BROUGHT TO YOU BY YOUR CREDIT UNION

GUIDE TO MONEY

getting a good start

Contents

The Credit Union Difference

More than 90 million U.S. consumers receive financial services from 7,600 credit unions. Credit unions are cooperative financial institutions, owned and controlled by their members—people who are eligible to use their services. Credit unions serve groups that share something in common such as where they work, live, or worship. Credit unions are not-for-profit and exist to provide a safe, convenient place for members to save money and to get loans at reasonable rates. As a credit union member, you can expect to earn more when you save and pay less when you borrow. Surveys consistently rank credit unions first among financial institutions in consumer satisfaction.

Many credit unions offer materials such as this to help you make informed consumer decisions. Check with your credit union to learn how it can help you.

Save to Spend

What will you be spending your money on in the next few months, next year, and beyond? Do you need to buy a laptop or a car? Or are you planning to travel, go to school, or rent an apartment?

The first step is to put your goals in writing. Then you can create a spending plan to give yourself enough money to meet your everyday expenses, while helping you save for all your goals.

5 steps to smart saving and spending

1. Get a true picture of how you spend your money. To help find where your money goes, save all your receipts or track all purchases with your cell phone for at least two weeks. Then group your expenses into categories, such as entertainment, transportation, food, clothing, and gifts. Figure out how much you're spending each week, month, and year.

2. Make a list of your income. Write down what you earn from jobs, gifts, allowance, and any other sources. Calculate what you make each week, month, and year. If your income isn't steady throughout the year, estimate the annual total and average it per month.

3. Evaluate your situation. Do your income and expenses even out? Are you spending more than you're making? Or do you have money to spare?

4. Create a spending and saving plan. Figure out how much you need to save each month to reach

My Goals

My short-term goals (3 months or less)
- New swimsuit, flip-flops, and shorts for vacation
- Main floor concert tickets

My intermediate goals (3-12 months)
- Netbook computer
- Airfare to Alaska to visit my cousin

My long-term goals (more than 1 year)
- Used car (50,000 miles, 3-4 years old)
- Apartment of my own (rent, utilities, insurance)

Save 3-6 months of living expenses in an emergency fund.

My Monthly Saving and Spending Plan

Build your own plan using this template. Add or change the categories based on your life.

Money coming in

Job (after taxes) ____________
Allowance ____________
Gifts ____________
Other income ____________
Total income ____________

Money going out

Fixed expenses
(same amount monthly)
Savings account ____________
Car payment ____________
Auto insurance ____________
Utilities ____________
Rent ____________
Tuition ____________
Other ____________

Variable expenses
(amount varies monthly)
Gas ____________
Food ____________
Entertainment ____________
Cell phone ____________
Medical ____________
School supplies ____________
Life insurance ____________
Clothing ____________
Gifts ____________
Charity ____________
Other ____________

Total expenses ____________

Difference ________________ (amount you can save)

your goals. Then decide how you'll come up with this money.

When making your plan, it's better to estimate that you'll spend a little more and make a little less than you think.

Now that you know your expenses and income, you can plan how much to save for your goals.

Look for some easy ways to save, like brown bagging it for lunch or cutting back on entertainment or clothing. Remember, even saving $1 a day will give you $365 a year to put toward your goals.

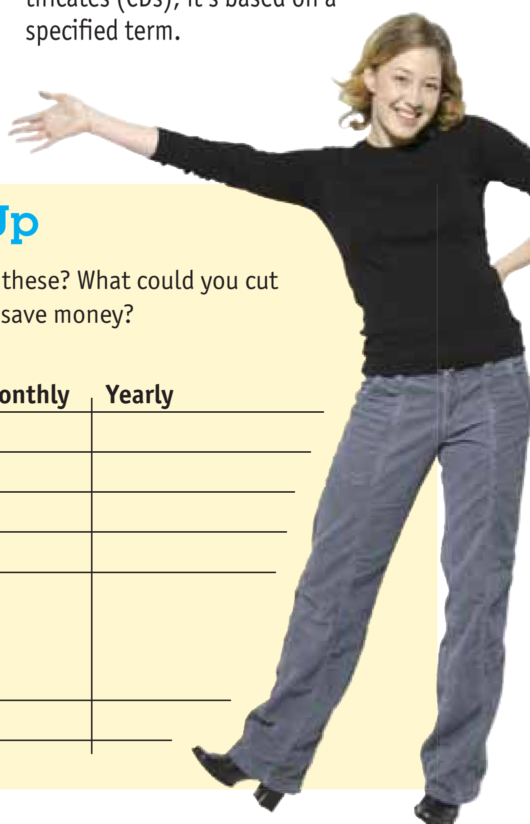
5. Put your plan into action. For one month, try to make more or spend less. Once you reach a goal, review your plan and tailor it to fit your next savings goal. Your savings will give you the power to get what you want.

