls on the scale of that scoring system.

10. **The answer is b: Sometimes.** The three credit bureaus, FICO®, and various websites sell individual scores, usually for less than $20 each. Some of their websites also offer free scores, often as part of trial periods for fee-based monthly monitoring services. Other websites, including Credit.com, CreditKarma.com, CreditSesame.com and Quizzle.com, offer consumers free credit scores as part of services without fees. Some credit card issuers and credit unions make free credit scores available to select customers and some websites allow consumers to roughly estimate their score by answering questions about their credit use.

11. **The answer is d: All of these.** Federal law requires mortgage lenders to inform applicants of the generic credit score or scores the lenders use in evaluating their loan applications. As of 2011, it also requires mortgage and consumer lenders who use generic scoring models to set terms for their service to disclose a credit score or scores used to reach that decision when a consumer is not offered the lowest interest rate or best terms available.

12. **The answer is d: All of the above.** Although it takes much longer to raise a low score than lower a high one. The makeup of each individual's credit file will impact the amount of change seen in a credit score. For example, someone with a good score may lose up to 30 points when payments are missed on multiple accounts like credit cards and auto loans or possibly more than 100 points when a mortgage payment is missed. However, they may gain only some of these points back by making all mortgage, car, and credit card payments on time for six months.

13. **The answer is c: Never during a 1-2 week window.** Inquiries during this period are treated as one inquiry by FICO® and VantageScore® credit scoring models, and usually by other scoring models. An inquiry after this window has closed may be considered a second inquiry, which could have a negative impact on a consumer's credit score. But keep in mind that multiple inquiries rarely lower a consumer's credit score as much as a missed loan payment.

14. **The answer is d: All of these.** A student loan account is just like any other co-signed account. Both the applicant's and the co-signer's credit scores may be impacted because their credit activities will be reported to the three national credit bureaus. Before the loan is issued, both applicant and co-signer are subject to credit inquiries, which can lower credit scores slightly, and which typically affect scores for just a few months, in the absence of late payments or other negative events. Once the student loan comes due, loan payments are reported to the credit bureaus, and late payments can significantly lower the credit scores of both loan recipient and co-signer.

15. **The answer is a: Very important.** Lenders may have provided inaccurate information, or failed to add accurate information, about your payment history to your credit reports. Since many consumers have similar names, even accurate information may have been added to the wrong file. Each of the three main credit bureaus — Equifax, Experian, and TransUnion — will provide a free copy of your credit report once a year upon your request - per federal law. An easy way to get each report is to visit www.annualcreditreport.com or call 1-877-322-8228.

16. **The answer is c or d: Occasionally or never.** Experts disagree whether the correct answer is occasionally or never. But all experts agree that credit repair companies often overpromise, charge high prices, and perform services, such as correcting credit report inaccuracies, that consumers could do themselves by just contacting the lender and the credit bureaus. Federal laws prohibit credit repair companies from charging fees up front, and consumer advocates agree that you should think twice before paying these companies more than several hundred dollars in total.

Debt Management

How to read your credit report

Part of maintaining good credit is to check your credit report at least once per year from each of the three major credit reporting agencies. To request a copy of your credit report from the credit reporting agencies, go to www.annualcreditreport.com.

Once you receive your copy of the credit report, you need to know how to read the information. Make sure you pull the credit report from all three credit bureaus. All three reports will have different information because creditors will supply information to whichever agency they select.

The Personal Identification Information is all the information that uniquely identifies you from someone else with a similar name.

The listings under Public Record include bankruptcies, foreclosures, suits, wage attachments, liens, and judgments. Collection Agency Account Information is information on overdue debt with collection agencies.

Credit Account Information provides a list of all companies that have an open credit account in your name. The account number will be listed (which may be scrambled for security purposes), date opened, date of last activity, credit limit, balance, past due as well as other relevant categories such as the kind of credit (installment, revolving, etc.). If it is just your name on the account, the total amount of the loan, amount owed, status of account (open, paid, closed) will also be listed. Other comments may include internal collection, default, or charged off. Also listed is your previous payment history indicating late payments and account status. The last section is Companies That Requested Your Credit File.

