

Get \$mart About Your Money



Financial Education for College Students



Get \$mart About Your Money | College Financial Education Insert

Introduction

The coming of age of college students is more complex than we can fathom. Just at the time they set out on their own, often away from home for the first time, dealing with new personal relationships and the rigor of college, they are faced with major financial decisions. To achieve their goal of a college education, they face tuition and other costs that rise 7% per year, outpacing consumer inflation. On average, students with a bachelor's degree are coming out \$20,000 in debt. For a professional degree, some students take on \$100,000, a level of debt that can rival a mortgage.

At the same time, the marketing of financial services and products has become sophisticated. College students are targeted because they hold such promise as future customers. They are marketed to by mail and even on their college campuses. This offer of credit to buy things can be very tempting. At age 18, legal responsibility shifts from parent to student, and students can take on more credit unbeknownst to their families. Credit card debt also grows during college years and now accounts for 16% of total debt at graduation.

Are college students prepared for this? Dealing with finances has always been one of the top five stressors for college students. There is evidence that it is now vying for the No. 1 position. Students often deal with finance issues by working more hours. This can hurt them, in that it takes time away from their studies and creates more stress. This debt can affect future financial dreams, including the ability to buy a house or save for retirement.

Studies have shown that college students make the wrong decisions about assuming debt because they don't have a clear notion of how much money they will make when they graduate. They underestimate the amount of credit card debt they hold. Like the rest of consumers, some of them don't know how finance charges work when it comes to outstanding balances or cash advances. They don't understand how variable rates work and may have been enticed by low teaser rates now resetting to market

interest rates. They are incurring overdraft and other late fees that add to their debt because of poor recordkeeping. Many of them are not taking advantage of the "time value" of money, where any amount that they set aside now can have a huge impact on long-term financial goals such as retirement.

"Get \$mart About Your Money – Financial Education for College Students" is not just about giving the facts. In teaching college students about finances, we find that it's important to get them to change their behaviors.

Financial Education at Bellevue Community College was started in January 2007 out of a partnership of national and state organizations to spread objective financial education such that the citizens of Washington state can better achieve their financial goals and secure their financial future. Our training sessions have been given to over 2,500 people. Our network of college instructors, along with the Washington Society of CPAs, will be mounting a statewide campaign in 15 colleges and universities around publication of this insert.

The materials contained here were excerpted from a set of eight modules, funded by Investor Protection Trust and the Washington state Department of Financial Institutions, both strong supporters of our initiative. Thanks to our able team of curriculum developers who have extensive financial service industry experience and who teach college students: Molly Blume (a former banker), Alice Jenkins (an expert in real estate), and Margie Biliske (a CPA and certified fraud examiner).



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Financial Education
at BCC

[www.bellevuecollege.edu/
financialeducation](http://www.bellevuecollege.edu/financialeducation)

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Special Thanks to:



For more information: www.dfi.wa.gov, 360/902-8700,
877/746-4334, En Español 877/976-4422

And Thanks to:



CONTACT NIE:

by phone: 206/652-6290

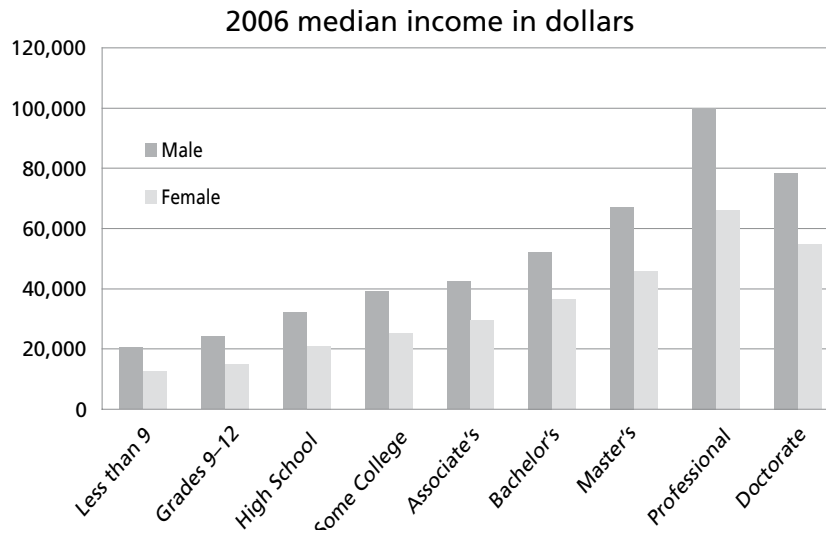
by e-mail: nie@seattletimes.com

Your (financial) life

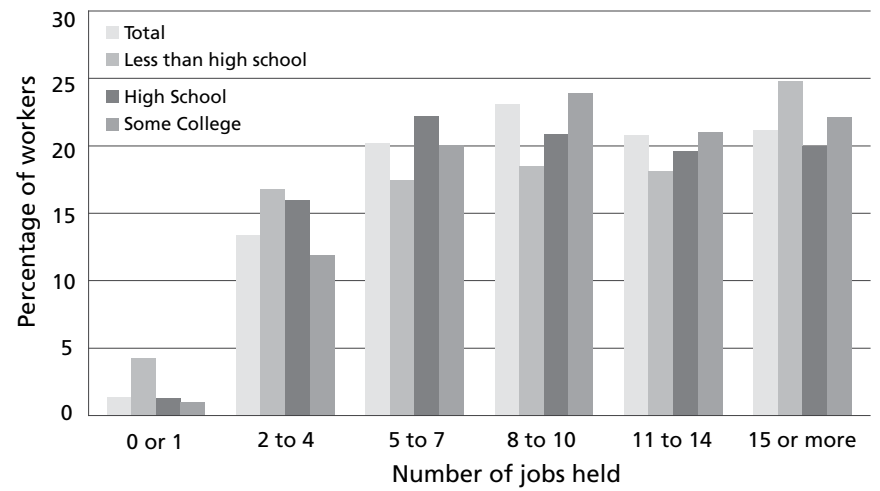
Washington state median income

WASHINGTON	2006 MEDIAN INCOME
Total:	63,705
2-person families	58,584
3-person families	66,252
4-person families	75,140
5-person families	68,562
6-person families	62,484
7-or-more-person families	61,212