Savings vocabulary

• **Interest:** The big advantage of a savings account is that your money is working for you by earning interest, or dividends, which in a credit union is essentially the same thing. Interest is the amount of money you earn on your account balance.

• **Compounding**: Your initial deposit earns interest that is added to your account balance. Interest is then earned on that new balance. Interest may be compounded daily, monthly, quarterly, semiannually, or annually.

• **APY or Annual Percentage Yield:** APY represents the total amount of interest you receive. For savings accounts, it's based on a full year. For share certificates (CDs), it's based on a specified term.



Little Things Add Up

How much do you spend on items like these? What could you cut from your budget—or cut back on—to save money?

	Each	Weekly	Monthly	Yearly
Fast food				
Lunches				
Cell phone				
Music				
List your own indulgences				
Total				

Check today's national average interest rates at bankrate.com

It Pays to Save

No matter what amount you can afford to save each month, it adds up. Here are examples at 3% APY. (Interest rates can vary based on many factors, including type of account and the economy. Check with your credit union for current rates.)

	1 YR	5 YRs	10 YRs
$25 per month	$305	$1,620	$3,500
$50 per month	$610	$3,240	$7,002
$100 per month	$1,220	$6,481	$14,009

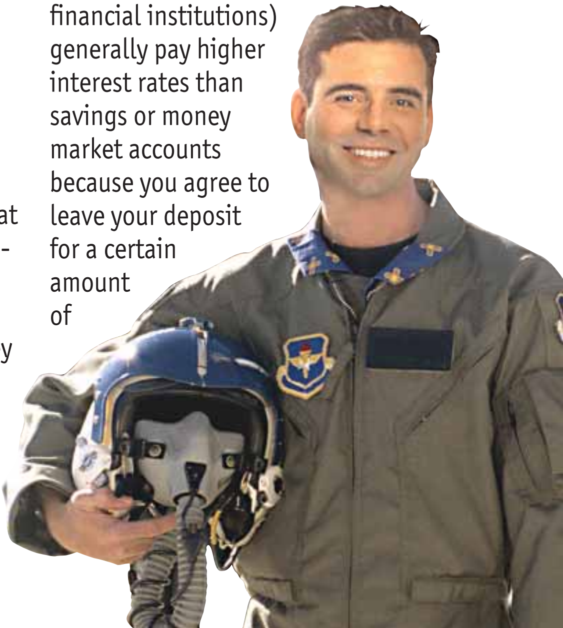
Where to keep your savings

• **Savings accounts** keep your money safe and readily available. The most common type is a statement account that reports transactions to you monthly or quarterly. Credit union share savings accounts pay interest that is comparable to, or better than, the interest paid on savings accounts elsewhere.

• **Money market accounts,** available at credit unions and other financial institutions, are a type of insured savings account. There's no requirement for how long you have to keep your money on deposit.

These accounts generally pay higher interest than regular savings accounts because they typically require a minimum balance of $1,000 or more.

• **CDs or Certificates** (called share certificates at credit unions or certificates of deposit at other financial institutions) generally pay higher interest rates than savings or money market accounts because you agree to leave your deposit for a certain amount of



time. Certificate terms generally range from several months to five years. The longer the term, the higher the interest rate.

Certificates and savings accounts are generally good options for goals you want to accomplish within a year. Both types of accounts are insured and generally offer quick and easy access to your money. If you are saving for a long-term goal, consider the investment options listed on page 24.

Strategies for saving success

• **Discuss** your saving and spending plan with family members, friends, or the staff at your credit union. They might notice things you've missed or offer some creative ideas based on their experiences.

• **Review your income.** If you've been working for the same pay for more than a year, consider asking for a raise or getting a different job. Be fair, but don't sell yourself short.

