

Money Management 101



“Many folks think they aren’t good at earning money, when what they don’t know is how to use it.”

-Frank A. Clark

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Money. Well managed, can help us live our lives to the fullest. Mismanaged, can lead us down a long dark road. As a Credit Union, Redbrand is here to help provide direction. There are as many opinions, strategies and suggestions on money management. The purpose of this document is to provide a high level description of multiple financial concepts. Concepts cover a broad range of ideas that, when done well, can help lead you down a successful path.



“If you expect your money to take care of you, you have to take care of your money.”

- Suze Orman

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Budgeting & Checkbook Balancing

Budget

A budget is like having a compass in the backwoods. While you can likely survive without a compass, there's a good chance you'll wander around lost for a long time before you find your way. A well made budget will point you in the right direction and when checked regularly, will keep you going in the right direction.

Budgeting is so important, we have an section dedicated just to it. Check out the [How to Create a Budget](#) link to learn more!

Balance Your Checkbook

There are number of reasons why people choose not to balance their checkbooks: do so verifies unauthorized payments aren't coming out of your account, it verifies there's not mistakes, by knowing your balance you can prevent fees and knowing your balance gives you control and can bring peace of mind.

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Education, Career and Homeownership



Invest in Education

An education is so much more than just a piece of paper. It opens the door to opportunities and advancement. Make sure you work with advisors. This will help you optimize financial aid and you get into a career that fits you.

Choose Work That You Love

Let's face it—we'll spend A LOT of our adult lives at work. It makes sense to choose to work in a place where we're happy. While work is... well, work, if you're doing something you don't enjoy you'll likely feel miserable day in and day out. Not sure what you want to do? Check out career services at your school.

Consider Home Ownership

Home ownership can be an excellent investment for many. While it's not the ideal solution for all, for those in the position to purchase it comes with great perks! Building equity is a big one. After 30 years of renting, you still have to pay the same rent, likely at a much higher rate than 30 years prior. After 30 years of paying your mortgage, you'll own your home!

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Savings and Investments

Save

Saving is important for so many reasons. Having an emergency fund protects you from unexpected expenses, such as vehicle repairs, home repairs and medical costs. Saving helps significantly by allowing for down payments on large purchases such as vehicle and home purchases. Saving will tremendously lessen the burden of retirement. Clearly, this subject covers a lot of ground. Check out the [Why Save](#) link to learn more!

Investments

Investing allows the opportunity to grow your money. It's important to understand that there is potential risk in investing. Different investments come with different risk levels. Typically, the higher potential return, the higher the risk. The risk may mean loss of part or, in extreme cases, all of your initial investment. For instance, a Share Certificate (Certificate of Deposit, CD) with the Credit Union will yield a lower return (but guaranteed) than the stock market, but as long as it's kept through the maturity date, doesn't carry the risk of loss.

Retirement

After years of working, you want to kick back and enjoy life. Even for those paying into the Social Security system, social security itself is not typically sufficient to maintain lifestyle. If you're lucky enough to work for an employer that provides retirement, you're in a better position. If your employer offers a match program, take advantage of it. There are a number of

retirement accounts, including (but aren't limited to): Individual Retirement Accounts, 401k, 403b and 457 Retirement Accounts. Regardless of which investment is right for you, the key is to start EARLY. Compound interest has the most impact over time.



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High Cost Pitfalls



Pay Day Lenders

Pay Day Lenders—those lenders that have storefronts that advertise in neon—can seem to help out in a pinch. The sad truth is, most payday loans cost the borrower an INCREDIBLE amount of money. Some charge an enormous interest rate, sometimes over 500%! Some appear to charge manageable fees, but when the borrower renews the loan the cost becomes exorbitant.

The average payday loan is renewed 5x before it is paid in full! What do those numbers look like? A borrower who borrows \$150 for a \$30 fee, renewing the loan 5x before paying off the loan in full pays 100% interest over the course of 5 pay periods, that's \$150 in fees. Keep in mind this example is

Credit Cards

Used properly, Credit Cards can be a valuable asset to your financial portfolio. They are typically immediately available in emergencies and can even help build your credit score. Used improperly, they can create a lot of extra burden.

Considerations to keep in mind:

- Annual Fees (unless they provide incredible perks, don't pay them!)
- Interest Rate (carrying a balance costs you money, sometimes dearly)
- Capacity (a credit card is only useful to your portfolio if there's credit available—try to keep 80% of the credit limit available at all times)

It's impossible to cover this topic in detail in this space. Visit our [What Makes Up My Credit Score](#) page for more information.

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Insurance

Insurance is generally defined as an arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness or death in return for payment of a premium. There is a very broad range of insurance types and coverages. Three of the most common insurances are discussed at a very high level.

Health Insurance

Medical Care in America today can be very expensive. Having health insurance can help protect you from astronomical medical bills that you are not able to pay. Many people get health insurance through their employers with the employers paying a portion of the premium. Recently, the government has made healthcare mandatory. They can purchase their own private insurance, or a purchase government insurance on the marketplace.

Vehicle Insurance

There are two primary types of vehicle insurance: liability and full coverage. Liability protects you by covering the damage you do to others in an accident. Full coverage protects others and your vehicle in an accident. The State of Illinois requires that all drivers have liability insurance. Most lenders require full coverage if there is a loan on the vehicle.

Life Insurance

Generally, life insurance protects loved ones left behind after someone passes. This helps with burial, extra expenses, debts and providing income to loved ones. There are different forms so it's important to educate yourself fully before making any purchases.