An illustation of a sample credit report:

Your Credit Report

Please address all future correspondence to:
Credit Reporting Agency
Business Address
City, State 00000

PERSONAL IDENTIFICATION INFORMATION

Your Name
123 Current Address
City, State 00000

Social Security #: 123-45-6789
Date of Birth: April 10, 1978

Previous Address(es)
456 Former Rd. Atlanta, GA 30000
P.O. Box XXXX Savannah, GA 40000

Last Reported Employment:
Engineer, Highway Planning

PUBLIC RECORD INFORMATION

Lien Filed 03/12; Fulton CTY; Case or Other ID Number – 32114; Amount - $26,667 Class – State; Released 07/12; Verified 07/12

Bankruptcy Filed 12/11; Northern District Ct; Case or Other ID Number – 673HC12; Liabilities - $15,787; Personal; Individual; Discharged; Assets - $780

Satisfied Judgement Filed 07/13; Fulton CTY; Case or Other ID Number – 898872; Defendant – Consumer; Amount - $8,984; Plaintiff – ABC Real Estate; Satisfied 03/14; Verified 05/14

COLLECTION AGENCY ACCOUNT INFORMATION

Pro Coll (800) XXX-XXXX
Collection Reported 05/11; Assigned 09/10 to Pro Coll (800) XXX-XXXX Client ABC Hospital; Amount - $978; Unpaid; Balance $978; Date of Last Activity 09/10; Individual Account; Account Number 787652JC

CREDIT ACCOUNT INFORMATION

COMPANY NAME	ACCOUNT NUMBER	WHOSE ACCT.	DATE OPENED	MONTHS REVIEWED	DATE OF LAST ACTIVITY	HIGH CREDIT	TERMS	BALANCE	PAST DUE	STATUS	DATE REPORTED
Department St.	32514	J	10/11	36	9/12	$950	X	$0	X	R1	10/14
Bank	1004735	A	11/11	24	5/12	$750	X	$0	X	I1	4/14
Oil Company	541125	A	6/11	12	3/12	$500	X	$0	X	01	4/14
Auto Finance	529778	I	5/12	48	12/12	$1,100	$50	$300	$200	I5	4/14

Previous Payment History: 3 Times 30 days late; 4 Times 60 days late; 2 Times 90+ days late
Previous Status: 01/12 – I2; 02/12 – I3; 03/12 – I4

COMPANIES THAT REQUESTED YOUR CREDIT FILE

09/06/11	Equifax – Disclosure	08/27/11	Department Store
07/29/11	PRM Bankcard	07/03/11	AM Bankcard
04/10/11	AR Department Store	12/31/11	Equifax – Disclosure ACIS 123456789

Student Loans

After you have taken advantage of all other available forms of financial aid, like grants or scholarships, you may need to consider borrowing to cover the remaining college costs. Borrowing money to pay for college is a serious matter, and repayment of that obligation is a major responsibility. The next section will assist you in managing your student loans during and after you leave school.

Basics of Borrowing for College

Educational loans can be a valuable resource for meeting expenses at a college, university or postsecondary institution. You must remember that these are loans that must be repaid with interest. The amount borrowed must be carefully managed. Borrowing now will have an impact on your future lifestyle and ability to support other financial obligations. The first and most important step is to educate yourself about the basic loan programs. Before you sign the promissory note, you should have a clear understanding of various loan programs.

Compare 2018-19 State of New Jersey NJCLASS vs. Federal PLUS

NJCLASS cannot be compared to Federal Direct Loans, subsidized or unsubsidized, loan that can only be used to cover unmet need after all other aid, including Federal

Loan Type	NJCLASS 10 Year- Fixed Rate Loan	NJCLASS 15 Year- Fixed Rate Loan
Who Can be a Party to the Loan	The student or parent is the borrower. A parent, relative or other US Citizen or eligible Non-Citizen may co-sign the loan.	The student or parent is the borrower. A parent, relative or other US Citizen or eligible Non-Citizen may co-sign the loan.
Repayment Option	Immediate repayment of principal & interest	Immediate repayment of principal & interest
Loan Type	Fixed	Fixed
Sample Loan Amount Requested – can borrow up to cost of attendance – minus other aid[3]	$16000	$16,000
Total Amount Borrowed (Including Fees)	$16480	$16,480
Interest Rate/APR	4.79%/5.50%	5.60%/6.00%
Loan Fee	3%	3.00%
Years in Repayment	10 (120 months)	15 (180 months)
Payment while in School (Assuming One Loan Only)[4]	$173.96	$135.40
Payment when out of School (Assuming One Loan Only)[4]	$173.96	$135.40
Total finance charges & administrative fee Loan (Assuming One Loan Only)	$4,875	$8,372
Total Cost of Loan	$20,875	$24,372
Estimated cost of borrowing over 4 years, at 16,000 per year, assuming that the interest rate is the same from year to year.	$695.84 per month $83,500.00 over life of loans	$541.60 per month $97,488 over life of loans
Repayment Relief Options Including Income Contingent Repayment Plans	Relief Options http://www.hesaa.org/Pages/NJCLASSDefermentOptions.aspx Repayment Assistance Program http://www.hesaa.org/Pages/RAPInfo.aspx Loan applications received on or after June 1, 2017, and for loan applications	
Average Default Rate	6.85%[5]	
Average # of Administrative Wage Garnishments	For FY 2017, 132 AWG orders were sent to employers.	
Percent of Deferment and Forbearance Relief Granted	Data being collected for 2019	
Rehabilitation Relief	Federal law does not provide for the rehabilitation of credit for non-federal	
Average # of Law Collection Lawsuits	Data being collected for 2019	