• **Break down your expenses** into as much detail as possible. For example, instead of budgeting a lump sum for clothes, go through your closet. List the new items you'll need for every season and what each will probably cost. Can you sell your old clothes? Or shop for next year's summer clothes at the end of the season sales?

• **Avoid** unnecessary temptation. Stay out of the mall and off merchant Web sites unless you are shopping with a purpose. Shop only with a list and stick to it.

• **Slow down** your spending. Leave extra cash at home, don't buy on impulse, and don't borrow from friends or get advances on your paycheck.

• **Start the savings habit.** Financial experts recommend that adults save at least 10% of their before-tax income. If that's too high, pick a dollar amount you can realistically save each month and stick to it.

• **Save automatically.** When you have a job, take advantage of direct deposit and payroll deduction at your credit union. Here's how they work: With direct deposit, your entire paycheck is put directly into your account. Your paycheck starts working—earning dividends—right away, instead of waiting until you get around to making a deposit. Direct deposit saves you time and helps you avoid spending. With payroll deduction, you choose an amount of money to be taken regularly from your paycheck to build up your savings account or pay off a loan.

• **Build an emergency fund.** For example, if you have a car, you'll need an extra cushion of savings to cover unexpected emergencies (such as car repairs) and expected expenses (such as insurance). When you're out on your own, build an emergency fund equal to three to six months of living expenses to see you through any temporary setbacks.

Pay Yourself First

Pay Yourself First, or PYF, is a principle most successful savers use. It's a "bill" you owe yourself for saving. And it works because it's the PYF in your plan that helps you reach your goals quickly and painlessly.

When you get your paycheck, use payroll deduction to save some portion of it. If you get a gift of money, save part of it. Increase the amount you save every time you get a raise or pay off a loan.

Don't try to save too much too fast—keep enough money to enjoy yourself, or you might get discouraged and not stick to your plan.

Smart use of Checking, Debit Cards, and ATMS

When selecting a checking account, consider the amount of money you think you'll keep in your account and the number of transactions you'll make each month. You may not write many checks since most merchants accept debit cards. Whether you use paper or plastic, find out if there are any limits and costs based on use.

Surveys show that you're likely to find the best deal on checking at your credit union. Credit union accounts generally pay higher interest on savings and have lower service charges, fees, and minimum balance requirements than other financial institutions.

• **Ask about terms and requirements.** Some checking accounts (sometimes called share draft accounts at credit unions) require you to maintain a minimum balance to avoid service fees. Be sure to check how the minimum balance is figured. The method used could make a difference in how much you're charged.

• **Keep good records.** When you get your first checking account, have credit union staff or someone you trust show you how to record deposits and withdrawals and balance your account. When you get your account statement each month, or go online to check it anytime, compare your balance against the statement. If the figures don't match, double-check your math and entries. Make sure that you correctly recorded all checks, debit and ATM transactions, fees, deposits, and withdrawals in your checkbook register. If the error doesn't seem to be yours, promptly notify your credit union.

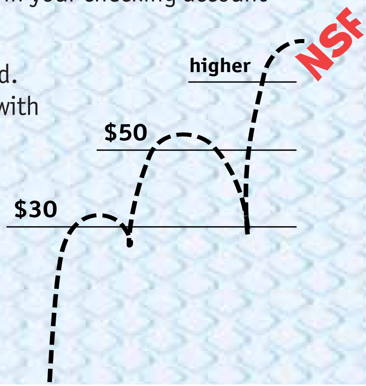
• **Don't overdraw.** Money can be withdrawn from your account as soon as you

ITEM NO.	DATE	TRANSACTION DESCRIPTION	SUBTRACTIONS AMOUNT OF PAYMENT	√	FEE	ADDITIONS AMOUNT OF DEPOSIT	BALANCE
							97 55
	11/6	Direct deposit				182 66	+182 66
		Paycheck					280 21
1117	11/10	First CU	130 00				-130 00
		Auto loan payment					150 21
	11/20	Direct deposit				238 18	+238 18
		Paycheck					388 39
	11/22	ATM (non CU)	50 00		2.75		-52 75
		Cash					335 64
	12/7	Tasty Burger Debit card	6 73				-6 73
		Lunch					328 91

The Cost of Being Overdrawn

Spending more money than you have in your checking account costs you a lot more than money.

