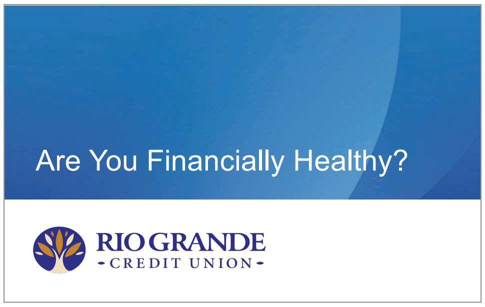
Are You Financially Healthy? (Trainer's Guide)



Title screen – to appear as presenter and attendees get ready for the workshop.

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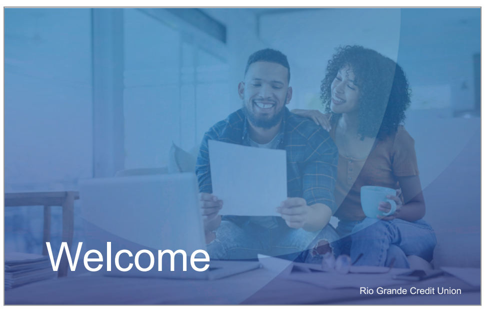

Welcome attendees. Introduce yourself and BALANCE.

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Ask for audience participation in answering what they think financial health is? Ask if a FICO score translates to financial health. Does having a savings account make you financially well? Or how about no debt? How about how confident you feel about your finances?

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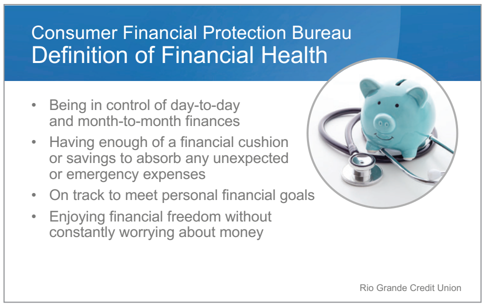

Review the above slide discussing the definition of financial health according to the Consumer Financial Protection Bureau (CFPB), the definition of financial health is:

You will notice that each of these aspects of financial health influence the others. If you do not have enough of a financial cushion when you experience unexpected expenses, you will feel as though you are not in control of your day-to-day finances. Similarly, if you are on track to meet your personal finance goals, you will enjoy financial freedom without constantly worrying about money. By taking charge of several areas of your financial situation you will improve your overall financial health.

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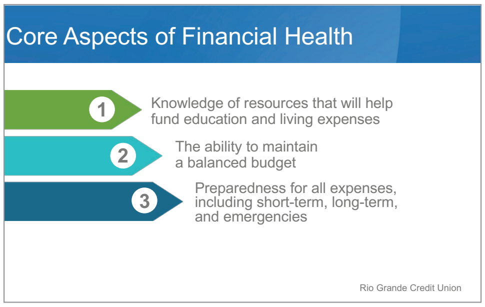

One of the core aspects of financial health is having the knowledge of resources that will help fund education and living expenses. By researching grants, scholarships and loans you will understand the different options available for funding education and will understand how those financial decisions will impact your overall financial health. Becoming aware of resources that will assist in covering living expenses will assist in freeing up funds that can be attributed towards other financial goals.

The ability to maintain a balanced budget is an instrumental aspect of securing your financial health. Sustaining a balanced budget is what ensures a strong financial foundation, without which you will likely find yourself in financial trouble. When you have a balanced budget your expenses total less than your monthly income and therefore you are able to save for other financial goals.

Another important aspect of financial health is preparedness for all expenses, including short-term, long-term, and emergencies. If you have savings that will satisfy your long-term goals, but don't have the funds to cover short-term goals, you will find yourself in a situation where the timeframe for your short-term goal passes and you do not have the funds. In addition, if you are only focusing on the short-term and not planning for the long-term, you will not have the funds to achieve your long-term goal. It is vital to your financial health to plan for both. Emergencies can derail the best short-term and long term plans. Although we may not be able to plan for exactly what an emergency may be, we are able to plan for the fact that things will likely come in our lives that are unexpected. By having funds set aside specifically for emergencies, you will ensure that you don't have to use the funds set aside for your short-term and long-term financial goals.

