**What is Financial Literacy?**

The knowledge gained to implement the most effective and successful money management practices. Financial Literacy is vital for an individual’s professional and personal growth.

**Importance of Financial Literacy:**

The Western Carolina University’s Financial Literacy Program is designed to give students the knowledge needed to ensure good financial decisions while in college and provide tools to build a solid foundation for the future.

**What can be learned through Financial Literacy?**

Financial Literacy provides learning opportunities on the importance of financial planning, managing your money, and understanding debt. Whether you are experienced in handling personal finances or just activated your first debit card, Western Carolina University’s Literacy Program is a good way to strengthen or build financial knowledge and know how.

**The program will provide information and tools on the following financial aid topics**:

Budgeting

Credit and Credit Cards

Personal Finance and Debt Management

Loan Management and Student Loan Consolidation

**Budgeting:**

What is a budget and why should I have one?

A budget is a record of an individual’s income and expenses that will guide the individual to be financially successful. A budget can be as simple as writing down basic monthly income and expenses amounts on a piece of paper or creating a detailed worksheet with information for each day of the week. A budget can help an individual reach a variety of financial goals such as saving for a car or encourage an individual to spend less money on clothes or eating out.

Guideline to creating a budget:

* Track your expenses for a month so you know exactly where you are spending your money.
* Evaluate your income vs. expenses.
* Classify your expenses into wants and needs.
* Determine if the expenses in the want category can be reduced.
* Create your budget for a week or month and stick to this budget.
* Write down your short-term and long-term financial goals, so that while you are following your budget you know what goals you are trying to achieve.

Saving early= Saving Smart

Why?

* Rising cost of college
* Benefit of saving
* Less debt, more investment

How

* Prepaid tuition and college savings plan
* [www.cnfc.org](http://www.cnfc.org)
* [www.federalstudentaid.gov](http://www.federalstudentaid.gov)

Upload a pdf of the Sample Budget Worksheet

**Credit and Credit Cards**

What is Credit?

Credit is your reputation as a borrower. It tells others how likely you are to repay your loans. Credit is made up from information about your borrowing history. Most of the information comes from your credit report.

What is a Credit Report?

A credit report contains information about your borrowing history. Lenders provide information that ends up on credit reports. How much you borrow, your repayment history, and other details about your borrowing behavior are on your credit report. When someone wants a credit report, it is requested from a credit reporting company. These agencies collect and distribute all of your information.

What is a Credit Score?

Credit agencies use your credit history to determine a credit score. These scores are determined by a computer program that runs through your credit report. It looks for patterns (such as on time payments), characteristics and any red flags that may be needed to be tended to. Credit scores are used for multiple areas in your life such as lending decisions for cars or mortgages, insurance and even employment approvals.

The need to build Credit:

If you do not have a credit history, lenders do not know if they should lend you money. They are not able to determine if you are a responsible debt payer or a bad risk. You need to build credit in order to prove your creditworthiness. Young adults who are just starting to learn about financial responsibilities should remember that credit can be a useful tool but it can also get you into trouble. After you begin building credit, you may be inundated with new tempting credit offers. Banks, credit card companies and others will want to loan to you as you are a good borrower. Don’t take every offer- only borrow money when it is truly beneficial to you.

Additional Resources:

[www.annualcreditreport.com](http://www.annualcreditreport.com)

[www.federalreserve.gov/creditcard](http://www.federalreserve.gov/creditcard)

**Personal Finance and Debt Management**

Organization and Planning:

* Track your spending
* Make a budget
* Save
* Guard your vital Statistics

What is Debt Management?

To put it simply, debt management is the act of managing debts. However, it can also refer to a credit counseling service that consolidates your unsecured debt into one monthly payment, which is sent directly to your creditors by the credit counseling service. Debt management is one of many options that consumers have for reducing their credit card debts. Consumers can try to manage their debts on their own. Financial experts recommend that consumers should be tracking how much money they pay out every month, not only in terms of what they pay to reduce their various debts, but also for everyday and cost-of-living expenses. By doing so, they may be able to identify ways to cut costs for luxuries and other purchases even before making more radical decisions.