1 For Direct PLUS Loans first disbursed on or after July 1, 2018, and before June 30, 2019, the interest rate is 7.60%
2 For loans disbursed on or after October 1, 2018 and before October 1, 2019
3 $16,000 represents an example loan amount used for comparison purposes. Loan examples based upon a single disburseme
17.50% see the Student Loan Guide http://www.hesaa.org/Documents/Student_Loan_Guide.pdf
4 To calculate the in-school and out-of-school payment amounts for other NJCLASS loan amounts see the NJCLASS loan calcula
5 The cohort default rate is determined by the number of borrowers that entered repayment between July 1, 2015 and June 3

Student Loans

because borrowers must first take Federal Direct Loans prior to NJCLASS loans. Like the Federal Parent PLUS loan, the NJCLASS family loan is a supplemental Direct Loans, is subtracted from the cost of attendance. The chart below compares different features of NJCLASS Loans and Federal PLUS Loans.

	NJCLASS 15 Year- Fixed Rate Loan	NJCLASS 20 Year- Fixed Rate Loan	Federal PLUS	Federal PLUS
	The student or parent is the borrower. A parent, relative or other US Citizen or eligible Non-Citizen may co-sign the loan.	The student or parent is the borrower. A parent, relative or other US Citizen or eligible Non-Citizen may co-sign the loan.	Parent Only	Parent Only
	Interest only while in school	Full deferment while in school	Immediate repayment of principal & interest (Other repayment options available)	Full deferment request
	Fixed	Fixed	Fixed	Fixed
	$16,000	$16,000	$16,000	$16,000
	$16,480	$16,480	$16,682.24	$16,682.24
	5.60%/6.03%	7.20%/7.61%	7.595%[1]/8.5552%	7.595%[1]/8.15%
	3.00%	3.00%	4.264%[2]	4.264%[2]
	15 (180 months)	20 (240 months)	10 (120 months)	20 (240 months)
	$77.42	$0.00	$198.85	$0.00
	$164.85	$187.03	$198.85	$182.00
	$9,476	$19,910	$6,561.00	$16,438.00
	$25,476	$ 35,910	$23,861.00	$33,120.00
	$659.40 per month when out-of-college $101,904 over life of loans	$748.12 per month when out-of-college $143,640 over life of loan	$795.40 per month $95,444.00 over life of loans	$728.00 per month when out-of-school $132,480 over life of loan
			Deferment/Forbearance Options https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance	
	received prior to June 1, 2017 that are used for academic terms that begin on or after August 1, 2017.		Federal Repayment Plans https://studentaid.ed.gov/sa/repay-loans/understand/plans	
			http://www.nasfaa.org/news-item/1359/ED_Releases_Cohort_Default_Rate_Data_For_PLUS_Loans	
			Data Not Available	
			Data Not Available	
	student loans.		Yes - If no legal judgement was issued/granted	
			Data Not Available	

nt. For example purposes, Interest Only and Full Deferment Loans are assumed to be 34 months. To see the monthly payment amount and total amount for other loan amounts at sample interest rates ranging from 4.00% to

tor https://www.hesaa.org/oNJCLASS/jsp/world/amortizationCalculator.jsp
0, 2016 (denominator) and subsequently defaulted between July 1, 2015 and June 30, 2018 (numerator). The numerator is divided by the denominator to arrive at the cohort default rate.

Federal Direct Loans Repayment Options

Standard Repayment

With the standard plan, you will pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least $50, and you'll have up to 10 years to repay your loans.