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Ask attendees the question on the slide and direct a group discussion regarding the relationship between financial health and physical and mental well being. Use the following facts to exemplify the relationship:

- 85% of Americans are stressed about their finances and indicate they bring this stress to work, resulting in absence, health issues, and the inability to retire.
- 57% of all Americans are not financially healthy (that's over 138 million)
- Majority of our country, regardless of income could not come up with $400 in the event of an emergency
- This stress can become debilitating, causing not only health issues, but also the inability to take action and plan for emergencies and happy events, like vacations, retirements, weddings, graduations, etc.

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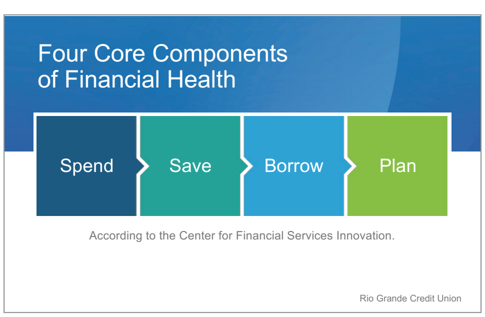

There are four core components of Financial Health according to the Center for Financial Services Innovation: Spend, Save, Borrow, and Plan. These four components mirror your daily activities and based on what you do will either add or detract to your current and future financial wellness. For example, how well are you prepared for a car breakdown or an unexpected medical bill? Will you be able to save for college or go on your dream vacation without having to incur debt?

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Pass out test and ask participants to give each other some space to answer the questions confidentially. To assess your score, circle your answer and add up the score and multiply it by two.

Allow ten minutes for this exercise.

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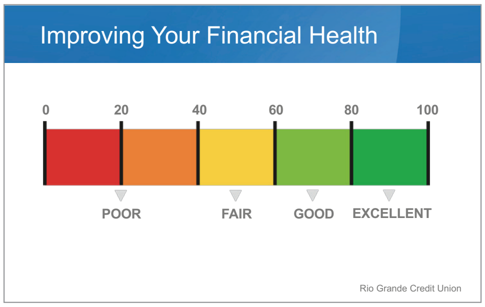

Review the scale on the slide to discuss each rating.

- If you have good financial health, you may be effectively using financial products to build resilience or create opportunities, but have room to improve.
- If you have poor financial health, don't worry you can improve. You should explore new methods for managing your financial life, focusing on balancing income and expenses, mitigating risks, and saving for the future.
- Let's examine each of the core components and what makes up good financial health next.

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Creating a budget is key to spending – in fact, we like to call it a Spending Plan to determine where you want to spend. It might help to determine fixed expenses and variable expenses. This will also help you get a handle on all bills and determine where money is going. Sometimes you'll be surprised where you spend money. Start by reviewing all of your bills and financial institution statements, but also track where
you might be spending small

amounts of money throughout your day over the course of a month. You'll be surprised at how that coffee, gum, or small toy adds up. Variable expenses are likely a spot you can balance your Spending Plan if you are over in expenses.

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Creating emergency savings is great first start to saving. You may think that you have to save a lot, but starting at even ten dollars a month is a positive start toward building a savings. Once you have set aside an emergency savings plan, the next step is to plan for long term savings – which might be saving toward a specific goal or the start of retirement savings. If your employer offers direct deposit, this is the best place to start because you are creating an automatic savings habit. Another helpful tip – when you get a raise, bonus, or any extra cash, don't spend it! Put it toward one of your savings accounts immediately and don't even factor it into your Spending Plan.

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A sustainable debt load is one that isn't causing you stress in meeting your monthly obligations. If you must use a credit card, make sure to pay it off every month. As a general rule, your total debts excluding mortgage should be no more than 10 to 15 percent of your take home pay. With regards to your housing expenses (mortgage, utilities, maintenance, etc.) it is recommended that amount does not exceed 35% of your take home pay.

When applying for financing, you will likely hear the term "debt-to-income ratio" and this is referring to a consumer's monthly debt payments divided by their gross monthly income. The debt payments included in this calculation are mortgage or rent in addition to all other debt payments. Most lenders are looking for this ratio to be less than 43% in order to provide financing approval. Keep in mind that this ratio is based off of your gross monthly income, but when constructing your monthly budget, you want to use your net income and stick to the recommended budgeting guidelines mentioned above.

Prime credit is considered good credit by a lender. Does anyone know what makes up a credit score and what is considered prime? Use this as an interactive discussion on what the audience thinks goes into a credit score, including what is considered prime and what is considered subprime.