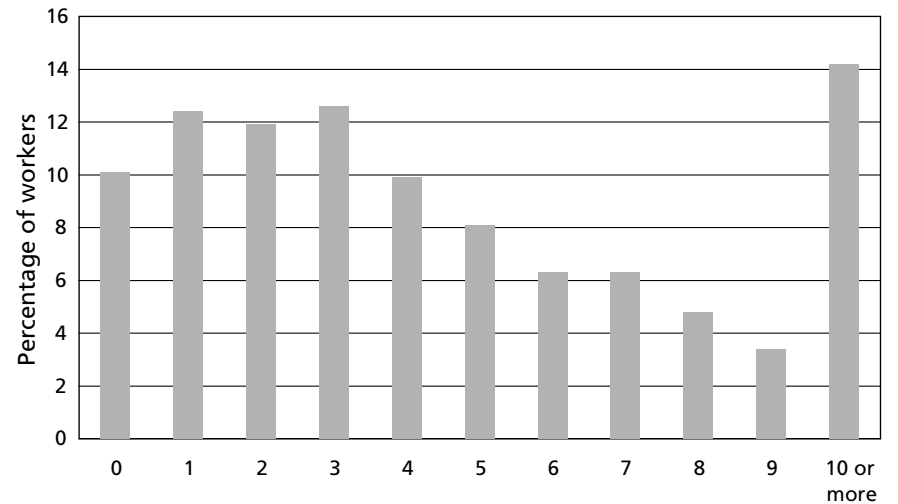
Typical salary by education and gender



People change jobs many times



Spells of unemployment



Things you should know

- The typical family in Washington state earns about \$63,705. Salaries have been leveling off since 2000. Some experts believe that you may be the first generation to make less than your parents.
- Education can increase your earnings but you must finish your degree. A college degree will get you \$10,000 to \$20,000 a year more than a high school diploma. A professional degree (accountant, engineer, lawyer, etc.) will earn you the most. Education is a good investment.
- Males continue to make more than females. Some experts think that this is because females continue to do most of the caregiving for children and parents.
- 76% of people will get married and marriage can increase your wealth. At the same time, about 50% of first marriages end in divorce and divorce will cut into your wealth.
- You will change jobs more than your parents' generation. People across all educational levels are changing jobs more often. Between the ages of 18 and 40, folks change jobs, on average, 10 times or about every two years. This can have an impact on your retirement savings.
- You will face periods of unemployment. On average, between the ages of 18 and 40, people face five spells of unemployment which last a median of 2.4 months each. 14% of people have 10 or more spells of unemployment. Having an emergency fund is very important.
- If you follow the same road as most Americans, your salary will grow the most when you graduate and start off on your career. But it will start to decline at about age 50, well before you reach retirement age. You need to plan for this.

Setting goals



Now that you have a good idea of what your (financial) life looks like and you know what financial dreams you want to achieve and what financial nightmares you want to avoid, start setting goals. Where do you want to go? A study of college students found that those who wrote down their goals and enlisted others to help them were much more likely to achieve their goals. This exercise teaches you how to set one goal and determine whether you've reached it. Once you've done that, move on to setting all your financial goals. Some of them take a long time to achieve, so you need to start now. Plan your goals and revise them every year as your life evolves.

What do you want to achieve this year?

Over the next year, what ONE occurrence would have to happen for you to feel you've made significant financial progress?

Write this occurrence as a goal.

Describe why it is important to you.

Describe how you will feel when you have accomplished this goal.

Set exciting goals

- Complete the Personal Financial Goals Worksheet on page 6 with at least one goal in each category to help you focus on your most important goals.
- Estimate the cost of each goal, and the dates you want to achieve them.
- Narrow your goals.
- Be aware of conflicting goals.
- Prioritize your goals.
- Start saving now on at least one goal. Don't delay!



PERSONAL FINANCIAL GOALS WORKSHEET

Name(s): _____ Goals for: saving, spending and credit

Date: _____ Year: _____ Months: _____

NON-MONETARY GOALS

Priority	Brief Description	Actions to Be Taken	Target Date for Completion
	Example: Lose weight — 10 pounds	Eat less and exercise more	Six months

SHORT TERM MONEY GOALS (3-12 MONTHS)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed Per Month
	Example: save for emergency-health, car, etc; college tuition, books; a regular savings/ investment program	Set up automatic monthly transfer from checking	3 months	\$1,200	\$400

LONG-TERM MONEY GOALS (ONE YEAR OR MORE)

Priority	Brief Description	Actions to Be Taken	Target Date for Completion	Cost Estimate	Savings Needed Per Month
	Example: Save for a wedding, a home by age 30 — down payment, a baby, for retirement, other ...	Increase contribution to savings program by 10 percent per year	Four years ... \$15,000	\$313	

Spending plan

The single most important habit that will help you achieve your financial goals is a spending plan.

- It helps you achieve all your financial goals.
- It can help you get control of your life.
- It can relieve stress and stop conflict in a family.
- Start as a student even if you don't have much money.
- It should be a lifetime habit.

Creating a spending plan

1. List all your income.
2. Accumulate all your expenses (receipts, credit card bills, checking account register, etc.).
3. Categorize each expense as fixed, variable or discretionary.
4. Create a debt reduction plan. It's never too early to start paying off your student loan.
5. Consolidate all these into an annual spending plan.
6. Compare your spending to the recommended student budget.
7. Adjust your spending plan so you can meet your spending goals.
8. Live by your spending plan for three months and then check how you're doing.
9. Check your spending plan at the end of the year. Did you meet your budget?
10. Do it again for next year. Keep at it. It's a marathon, not a sprint.

COLLEGE SPENDING PLAN WORKSHEET

INCOME	
Earnings	
Financial aid	
Scholarships	
Other	
FIXED EXPENSES	
Tuition	
Rent or college room and board	
Health insurance	
Fees	
VARIABLE EXPENSES	
Books, equipment, supplies, tutoring	
Groceries	
Cell phone, long distance calls	
Transportation (including trips home)	
Health care (prescriptions, doctor, dentist)	
DISCRETIONARY	
Snacks, drinks, restaurant meals	
Entertainment	
Personal care (haircuts, skin care, etc.)	
Clothes	
Miscellaneous (gifts, etc.)	

On the Web: For an online college student budget, check out: edwise.org/edwise/edFundFrame.html

Needs and wants

- List the last 10 things you bought.
- Classify them as needs and wants.
- Of your wants, what can you do without?
- Of your needs, could you have saved money on any item?