- Your checking account can be closed.
- Merchants you've bounced checks with may refuse your checks in future.
- You'll have a tough time opening future checking accounts.
- You'll likely be charged a higher interest rate when you apply for a loan—if you are approved!



write a check or use your debit or ATM card. An overdraft is a check or debit or ATM withdrawal for more money than you have in your account. Depending on your account, two things can happen. Your financial institution may:

1. Pay the amount and notify you that you owe money, plus an overdraft fee.

2. Decline the withdrawal or return the unpaid check to the person or business you wrote it to (the payee). This is called "bouncing" a check. This means you have to cover the amount of the check and pay an NSF (non-sufficient funds) fee to BOTH the credit union and the business. This could total $50 or more for each bounced check.

Some credit unions offer overdraft protection. One option automatically transfers money from your savings to your checking account, but if you're not careful you might find yourself "accidentally" spending all your savings. Another option, courtesy pay, temporarily advances the amount of the NSF check instead of returning it to the merchant. You may be charged a fee for this service and there are usually minimum requirements. Both overdraft and courtesy pay are services for special situations. Ask at the credit union about opting in.

Checking tips

Don't loan your debit card or share your PIN with anyone, as they could use it to withdraw money from your account.

Fill in the amount and the name of the person or business you're paying *before* you sign a check. If you lose a signed, blank check, anyone can fill in a name and an amount and cash it.

How Much Can You Spend Today?

Myth: You can spend your entire balance if you checked it online. "I just checked online, and my account has $120, so I can withdraw $100 right now from the ATM."

Fact: Spend only your balance, less outstanding checks and pending automatic withdrawals. Your sister may not have cashed that $37 check yet you gave her for concert tickets, and remember that $58 cell phone bill will be automatically deducted from your account tomorrow morning.

Tip: Keep a record of all your transactions.

Carry your debit card in a paper sleeve—on the outside write down the day of the month for each of your automatic withdrawals and their approximate costs.

Anticipate these automated payments before spending the balance:

- Transfers to savings
- Cell phone bill
- Car loan payment
- Credit card payments
- Rent
- Electric/gas bill
- Internet/cable/satellite fees
- Magazine/newspaper renewals
- Club memberships
- Insurance premiums
- Monthly fees

Know which checks are outstanding. When you write checks, record the transactions in a register and check off those that have cleared your account (been cashed). Use software or a cell phone app if that's easier. Another way is to use duplicate checks, leaving you with a carbon copy of each check you write. Once a check has cleared, tear it out of your checkbook and place it in an envelope of posted transactions.

Check receipts against your account. Save all your receipts in a "pending" envelope. Once a purchase has posted to your account, move the receipt to a "posted" envelope. If a purchase is posted twice, call the merchant or your credit union.

Confirm deposits. Before heading out Friday night, check your balance to ensure your paycheck was deposited and it's for the amount you thought it would be.

Don't make out a check to "Cash" or "Bearer." This allows anyone to cash it.

If your checks or debit card are lost or stolen, report it immediately to your credit union and the police. You may not be liable for anything over $50 if you make the report right away.

Debit cards

Debit cards (also called check cards) look like credit cards, but deduct money from your checking account.

Most gas stations, grocery stores, restaurants, and other businesses have card readers that permit you to pay with a debit card. Once you slide your card through the reader, choose "debit" or "credit." Either way, the amount will come out of your checking account right away.

If choosing "debit," supply your PIN (personal identification number), and the purchase will be treated as an ATM (automated teller machine) transaction. Often, you can get cash back from the merchant—a great feature when a credit union ATM isn't handy. Check the terms of your account to see if you have unlimited free ATM transactions or a monthly limit.

If choosing "credit," sign for the purchase, and avoid any ATM transaction fees.

ATMs

ATMs (automated teller machines) allow you to get cash, transfer money between accounts, or make deposits almost anywhere, anytime. When you use a debit card at an ATM, you'll be asked for your PIN before you can withdraw cash.

Most credit unions do not charge you a transaction fee if you use their ATMs.

Remember to immediately record all ATM withdrawals and deposits. If you don't track ATM use, you can empty your account quickly.

Keep Your Money Safe

When you get a debit card, ask your credit union for information on how to protect your PIN and what to do if your card is lost or stolen.