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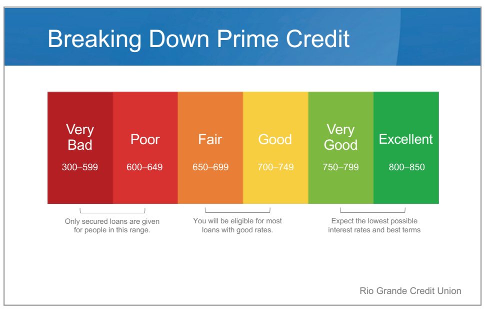

Credit score ranges vary by credit bureau because each bureau has a slightly different score range. FICO credit scores range 300 to 850. Equifax credit scores range from 280 to 850, Experian credit scores range from 330 to 830 and TransUnion credit scores range from 150 to 950. Consumers with scores at the highest end of these ranges are considered to have super-prime credit, and consumers whose scores fall just below that range are considered to have prime credit. For example, Experian classifies super-prime credit as a score ranging from 740 to 830, and prime credit as a score ranging from 680 to 739. Borrowers with prime credit can expect to pay slightly higher interest rates than borrowers with super-prime credit since they are considered to have a slightly higher risk of not repaying their loans. Having a prime credit score might mean paying 1% more on an auto loan than a borrower with a super-prime credit score would pay, for example. Having prime credit usually means you can get a new loan and retain access to your existing credit lines even when the overall credit market is tight. Even in a strong economy where credit is readily available, prime and super-prime borrowers receive most of the credit that banks issue.

The consequences of having a subprime credit score vary. For some consumers, it will mean having to pay higher interest rates for mortgages, auto loans and credit cards. Other consumers may not qualify for conventional loans at all, requiring them to turn to riskier and more expensive ways of borrowing, such as payday loans or car title loans.

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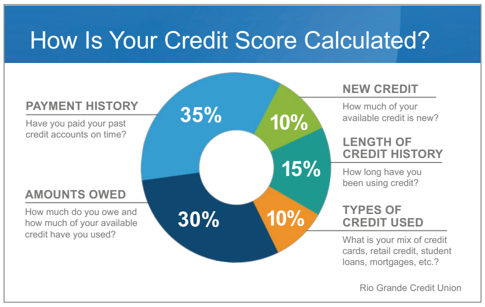

Review each section of the chart. It illustrates the different components of a FICO credit score and the percentage weighting of each component. This is helpful information for your audience to understand which actions drive their score, both positive and negative.

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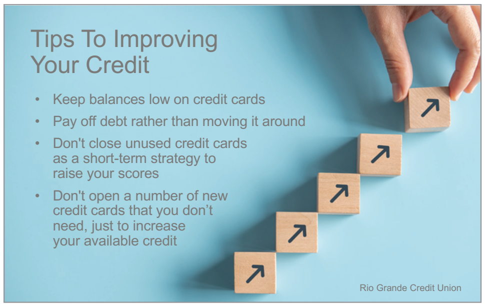

Keep balances low on credit cards – you want to keep your credit card balances under 30% of the available credit limit.

Pay off debt rather than moving it around – when you do a balance transfer you may be negatively impacting your credit score in two ways: one with the hard inquiry that comes from opening the new account and a second time if the balance is close to the new credit limit. Rather than continuing to constantly move the debt around, it will likely be more effective to focus your energy on paying down the balance.

Don't close unused credit cards as a short-term strategy to raise your scores – closing accounts actually may hurt your credit score.

Don't open a number of new credit cards that you don't need, just to increase your available credit – it is recommended to have between 2-4 credit cards but it is important to only open the cards that you actually need. If you open too many cards, you will put yourself in a situation of having too much available credit, which can be seen as a risk to potential lenders.

It's important to note that repairing bad credit is a bit like losing weight: It takes time and there is no quick way to fix a credit score. In fact, out of all of the ways to improve a credit score, quick-fix efforts are the most likely to backfire, so beware of any advice that claims to improve your credit score fast. The best advice for rebuilding credit is to manage it responsibly over time. If you haven't done that, then you need to repair your credit history before you see credit score improvement.

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Make a List - Having everything written out in front of you is really the key to success here. Plus, once you've written it all out, and it's right there in black and white, it may not seem as insurmountable as it did before. Make a list of all your debts: name of creditor, interest rate, balance, minimum monthly payment. Also list how much you'll need to pay in order to zero-out the cards' debt within three years, as found on credit card statements.