This activity helps you re-evaluate your spending. Every time you think of buying something, decide whether it is a "need" or a "want."

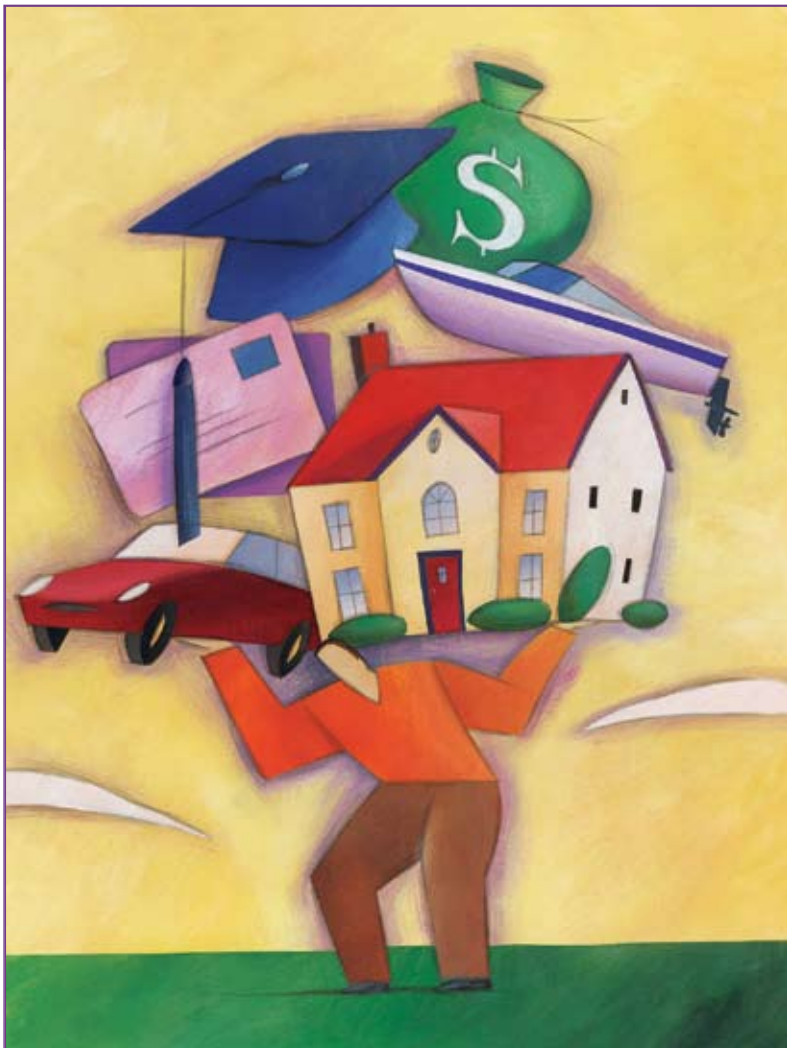
Estimated 2007-8 tuition and fees for full-time undergraduate resident students

Public community and technical colleges	\$ 2,700
Evergreen State College, Eastern, Western, and Central Washington Universities	4,600
University of Washington and Washington State University	6,300
Private four-year colleges and universities	22,000

Source: Higher Education Coordinating Board www.hecb.wa.gov

Saving tips for college students

- Leave the car at home. Walk or use public transit.
- Buy used books.
- Comparison shop for your computer and keep it safe so it doesn't get stolen.
- Comparison shop your cell phone plan. Use long distance calling cards.
- Go to free entertainment or get student discounts.
- Rent DVDs instead of going to movies.
- Being green fits with a good spending plan. Look for energy savings. Recycle and reuse instead of buying new; this includes clothing, appliances and furniture.
- Being healthy fits with a good spending plan. Cut your eating in half. Share meals in restaurants or bring food home for another meal.



Bucking the debt generation —

Credit cards quiz — True or False?

- 1. Credit cards encourage you to buy.**
TRUE. *So be careful, when you use them, to only buy what you need.*
- 2. You should have a minimum of five credit cards.**
FALSE. *Two is enough.*
- 3. Credit card interest rates change.**
TRUE. *They certainly do. Typically they are 7–8 percent over the prime rate, which has gone from 4 percent to 20 percent in the past 30 years.*
- 4. If you are late in payment, you pay a 5 percent annual charge.**
FALSE. *No such luck. You will pay a late fee (\$35); plus, if you do this often, your finance charges can be bumped up 10 percent over your current rate.*
- 5. You should always pay your outstanding balance.**
TRUE. *The best way to use your credit card is to only buy things you need and to pay in full on time every month.*

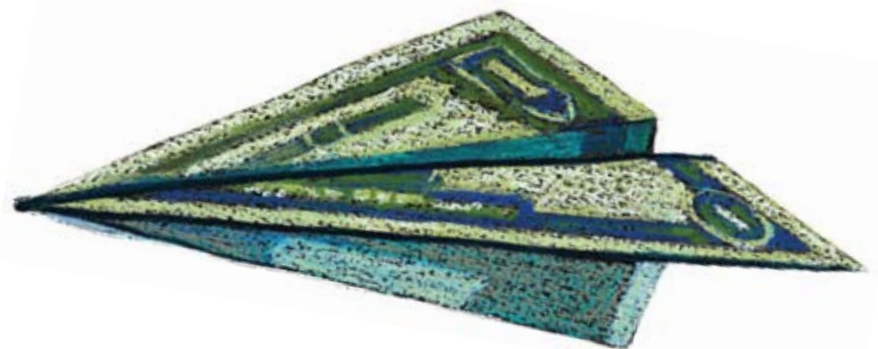
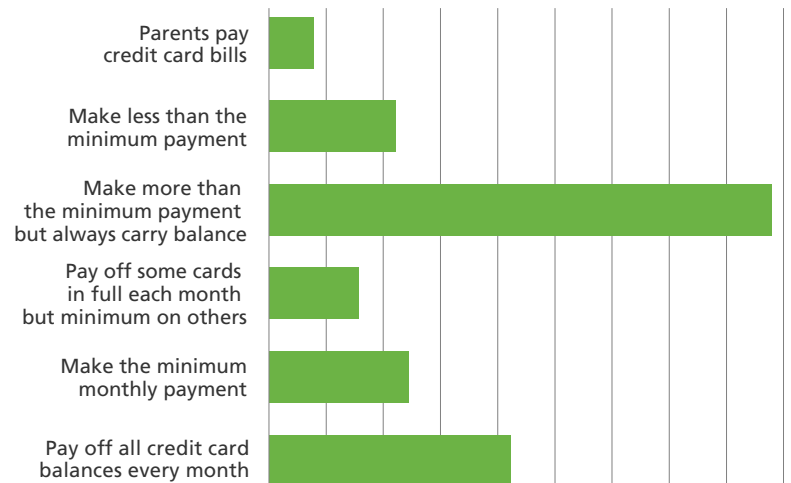
Student credit card facts

- Credit card debt is **16 percent of debt** when students leave college.
- Students have an average of **four credit cards**.
- 33 percent of students have **over \$2,000** in outstanding balance.
- Most students **underestimate** the amount of credit card debt they have.
- Most students **don't pay their credit card bills in full** at the end of the month.