How To Borrow

If you manage it well, credit can help you get the things you want, such as an education or a car. However, if you borrow too much and have a hard time paying it back, it can hurt your chances of borrowing money in the future, as well as cramp your lifestyle today.

Like your reputation, a good credit rating takes a long time to build but a short time to destroy.

Your actions are important because negative credit information can stay in your report for up to seven years. And if you ever declare bankruptcy, that remains on your record for up to 10 years.

Keep your credit report accurate

• **Use your "official" name always.** Open all accounts and conduct all your "legal" business in the same name, with the same signature. Use your middle initial as added protection against being confused with someone else.

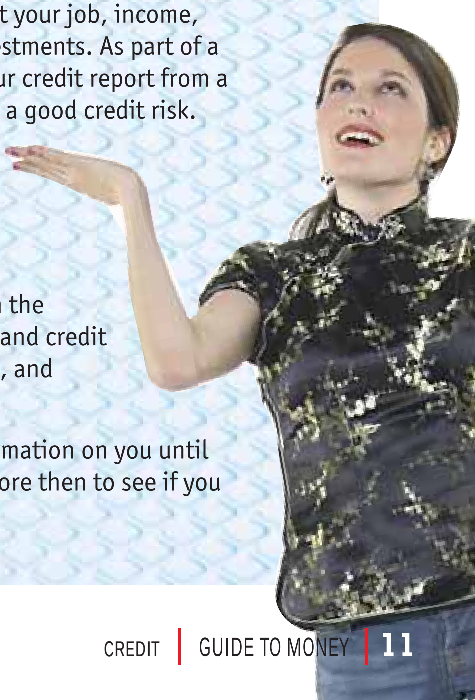
How Lenders Rate You

Before lending you money, lenders want to find out if you're able and likely to repay a loan. They'll ask about your job, income, savings, debt, checking accounts, and investments. As part of a credit check, lenders may buy a copy of your credit report from a credit bureau to help them decide if you're a good credit risk.

Lenders use your **credit score** to determine whether or not to lend you money. Your score is a 3-digit number that shows your ability to pay back your debt on time.

Your **credit report** contains information on the amount of money you owe, including auto and credit card debt, how promptly you pay your bills, and where you live and work.

Credit bureaus do not start collecting information on you until you reach the age of 18. You can check before then to see if you have been a victim of identity theft.



Credit Bureau Contacts

Equifax 800-685-1111 (*equifax.com*)

Experian 888-397-3742 (*experian.com*)

TransUnion Corp. 800-888-4213 (*transunion.com*)

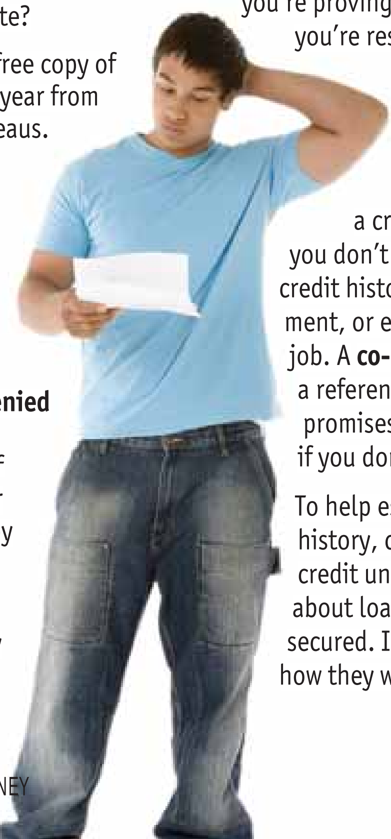
• **Protect your Social Security number.** Double-check all official papers to ensure that your number is accurately recorded every time you use it for legal and financial matters.

• **Review your record regularly.** Periodically request a copy of your credit report from a credit bureau. Is everything listed accurate?

You are entitled to one free copy of your credit report every year from each of three credit bureaus. To monitor your credit record more closely, request a report from a different bureau every four months from *annualcreditreport.com*.

• **Follow up if you're denied credit.** If you are ever denied credit because of a bad credit report, your rights include a free copy of the report. Find out what it contains.

Immediately correct any errors in your report.



The National Foundation for Credit Counseling (*nfcc.org*) can help with counseling and debt-management.