Lower Your Rates - Paying high interest rates on existing debt causes your debt to really mount, and makes paying it off much more difficult. If possible, you want to lower those interest rates. Based on your credit, you may qualify for much better interest rates on credit cards – call and ask. Also, check into consolidation loans and refinance options for auto and mortgage. Your Credit Union is always a great place to start.

Know How Much You Owe - Once you know what your total payoff number is, you'll have a real, complete goal to work towards. Total the three-year pay-off amount for all your credit cards. Add the monthly payments for all other debts. This amount is Your Total Monthly Payment.

Plan Your Strategy - There are plenty of ways to attack this problem and you'll likely approach this using a variety of tools and methods. Plan your strategy carefully. Determine if you can afford to pay the Total Monthly Payment until your debt is paid off. If not doable, contact a credit counseling agency and/or bankruptcy attorney for advice. If doable, decide which debt to pay off first. Set up "auto pay" for required minimum for all debts except target debt. Pay as much as possible toward target debt until paid off. Choose new target debt and pay extra toward that one, and so on.

Monitor & Adjust - Once your plan is set, don't get too comfortable. You'll need to track your behavior closely to make sure you're making progress, and you'll want to make adjustments when necessary. Monitor your credit score each month to see if your credit score improves (over time it should). As your credit score improves, reconsider a consolidation loan or balance transfers to save money often spent on interest charges for remaining debts. But remember, if you're working on improving your credit score, then a consolidation loan or a balance transfer will harm it. But if you're solely focused on reducing your debt, then a consolidation loan or a balance transfer may be worth it. Stick with your plan until your debt is paid off.

As you begin to work this system, keep in mind that it's not easy. Just like losing weight, losing your debt takes work, but if you genuinely want to shed that stressful debt, your perseverance can make it happen. And don't fret if you need to make adjustments along the way. This isn't about a quick fix; it's about changing your habits and behaviors so you can achieve your financial goals.

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Life throws many unexpected things at all of us. While we usually can't stop these things from occurring, we can opt to give our lives a bit of protection through appropriate levels of insurance. Insurance is meant to give us some measure of protection, at least financially, should a disaster happen. There are numerous insurance options available, and many financial experts tell us that we need to have these insurance policies in place. Yet, with so many options, it can be difficult to determine what insurance you really need. Purchasing the right insurance is always determined by your specific situation so it's important to get unbiased advice from a licensed advisor. Some key insurance types that everyone should consider include life insurance, health insurance, auto insurance, mortgage and/or rental insurance, and disability insurance.

Planning ahead for expenses starts with budgeting and also getting that emergency savings plan started.

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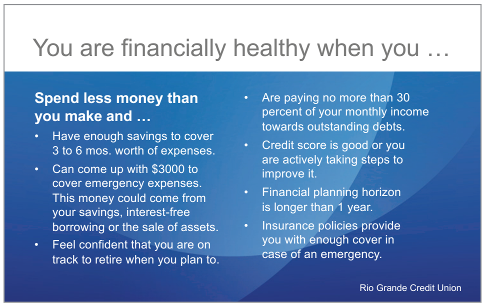

Review each of the bullets as a recap of the prior slides. Emphasize that financial health is a journey and isn't something that has to change overnight. It's also a journey that evolves throughout your life based on your life stage. For example, a single person has different financial health needs than a family or a retired person. It's also important to remind participants that financial health has nothing to do with how much money they make, but rather maximizing every dollar to the benefit of their financial health.

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Review the resources for the credit union and BALANCE. The Consumer Financial Protection Bureaus website is also a very helpful resource for consumers regarding all facets of their finances. The Annual Credit Report Service, www.annualcreditreport.com, provides consumers with a free copy of their credit report from all three of the credit reporting bureaus once per year.

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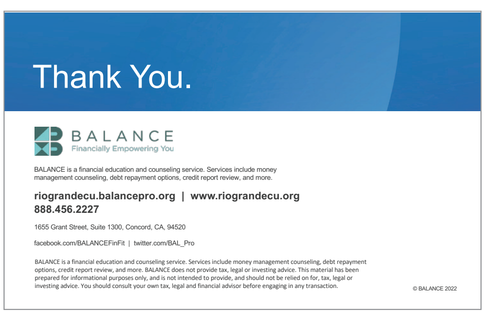

Thank attendees for their participation and ask if there are any questions.

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