Debit cards facts

- Debit cards allow you to take money out of your bank account at ATMs or to buy items at a store. If you use them to buy, it may be more difficult to get a refund.
- They are like cash, in that the money is deducted immediately from your bank account. If you don't have the money in your account, you can incur an overdraft charge, so be careful.
- You may incur a charge if you use an ATM that doesn't belong to your bank.
- Unlike credit cards, where your loss is limited to \$50, if you don't report unauthorized transactions on your debit card, you could have much larger losses. So, review all your statements carefully and reconcile all charges.

Students don't pay their credit card balances off



Developing good credit habits

6. **If you lose your credit card, you are liable for all charges, so you should buy credit card insurance to cover for this.**

FALSE. *You are only liable for \$50.*

7. **Credit card companies will contact you by e-mail to let you know about discrepancies in your account.**

FALSE. *This could be phishing. Credit card companies contact you by mail.*

8. **You should use your credit card as often as possible for cash advances.**

FALSE. *Cash advances can cost you 3 percent from the day you take them — that's expensive.*

Credit card DOs

1. Credit cards encourage you to spend. So if you have problems with spending too much, **use cash.**
2. Credit cards are a very expensive way to borrow money. **Pay all credit cards on time and in full.** If at all possible, do not maintain outstanding balances. Do not use features such as cash advance.
3. **Do not spend up to your credit limit.**
4. **Opt out of credit card offers** by calling Opt Out 888-567-8688 or going to the Web site: optoutprescreen.com.
5. Before you sign up for a credit card, **evaluate all fees and charges.**
6. **Keep only two credit cards** on you, to minimize loss.
7. **Keep a record of your account numbers,** their expiration dates, and the phone number and address of each company in a secure place. Some fraud experts recommend that you photocopy the cards you carry with you.
8. **Protect your card and your account number.** Sign your credit card when it arrives. Don't lend your card to anyone. Don't give out your account number unless you know you are calling a company that is reputable. Destroy incorrect receipts and copies.
9. **Save receipts** to compare with billing statements. Open bills promptly and reconcile accounts monthly, just as you would your checking account.
10. **Report any questionable charges** promptly and in writing to the card issuer. Do not pay for purchases where product was not delivered or was defective.
11. **Correct any billing errors** by contacting your credit card company as soon as possible.
12. If you use your credit card to shop online, **consider extra precautions with your personal computer.** Experts advise installing and periodically updating virus and spyware protection. Consider a "firewall" to stop thieves from secretly and remotely installing malicious software that can monitor your computer use and obtain sensitive account information.
13. **If you lose your credit or charge cards** or if you realize they've been lost or stolen, immediately **call the issuers.** Many companies have toll-free numbers and 24-hour service to deal with such emergencies. By law, once you report the loss or theft, you have no further responsibility for unauthorized charges. In any event, your maximum liability under federal law is \$50 per card.



Understanding APR

The APR takes into consideration the timing of your payments over the time of the loan.

MONTH	APR 10%		APR 18%	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
1			\$7.96	\$1.50
2			\$8.02	\$1.38
3			\$8.09	\$1.27
4			\$8.16	\$1.15
5			\$8.23	\$1.03
6			\$8.30	\$0.91
7			\$8.36	\$0.78
8			\$8.43	\$0.66
9			\$8.50	\$0.53
10			\$8.58	\$0.40
11			\$8.65	\$0.27
12	\$100.00	\$10.00	\$8.72	\$0.14
	\$100.00	\$10.00	\$100.00	\$10.02

- Annual percentage rate (APR) is the percentage cost of credit on a yearly basis.
- It is the key to comparing costs regardless of the amount of credit or how long you have to repay it.
- By federal law, this must be disclosed to you on all credit cards or loans.
- Always look at APR when you are comparison shopping loans.
- A credit card may have several APRs: for outstanding balances, cash advances, balance transfers, and a penalty APR. Evaluate all of them before you sign up for the credit card.

Work-spend rat race

An economic (life) decision

Q. You are working 20 hours a week at \$10 an hour and have been taking 15 credits. You decide to increase to 40 hours a week so you don't have to skimp on living expenses as much, but now you are taking 10 credits. Are you making a good financial decision?

A. It seems like you're ahead \$200 a week or \$2,200 for the quarter, *but* you've just delayed receiving your degree by a quarter. If this continues for a long period of time you could delay for years. When you earn your bachelor's degree, your income can go up \$10,000 to \$20,000 per year, so you're putting off that extra \$10,000 to \$20,000 per year that you delay. Here's the additional bad news: The fewer credits you take, the less likely you are to stay in school. So if you drop out and don't finish, that decision can cost you \$500,000 to \$1 million over your lifetime, plus better health, increased life span and other great benefits that a college degree brings to its recipients.



Money saving tips

- Reduce discretionary spending.
- Keep records of ALL expenses for a month, including beverages and meals out.
- Comparison shop for purchases – food, transportation and insurance.
- Exercise reasonable budget control spending for birthdays and holidays.
- Reduce high-rate interest debt (credit cards or installment loans).
- Avoid payday loans and their interest rates of over 300% and higher.
- Build an emergency savings fund, in a savings account or money market account, to avoid taking out loans for unexpected purchases.
- Ask your bank or credit union to automatically transfer money from your checking to your savings account — even as little as \$10-20 a month.
- Put all your loose change into this savings account — it can add up to over \$100 in a year.