How to get credit

• **Open savings and checking accounts and use them responsibly.** If you save money on a regular basis, you're proving to a lender that you're responsible.

• **Find a co-signer.** A lender may require a parent or other adult co-sign a credit application if you don't have an established credit history, a down payment, or enough time on a job. A **co-signer** is more than a reference for you: He or she promises to repay your loan if you don't.

To help establish your credit history, check with your credit union for information about loans that are share secured. In general, here's how they work:

You open a savings account with a balance equal to the amount you want to borrow. Your account serves as security, or collateral. If you don't make your monthly payments, the lender can take the amount you owe from your savings. But once you've repaid your secured loan, you've begun to establish your own good credit history.

• **Make as large a down payment as you can afford.** It not only shows the lender you're more likely to repay the loan, but also reduces the amount of interest you'll pay over the term of the loan.

Types of credit

Consumer loans come in two basic types: secured and unsecured. If your loan is secured, you'll have to offer the lender collateral, but you should get a lower interest rate.

If your loan is unsecured, you don't have to offer the lender collateral. Your promise to repay is enough if the lender thinks you're a good risk. These loans are sometimes called "signature" loans because your signature on the loan application is all you need. If you don't make your payments, the lender can start legal action to get the money, which can harm your credit rating. Credit cards are one type of unsecured loan.

Most people don't think of their credit cards as loans, but they are. You borrow money each time you charge items. Many credit unions, other financial institutions, and companies issue **general-purpose credit cards,** such as MasterCard and Visa. These accounts usually charge an annual fee, and allow you to charge up to a preset

Collateral: The property the financial institution has a right to take if you don't repay the loan.

For example: If you borrow money to buy a car, the car will serve as collateral for the loan. If you don't make your loan payments, the lender can repossess the car. That means the lender takes it, and you no longer own the car.

Protect Your Plastic

Credit card fraud is widespread, so ask your credit union for information about how to protect your cards and what to do if they're lost or stolen.

amount—your credit limit. You either pay the balance in full each month or extend payments over time. If you pay over time, you're charged interest. The quicker you pay off the balance, the less interest you'll have to pay.

Surveys show that you're likely to find the best deal on these credit cards at your credit union. Many credit unions offer lower interest rates and lower annual fees than elsewhere.

Retail store credit cards are accounts that can be used only at the stores or companies that issue them. Although they generally charge no annual fee and may be easier to get than general-purpose credit cards, they usually charge a higher rate of interest.

Travel and entertainment charge cards are single-payment accounts. You generally have to pay the balance in full each month. You don't have to pay interest on charges you make within the billing period, but you're charged an annual fee and interest on late payments.

Oil company cards generally require you to pay your bill in full each month.

Tips to avoid identity theft

Identity theft is the fraudulent use of a person's personal information. Identity thieves often use another person's Social Security number, mother's maiden name, date of birth, or account number to open a new credit card or checking account, charge to an existing credit card or checking account, or obtain new loans.

Identity thieves often "steal" young adults' Social Security numbers because youth aren't using and checking credit. Peers, friends, and roommates are often the culprits.

Clearing your credit record of fraudulent use can be a complicated and time-consuming effort. Here are tips to keep your identity safe:

• **Never give personal information** such as your Social Security number and account numbers unless you initiated the contact or know the person asking for them. Refuse to do business with retailers who require your Social Security number.

• **Shred** old credit card receipts, ATM receipts, account statements, and unused credit card offers before throwing them away. "Dumpster divers" get information from your trash.

• **Create strong PINs**. Avoid using easily available information such as your birth date, last 4 digits of your Social

Security number, or phone number as your PIN.

• **Pay attention to billing cycles and statements.** If you do not receive a monthly bill or statement, call the card company. It may mean the bill was mailed to a thief.

• **Check account statements** carefully—and often—to make sure all transactions are yours.

• **Mail bills containing checks at a postal box,** rather than leaving them in your mailbox. When you order new checks, pick them up at the credit union.

• **Don't lend** your check or ATM card to anyone.

The costs of credit

Loan rates and terms from finance companies, retail

How Much Credit Costs

Let's suppose you charge $1,000 for a laptop or new clothes with your credit card, and you don't have the money to pay the bill in full when it's due.