The standard plan is good for you if you can handle higher monthly payments because you'll repay your loans quicker. Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time and you'll therefore pay the least in interest.

Extended Repayment

To be eligible for the extended plan, you must have more than $30,000 in Direct Loan debt and no outstanding loan balance prior to October 7, 1998. Under the extended plan, you have 25 years for repayment and two payment options: fixed or graduated. Fixed payments are the same amount each month just like the standard plan.

This is a good plan if you will need to make smaller monthly payments. Since the repayment period will be 25 years, your monthly payments will be less than with the standard plan. However, you will pay more in interest because you're taking longer to repay the loans. ***Remember that the longer your loans are in repayment, the more interest you will pay.***

Graduated Repayment

With this plan, your payments start out low and increase every two years. The length of your repayment period will be up to 10 years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

Income Contingent Repayment (not available for parent PLUS Loans)

This plan gives you the flexibility to meet your Direct Loan obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. The payment is adjustable each year based on your ability to pay. Under the ICR plan you will pay each month the lesser of:

- 20% of your discretionary income
- What you would pay on a repayment plan with a fixed payment over the course of twelve years adjusted according to income

The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be forgiven. You may, however, have to pay taxes on the amount that is discharged.

Income-Based Repayment

Under this plan, the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a specified period of time, you may qualify for cancellation of any outstanding balance of your loans.

Income Sensitive Repayment

The following loans are eligible for this repayment plan:

- Direct Loans
- FFELP PLUS Loans
- FFELP Consolidation Loans

Under this plan, your monthly payments

- Increase or decrease based on your annual income
- Are made for a maximum of 10 years

Pay As You Earn Repayment
This plan usually has the lowest monthly payment of the repayment plans that are based on your income. Your payment amount may increase or decrease each year based on your income and family size. To qualify for pay as you earn, you must have a partial financial hardship. You have a partial financial hardship if the monthly amount you would be required to pay on your eligible federal student loans under a 10-year standard repayment plan is higher than the monthly amount under Pay As You Earn. Once you have qualified for Pay As You Earn, you may continue to make payments under the plan even if you no longer have a partial financial hardship. For this purpose, your eligible student loans include Direct Loans, as well as certain types of Federal Family Education Loan (FFEL) Program loans. Although your FFEL loans cannot be repaid under pay as you earn, the following types are counted in determining whether you have a partial financial hardship:

- Subsidized and Unsubsidized Federal Direct Loans
- Federal PLUS Loans made to graduate or professional students
- Federal Consolidation Loans that did not repay any PLUS loans for parents

You also must be a new borrower as of Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011. You are a new borrower if you had no outstanding balance on a Direct Loan or FFEL loan as of Oct. 1, 2007, or had no outstanding balance on a Direct Loan or FFEL loan when you received a new loan on or after Oct. 1, 2007.

** Monthly discretionary income equals your AGI minus the poverty level for your state of residence and family size, divided by 12. For the current poverty level, see the Poverty Guidelines Chart, which is issued annually by the U.S. Department of Health and Human Services.*

Poverty Guidelines Chart as of 2018

Family size	48 Contiguous states and D.C.	Alaska	Hawaii
1	$12,140	$15,180	$13,960
2	16,460	20,580	18,930
3	20,780	25,980	23,900
4	25,100	31,380	28,870
5	29,420	36,780	33,840
6	33,740	42,180	38,810
7	38,060	47,580	43,780
8	42,380	52,980	48,750
For each additional person, add	4,320	5,400	4,970

Student Loans

If you have a student loan, get to know

Your rights as a borrower:

- Before you begin to repay your student loan, the holder/servicer of the loan is required to give you a repayment schedule and information about interest rates, fees, outstanding balance, and repayment options.
- You have the right to request a deferment for a defined period after the grace period expires. You must apply and be approved for this deferment.
- You have the right to request a forbearance. Again, you must apply and be approved for this forbearance.
- You may repay your loan, in whole or in part, at any time without penalty.

Your responsibilities:

- You must complete an exit interview session before you leave school or drop below half-time enrollment.
- You must repay your loans, even if you do not complete the academic program, or may be dissatisfied with the education you received, or are unable to find employment after graduation.
- You must notify the holder/servicer of your loan immediately of any changes to your name, address, telephone number, or Social Security Number.
- You must also provide notification if you withdraw from school, drop below half-time enrollment, transfer to another school, fail to enroll, or re-enroll in school for a period which the loan was intended, graduate, or change your expected graduation date.
- You must make your loan payments on time after you leave school, unless a deferment or forbearance was granted.