WORK	% OF STUDENTS	AVERAGE BALANCE	ANXIETY*
Do not work during school year but work during vacations	19%	\$ 942	3.3
Work 1–10 hours per week	12%	\$ 782	3
Work 10–20 hours per week	34%	\$ 926	3.4
Work more than 20 hours per week	31%	\$ 1,661	2.4
Do not work at all	5%	\$ 714	2.8

Source: Nellie Mae 2005 study of undergraduate students and credit cards

* Lower score means higher anxiety

Most students work to pay for their education but some work to spend.

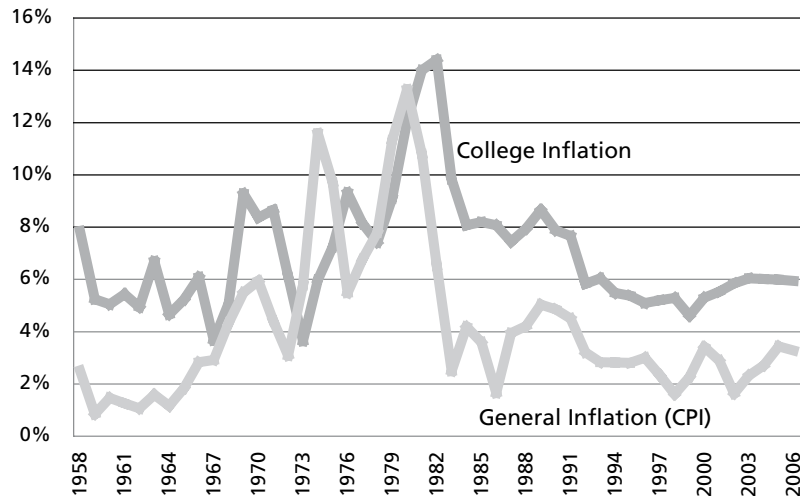
Students who work a lot of hours feel:

- They can't select courses they need because of conflicts with work hours.
- They study less.
- Work hurts their grades.
- They are more stressed.
- They are more likely to drop out.

Paying for college

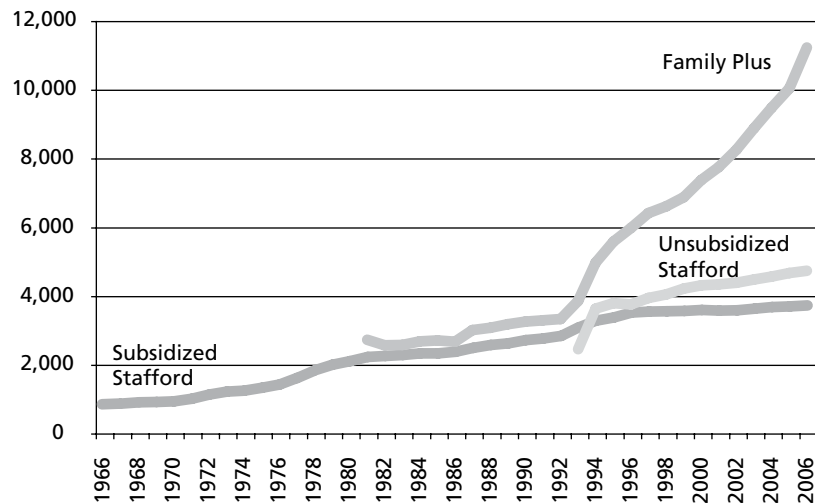
High inflation on college tuition is causing more families to borrow for college.

College inflation is higher than general inflation



Source: Department of Education

Average loans have grown with tuition (\$)



Source: Department of Education



Programs to help pay for college

FAFSA – Free Application for Federal Student Aid.

To apply for federal financial aid and most state aid programs, you must complete the FAFSA. Apply as soon as possible for the next academic year at www.fafsa.ed.gov. This form is used by all colleges and universities to award federal, state and college financial aid.

Federal Aid Programs

Federal Pell Grant, Federal Supplemental Educational Opportunity Grant and the Teach Grant: These grants are for undergraduate students with financial need. They do not have to be paid back. The amount allocated for Pell Grants will be doubled by 2012. The Teach Grant requires that the graduate teach specific subjects at a high-need school.

Federal Work Study: Financially needy students can earn money to pay for educational expenses.

Federal Perkins Loan: These are low-interest loans for financially needy students.

Subsidized Federal Stafford Loans: Student loans that are subsidized by the federal government. The interest rates will be reduced year-by-year from the current 6.8% to 3.4% in 2011. Part of the loans may be forgiven for certain occupations of public service or if other requirements of repayment are met. Loan interest payments can be deducted from taxable income.

Unsubsidized Federal Stafford Loan: This is not based on financial need. However interest rates are not subsidized.

Federal Parent Loan for Undergraduate Students (PLUS): Parents may apply for a PLUS loan, which is not based on financial need.

For more information on all federal programs, go to: <http://studentaid.ed.gov>.

Washington State Aid Programs

The state of Washington has a variety of student aid programs that assist various groups including American Indian, low-income, teachers, foster youth, and more. For information, check out the Higher Education Coordinating Board Web site at www.hecb.wa.gov under "Paying."

College Aid Programs

Each college and university may have grants and scholarships for students. Here are two examples:

Husky Promise: Guarantees that full tuition at the University of Washington will be covered by grant or scholarship support if you are a low- or lower-middle-income student and a Washington resident. These grants and scholarship do not have to be repaid.

Cougar Commitment Program: Washington State University commits to covering the cost of tuition and mandatory fees for students who otherwise could not afford to attend.