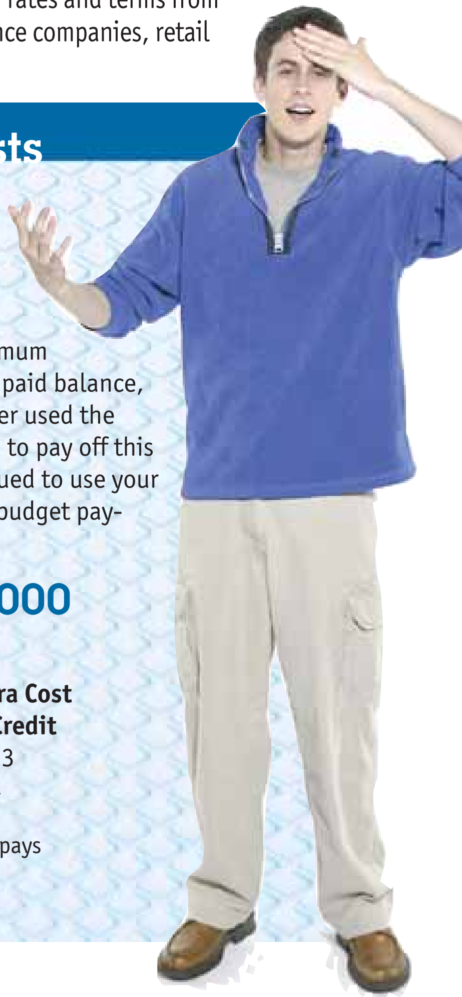
Notice how costly it is to make only the minimum monthly payment—for example 5% of the unpaid balance, or $10, whichever is greater. Even if you never used the credit card again, it'd take roughly two years to pay off this $1,000 under those terms. And if you continued to use your credit card this way, you'd probably have to budget payments for the rest of your life.

Amount charged: $1,000

APR: 13%*

Monthly Payment	Time Needed to Repay	Total Repaid	Extra Cost of Credit
$50	23 months	$1,133	$133
$100	11 months	$1,064	$64

*Rates may vary by several percentage points—it pays to shop around.



A longer repayment period lowers your monthly payments, but increases the total amount of interest you pay.

stores, and financial institutions can vary greatly. Compare these things when shopping for credit:

• **Annual percentage rate (APR):** This is the standardized interest rate you must pay the lender each year for the use of borrowed money.

• **Finance charge***:* This is the total dollar amount a loan will cost you. It includes fees, interest, plus any other charges.

• **Loan maturity:** A longer repayment period lowers your monthly payments, but increases the total amount of interest you pay.

• **Grace period:** This is the length of time you have to pay the bill before interest gets charged. For example, on credit cards the grace period for new purchases is typically 20 to 25 days. If the card doesn't have a grace period, or if you carry over a balance or take a cash advance, you're usually charged interest right away.

Predatory lending

"Predatory" lenders put profit above consumers' best interests. Some consumers end up with loans so expensive that they can't pay them back. Victims often lack financial knowledge and are desperate for money. Predatory lenders can be check-cashers, pawn shops, rent-to-own schemes, or home equity lenders.

Payday lenders, also called "check cashers," can trap people in a series of high-cost loans. The typical loan costs around $25 per $100 borrowed for two weeks. Customers who cannot afford to pay the loan back in two weeks take another loan, or "roll it over," to pay off the first.

Paying $50 to borrow $200 for two weeks produces an APR of 650%. Imagine how the finance charge adds up if you roll the loan over several times.

Home equity lenders prey on people who own homes but don't have much cash. They approve loans based on the value of the borrower's home instead of income, knowing that the borrower has no way to repay the loan. The house is collateral for the loan, so the predatory lender eventually takes possession of it when the borrower can't pay.

Rent-to-own outlets that sell furniture or electronics are another example of predatory lenders. By the time you finish paying for the item at a "low" monthly rate, you'll likely have paid much more than it's worth. A better way to finance a needed item is to see your credit union for a loan.

Using the strategies for smart borrowing will help you avoid a bad deal. If you need emergency cash, check with your credit union about a small signature loan.