Basic Rules to Budgeting and Money Management:

* **Assess your financial situation. Determine your living expenses, periodic expenses and monthly debt payments you owe. Compare your expenses to your monthly net income. Be aware of your total debt.**
* **Develop a realistic plan.** Create a worksheet to document your monthly expenses. Record where and what you are spending money on. These expenses could be fixed (housing, utilities, child care, student loan payments, etc.) or flexible expenses which vary from week to week or month to month (unexpected emergencies, medical and prescription bill, eating out, etc.) Once you know what you’re spending money on, you have the ability to take control of your finances by creating a budget.
* **Determine the difference between needs and wants.** Create a sound budget by taking care of your needs first (food, housing, clothing, transportation). Money should be spent on wants only after needs have been met.
* **Don’t allow expenses to exceed your income.** Make adjustments in your budget when you are close to over spending. Take your lunch for the week instead of eating out. Evaluate the importance of expensive luxuries such as cell phones, cable TV, and designer clothes.
* **Pay bills on time.** Maintaining a good credit rating and avoid late charges. If you are unable to pay your creditors, call, explain your situation and set up a payment agreement.
* **Use credit wisely.** Determine what you can comfortably afford to purchase on credit by reviewing your budget. Don’t allow your credit payment to exceed 20% of your monthly paycheck. Pay more than the minimum on charge accounts. Add a few extra dollars to your payment. Avoid borrowing from one creditor to pay off another. Make a conscious effort to use paper (actual dollars available) not plastic (credit cards).

Graduate With Less Debt

* Search for more scholarships
* Work while you attend school
* Change your spending habits
* Use your prepaid meal plan instead of eating out
* Rent textbooks instead of buying them
* Take advantage of free activities sponsored by the school
* Resist impulse buying

Money Management

* Join a credit union
* Avoid credit cards
* Save and then splurge
* Pay your bills on time

Campus Life

* Skip Spring Break
* Live without a car
* Don’t hang out with big spenders
* Take advantage of campus activities

Personal Life

* Go to class
* Get involved
* Stay Active
* Get Healthy
* Limit Vices
* Have Fun
* Learn the art of a cheap date
* Make smart choices
* When you want to buy something ask yourself “do I really need it”

Additional Resources:

[www.familycredit.org](http://www.familycredit.org)

[www.teachmefinance.com](http://www.teachmefinance.com)

[www.comsumercredit.com](http://www.comsumercredit.com)

**Loan Management**

Your student loans are a serious financial obligation that must be repaid. In addition to amount that you borrow (the principle); you will also be charged interest for the use of the loan.

Student Loan History:

If you need to determine how much you have borrowed in total you should visit the National Student Loan Data System (NSLDS). NSLDS lists the federal student loans (Stafford, Perkins, Parent PLUS, and Graduate PLUS) you have borrowed as a student. You can view the type of loan, amount borrowed, accumulated interest, lender and service information. If you borrowed alternative loans, you must contact your lender for information about your loan.

Student Loan Consolidation:

A consolidated loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple payments. From January through June 2012, the US Department of Education will offer certain borrowers two options for consolidation:

* Traditional Direct Consolidation Loans
* Special Direct Consolidation Loans

During this time period, borrowers making separate payments on their federal loans to one or more servicers may be eligible for a Special Direct Consolidation Loan. A Special Direct Consolidation Loan offers borrowers different repayment terms and benefits than a traditional Direct Loan Consolidation Loan.

Additional Resources:

[www.finaid.org/calculators/loanpayments.phtml](http://www.finaid.org/calculators/loanpayments.phtml)

[www.student](http://www.student)loan borrowerassistance.org

www.nslds.ed.gov