Managing student loans

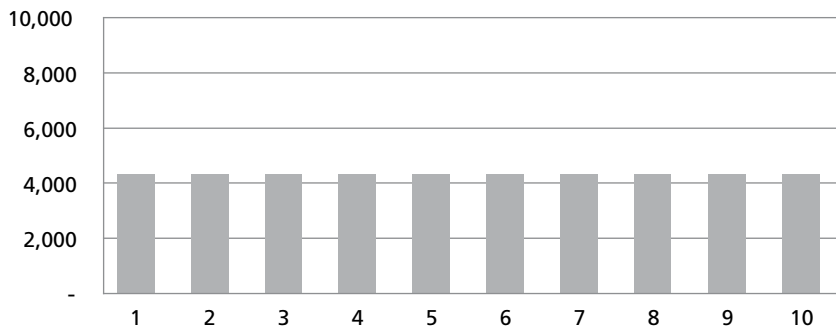
Paying for a \$60,000 education

It's better to save for education than to borrow for education

Total contributions when saving: \$43,427

Saving \$60,000 in 10 years at 7%

Total contribution \$43,427



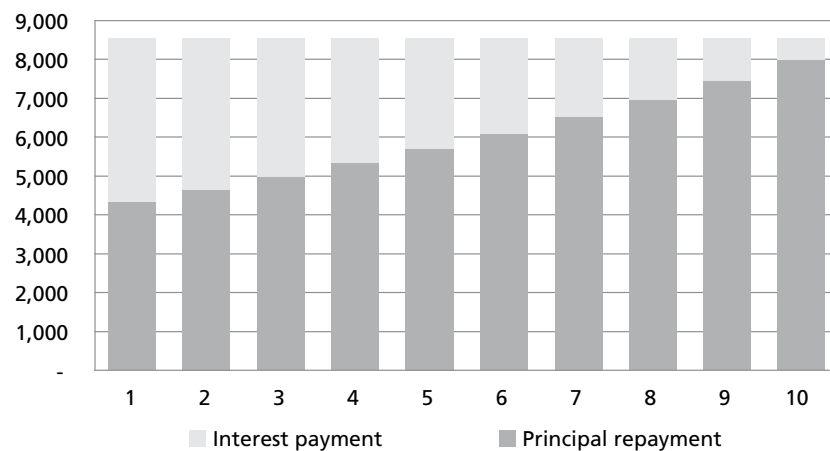
Total contributions when borrowing: \$85,427

Debt payment on \$60,000 at 7% for 10 years

Total principal
\$60,000

Total interest
\$25,427

Total payments
\$85,427



Uncle Sam can help

	529 PLAN (A GET PROGRAM)	COVERDELL EDUCATIONAL SAVINGS
Maximum Contributions	Depending on state plan, could be up to \$300,000	\$2,000 per year
Restrictions on income of contributor	None	Phase out AGI over \$95,000 (single) \$190,000 (joint) filer
Age of beneficiary	No age restrictions	Under 18

Check out Washington state's 529 GET plan on the Web:

<http://www.get.wa.gov>

You can also draw on your Roth or regular IRA to pay for qualified higher education expenses without paying the 10% early withdrawal penalty.

Check to see if your employer provides tuition reimbursement.

Hope Credit

- A tax credit (a reduction in the amount of taxes to be paid for the year) of up to \$1,500 per eligible student per year to families with students (taxpayer, spouse or dependent children) in the first two years of college or vocational school.



Lifetime Learning Credit

- A tax credit of up to \$2,000 per return for adult learners: individuals returning to school, changing careers, or taking a course or two to upgrade their skills; and college juniors, seniors, and graduate and professional students.

Student loan DOs

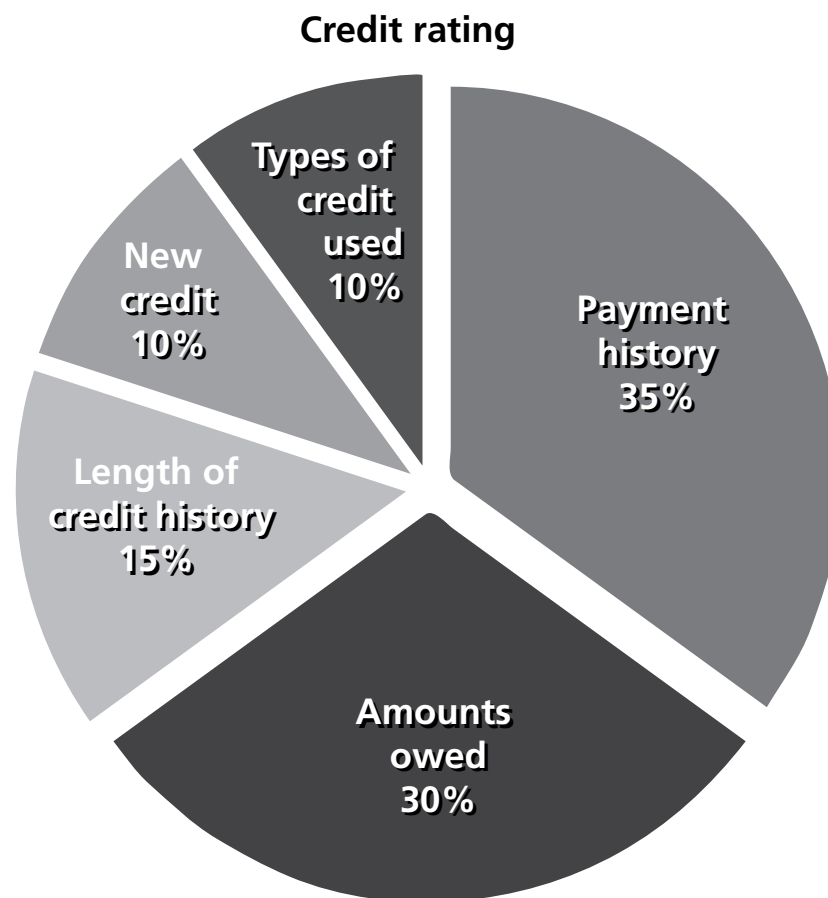
1. Save as much as you can using tax-advantaged educational savings plans before you go to college.
2. Make sure that you have a good chance of earning the income you need to pay off the debt.
3. Only borrow as much as you need.
4. Fill out the Free Application for Federal Student Aid (FAFSA) for federal loans first. They are the cheapest and have the most options.
5. Comparison shop for private loans and evaluate APRs. Check out the maximum monthly payment if you are considering a variable rate.
6. Ask for loan features that will help you if you miss a payment or if you have a good on-time record.
7. Create a plan for repaying your loan when you take out the loan.
8. Make sure that there are no prepayment penalties. This could hurt you in getting rid of debt.

Maintaining good credit

1. **Check your credit report annually** by requesting a free credit report from annualcreditreport.com or contacting the three credit reporting services. Ask, in writing, that the credit rating service correct any errors.
2. **Opt out of pre-approved credit offers** by calling 888-5-OPT-OUT (888-567-8688).
3. **Pay all your bills on time** and don't spend to your credit limit. Check to make sure that your creditors post your payments in a timely fashion.
4. **Establish an emergency fund** of three to six months.
5. If you've been denied credit, check to see if the lender has violated any laws. **File a complaint** if you feel this is the case.
6. **Maintain accurate records** and reconcile your accounts.