Tips For Managing Your Student Loan While You Are In School

- Keep copies of all your student loan paperwork in one location.
- Read and act on any letters received from your lender or school. If you are not sure what to do, contact the financial aid office at your school.
- ALWAYS BORROW CONSERVATIVELY. Never borrow more than you need.

Consequences of Defaulting On Your Student Loan

- The entire unpaid balance of your loan and any interest is immediately due and payable.
- Your credit rating will be severely affected, and may make it difficult or impossible to obtain loans, mortgage and credit lines.
- Your wages may be garnished.
- You will incur collection costs, which increase what you owe.
- Your ability to obtain employment may be limited.
- Legal action may be taken against you.
- You will be ineligible for additional state and/or federal student aid.
- Your lottery winnings may be retained to offset the money you owe.
- Your federal and state tax refunds may be withheld through a tax offset. This means that the IRS can take your federal and state tax refunds to collect any of your defaulted student loan debt.

Am I eligible for a loan deferment?

The following table provides situations that may make you eligible for a deferment of your federal student loan.

Situations When You May Apply for Deferment	Deferment Available? (and for how long, if applicable)	
	Direct Loans	FFEL loans
During a period of at least half-time enrollment in college or career school	Yes	Yes
During a period of study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	Yes	Yes
During a period of unemployment or inability to find full-time employment	Yes (for up to 3 years)	Yes (for up to 3 years)
During a period of economic hardship (includes Peace Corps Service)	Yes (for up to 3 years)	Yes (for up to 3 years)
During a period of service qualifying for Perkins Loan discharge/cancellation	No	No
During a period of active duty military service during a war, military operation, or national emergency	Yes	Yes
During the 13 months following the conclusion of qualifying active duty military service, or until you return to enrollment on at least a half-time basis, whichever is earlier, • if you are a member of the National Guard or other reserve component of the U.S. armed forces and • you were called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time	Yes	Yes

Loan Consolidation

If you have several different student loan payments and you wish to make just one payment, you may apply for federal loan consolidation. A federal consolidation loan allows students to combine all of the federal loans they received into a single loan payment. When your federal consolidation loan is issued, your new lender pays off the outstanding balance of all the loans you selected to consolidate. Consolidation may help reduce monthly expenses, however, it could result in you paying more over the life of the loan.

Eligible Loans for Consolidation

- Direct Unsubsidized Loans (including Direct unsubsidized loans converted from TEACH Grants)
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Subsidized Federal Consolidation Loans
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Federal PLUS Loans (for parents or graduate/professional students)
- Parent Loans for Undergraduate Students (PLUS)
- Direct PLUS Loans (for parents or graduate/professional students)
- Direct PLUS Consolidation Loans
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

What To Do If You Have Problems Repaying Your Student Loan

If you are having problems making your student loan payment, you should call your loan servicer/holder immediately. You may be eligible for a deferment or a forbearance.

Resources

Web Resources and References

The following Web Sites can provide additional assistance

Money Management

www.money.cnn.com
www.kiplinger.com
www.myfico.com
www.practicalmoneyskills.com
www.money.msn.com
www.njcfe.org
www.money-zine.com
www.saltmoney.org

Banking Services and Financial Investments

www.mymoney.gov
www.bankrate.com
www.checkfree.com
www.usnews.com
www.treasurydirect.gov
www.state.nj.us/dobi

Consumer Credit

www.annualcreditreport.com
www.optoutprescreen.com
www.identitytheft.gov
www.creditscorequiz.org
www.vantagescore.com

Career Planning

www.vault.com
www.salary.com
www.careermag.com
www.careerbuilder.com

Debt Management

www.360financialliteracy.org
www.nfcc.org
www.ftc.gov
www.irs.gov
www.tax-brackets.org

Student Loans and Financial Aid

www.hesaa.org
www.mappingyourfuture.org
www.ed.gov
www.studentaid.ed.gov
www.direct.ed.gov

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HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Higher Education Student Assistance Authority

Phone 609-584-4480

Monday through Thursday 8 a.m. – 8 p.m.

Friday 8 a.m. – 5 p.m.

Bilingual experts are available to answer your questions.

4 Quakerbridge Plaza
PO Box 071
Trenton, NJ 08625-0071

www.hesaa.org

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