Coping with credit problems

1. **Stay calm** and work your way slowly and surely through the problem. Don't delay. Take action now and make it a priority.
2. If you feel that an error caused your credit problem, **tell the credit rating service**. Be diligent about monitoring your credit report.
3. **Seek financial counseling right away**. Use free counseling services that are listed in usdoj.gov/ust. Be aware of credit counseling services (even though they claim to be nonprofit) that charge you fees.
4. **Make a list of all the debts you owe** with the creditor names and addresses. Call your lenders and creditors. Let them know you're having financial difficulties.
5. **Prepare a realistic spending plan** to pay down your debt.
6. **If you have savings, consider using it** to pay as many bills as you can. Consider selling some assets. Consider getting a second job to pay off your debt.
7. It might take longer than you thought for your financial crisis to go away. **Be persistent** with your creditors and payment plan.
8. As you start to pull yourself out of the financial crisis, remember to **set aside money for savings**.



Source: www.myfico.com

Payday loans

Payday loans are short-term consumer loans for small amounts, which need to be paid back on the date when the customer receives their next paycheck.

In Washington state, the maximum loan term is 45 days and the maximum loan amount is \$700. The maximum fee that can be charged is 15% on the first \$500 and 10% on amounts above \$500.

Let's say you want to borrow \$100 for 14 days. You write a personal check for \$115. The check casher or payday lender agrees to hold the check until your next payday. At that time, the lender deposits the check or you redeem the check by paying the \$115 in cash.

The cost of the loan is a \$15 fee that results in an APR of 391%.

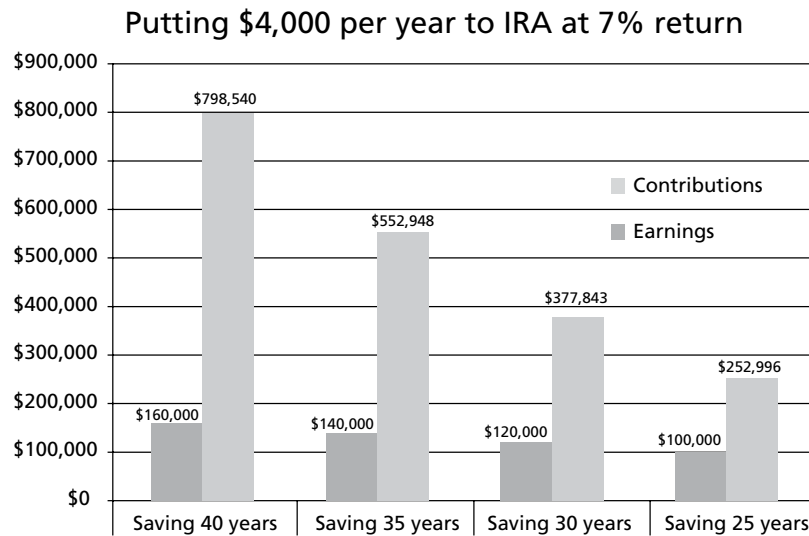
Using payday loans is significantly more expensive than other forms of credit.

In Washington, you may not pay off an existing payday loan with a new payday loan.

If you feel that you have overcharged or been a victim of fraud, you can file a complaint with the DFI at 1-877-RING-DFI or at their Web site www.dfi.wa.gov.

Grow your wealth with smart investing

Most of retirement savings comes from *earnings*, not *contributions*



The effect of saving every year

- You cut out candy and soda for savings of \$25 every week.
- What will you have in 40 years?
- Contribute your earnings to a Roth IRA.



Time value of money

INTEREST RATE	SAVINGS PER WEEK	NUMBER OF YEARS	FUTURE VALUE
5%	\$25	40	\$152,602.02
5%	\$50	40	\$305,204.03
5%	\$75	40	\$457,806.05

Investing smarts

- The earlier you learn about investing, the more wealth you will accumulate.
- Put enough in your 401K to get the most out of your employer's match.
- Contribute as much of your earnings as you can to a Roth IRA.

The effect of a better return

INTEREST RATE	SAVINGS PER WEEK	NUMBER OF YEARS	FUTURE VALUE
8%	\$25	40	\$349,100.78
8%	\$50	40	\$698,201.57
8%	\$75	40	\$1,047,302.35

You can contribute any earnings to a tax-advantaged retirement account and take advantage of the time value of money. Don't borrow against your accounts or cash out when you leave an employer.

	401K	Roth IRA	Traditional IRA
Who is eligible	Determined by employer.	Anyone who had income from working and his or her nonworking spouse. There are income limits.	Anyone up to age 70½ with income from working and his or her nonworking spouse. There are no income limits.
Maximum you can contribute	\$15,500 or maximum set by employer. \$5000 catch-up contribution for those 50 and over. Your employer may contribute a match, which makes this attractive.	Up to \$8000 (\$4000 each) combined contribution or \$10,000 (\$5000 each) for those 50 and over. The maximum will go up \$1000 in 2008.	Up to \$8000 (\$4000 each) combined contribution or \$10,000 (\$5000 each) for those 50 and over. The maximum will go up \$1000 in 2008.
Tax status of contributions	Contributions are pretax.	Contributions must be after-tax.	Contributions may be pretax up to certain income limits.
Tax status of earnings	Earnings are tax deferred. You pay ordinary income tax when you take the money out, therefore missing out on lower capital gains tax.	Earnings are tax free.	Earnings are tax deferred. You pay ordinary income tax when you take the money out, therefore missing out on lower capital gains tax.
Withdrawals	Withdrawals made before age 59½ will be subject to a penalty of 10% in addition to tax.	Contributions may be withdrawn without penalty.	Withdrawals made before age 59½ will be subject to a penalty of 10% in addition to tax.
Mandatory age for withdrawals	70 1/2	None	70 1/2

Protect your money DOs

The Federal Trade Commission received over 674,354 Consumer Sentinel complaints in 2006: 64% represented fraud and 36% were identity theft complaints. **Identity theft** occurs when a thief uses another person's personal identification – name, address, Social Security number, date of birth, mother's maiden name, or other identifying information – to open new credit card accounts, take over existing accounts, obtain loans in the victim's name, steal funds from the victim's checking, savings or investment accounts, lease cars and apartments, or even apply for telephone service.

- **Avoid talking with strangers** who try to sell you things on the phone (telemarketers). They may try to frighten you into giving them personal information by yelling at you, threatening you or insulting you. Don't do it! Have your telephone number added to the National Do Not Call Registry. You may register at 1-888-382-1222 or at donotcall.gov.
- **Be careful with personal information** in files at your home or at work and keep them in a locked file cabinet. Think about who might find them. (Example: At a student party, one of the party attendees walked away with the credit card checks that came in a statement envelope.)
- **Keep track of your credit card spending** and check your statements very carefully. If you find a charge for something you did not buy, contact your credit card company immediately. (Fraudsters often start with a small charge to see if you are an easy victim and don't check your statements.)
- **Balance your checkbook every month.** Do you know where your money went? Were there any unauthorized transactions?
- **Know when your regular bills come** in the mail. If they don't arrive on time, call the companies to ask about that. Someone may be pretending to be you and may be getting your mail.
- **Burn your mail**, or use a shredder to cut up the receipts and other papers you throw into the garbage. Anyone can go into your garbage to look for your personal information. Even envelopes can tell the thief where you have bank accounts.
- **Keep your Social Security card in a safe place.** Memorize the number and give it only to people who really need it, such as your employers. Never carry it in your wallet. Be aware that some establishments such as health clubs may ask you for your social security number even if they don't need it. Some of these places may not have secure handling of this information.
- **Take all your outgoing mail to a U.S. Postal Service mailbox.** Most personal mailboxes in your neighborhood do not have locks. Thieves can steal your outgoing mail from an unlocked mailbox before the Postal Service worker comes to pick it up.
- **Know when your Postal Service worker usually comes.** Thieves can get bills and other information from your incoming mail. Have your mail held at the post office when you go on vacation. Have your checks delivered to your bank, so they cannot be stolen out of your mailbox.
- **Avoid filling out forms for contests and clubs.** The "contest" may simply be a way for someone to collect your private information.
- **Delete e-mails that ask you for personal information.** The sender may really be trying to "fish" for your personal information. This is called "phishing." Many Web sites are fake sites (not owned by the real company) created by thieves to steal your personal information. "Vishing" is like phishing but is done by voice. A stranger may call you on the phone and claim to represent a well-known company. You may get an e-mail telling you to make a phone call using the number they give you. You will be asked to give up private information. **DON'T DO IT!**
- Fraudsters can also go into your computer and do "pharming," where they farm information that you have stored on your computer. To protect yourself, **don't "bookmark" your bank information** on your computer; don't store passwords for your banking information in a file in your computer marked "passwords."
- **Don't store passwords** for your banking information by taping it to your computer where anyone could see it.
- If you decide to shop online, **work with large companies you know.** They want to protect their own reputation. When you use the Internet to buy from strangers, you don't really know if you will ever get what you paid for. The seller might simply disappear after they get your check.
- **Check your credit reports at least once a year.** A study has found that 25 percent of credit reports may have errors that can affect your ability to get credit. A credit report is information businesses collect to see if you have paid your bills on time. One free credit report every year is now guaranteed by law. Look to see if anything on the report is not correct. If you see something you do not understand, contact the credit report agency. The three credit companies you can contact about your credit report are:
 - Equifax: www.equifax.com/ (800-685-1111),
 - Experian: www.experian.com/ (888- 397-3742), and
 - TransUnion: www.transunion.com/ (800-888-4213).

If you feel that you have been a victim of fraud, you can file a complaint with the DFI at 1-877-RING-DFI or at their Web site www.dfi.wa.gov

Planning Financial Strategies for a Lifetime

	Twenties	Thirties	Forties	Fifties	Sixties	Retirement
<p>Protect your financial dreams</p>	<p>Set exciting goals</p> <p>Establish good credit habits and history</p> <p>Make a spending plan</p> <p>Establish a record-keeping system</p> <p>Get adequate auto, health, disability and property insurance</p>	<p>Own a home</p> <p>Good credit score</p> <p>Adequate property, life and liability insurance</p> <p>Create wills</p> <p>Education funds for children</p> <p>Monitoring system for finances</p>	<p>Expanded sources of income</p> <p>Upgraded home</p> <p>Allocate assets to education fund to meet time horizon</p> <p>Monitor savings against retirement goals</p> <p>Teach children about money management</p>	<p>Pay for college for children</p> <p>Expand investment portfolio</p> <p>Renew retirement plans</p> <p>Set estate plans with family</p> <p>Plan for care of aging parents</p> <p>Explore and evaluate options for long-term care</p>	<p>Corral all sources on income for retirement</p> <p>Asset allocate for adequate retirement income</p> <p>Explore part-time or volunteer work</p> <p>Plan housing for retirement</p> <p>Comparison shop for gap health insurance</p>	<p>Ensure adequate health insurance coverage</p> <p>Determine options for care if disabled</p> <p>Obtain reliable assistance to manage financial affairs</p> <p>Fine-tune estate plan</p> <p>Keep current on investment fraud</p>
	<p>Avoid these financial nightmares</p>	<p>Unrealistic personal or family goals</p> <p>Too much mortgage and other debt</p> <p>No emergency fund or savings</p> <p>Not enough insurance</p> <p>Not involving family in financial affairs</p> <p>Spending raises or windfalls and not taking advantage of the time value of money</p>	<p>No savings for major replacements</p> <p>Drawing home equity to spend</p> <p>Neglecting to update insurance coverage</p> <p>Excessive trading on investments</p> <p>Not rebalancing portfolios</p> <p>Not taking advantage of the time value of money by saving early</p>	<p>Not saving enough for retirement</p> <p>Children wanting excessive assistance</p> <p>Not rebalancing portfolios</p> <p>Drawing home equity to spend</p> <p>Not anticipating decrease in income</p> <p>Not anticipating medical or health expenses</p>	<p>Not having enough retirement funds</p> <p>Too much debt to pay down before retirement</p> <p>Having an out-of-date will</p> <p>Failing to explore health care alternatives before retirement</p> <p>No long-term care insurance to protect estate</p>	<p>Not using resources</p> <p>Not developing an estate plan</p> <p>Not funding leisure activities</p> <p>Not adjusting spending to retirement income</p> <p>Inadequate health coverage</p> <p>Victimized by fraud because of lack of education</p>