Strategies for smart borrowing

- Make sure you understand all the terms and conditions before you sign. Don't be afraid to ask questions.
- Don't go into debt for items you don't really need. Don't let your bills for credit exceed 10% to 20% of your monthly take-home pay.
- Limit yourself to one credit card. Lenders may not want to lend you more money than you already have available through your credit cards, even if you never actually charge that much.
- Only charge as much as you can pay in full each month.
- Pay off card balances in full each month. If you pay only the minimum each month, you could be in debt forever.
- Combine your use of credit with a savings plan. After you pay off a loan or credit card, redirect that same monthly payment to your savings account.

Insurance Basics

Right now you may have to worry only about car insurance, but at some point you might need other types of insurance, and you'll need to know what to look for. By paying a relatively small

amount each year to an insurance company, you can protect yourself from the risk of losing a lot of money in the future. But, as with credit cards and loans, it pays to shop around.

Automobile insurance

If you have an accident, you might face the expense of damages to your car plus the cost of a devastating lawsuit from damages to others. Most states have financial responsibility laws that require you to have minimum auto insurance. If you have an accident without it, you may have even more legal issues to worry about.

An auto insurance policy is a package of several types of coverage:

• **Bodily injury liability** pays when someone is injured or dies as a result of an accident that is your fault, the fault of a family member, or anyone driving your car with your knowledge.

• **Property damage liability** covers a claim if you, members of your family, or anyone driving your car with your permission damages the property of others.

• **Medical payments** cover medical expenses of anyone injured in your car, regardless of who is at fault.

• **Uninsured and underinsured motorists coverage** protects you if you're involved in an accident with a hit-and-run driver or a driver with insufficient insurance.

Compare the Cost of Automobile Insurance

Current Type of Coverage	Company A Limits	Company B Limits
Liability		
Bodily injury	$________ per person	$________ per person
	$________ per accident	$________ per accident
Property damage	$________ per accident	$________ per accident
Medical payments	$________ per person	$________ per person
Uninsured and underinsured motorists	$________ per person	$________ per person
	$________ per accident	$________ per accident
Damage to your car		
Collision	$________ deductible	$________ deductible
Comprehensive	$________ deductible	$________ deductible

- **Collision insurance** pays for damage to your vehicle resulting from a collision, regardless of who's at fault.
- **Comprehensive coverage** pays for damage to your vehicle from theft, fire, flooding, or other hazards.

The amount you pay for auto insurance depends on the types and amounts of coverage you buy, where you live, your age, driving record, the model and age of your car, and sometimes your sex and marital status. You may be eligible for discounts if you're a safe driver or a good student; if you have multiple policies with the insurer; if you drive fewer than a specified number of miles per year; or if your car has air bags, antilock brakes, or antitheft devices.

Homeowners/ renters insurance

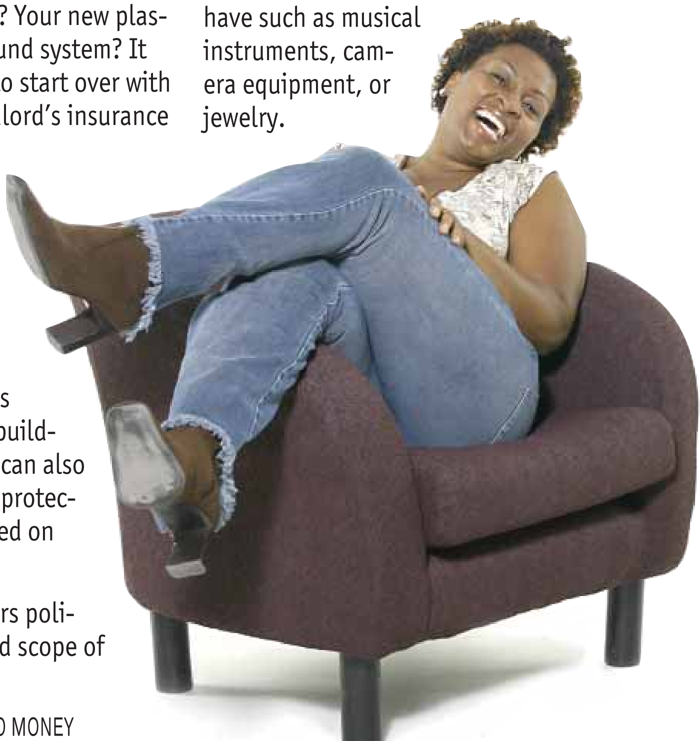
When you rent an apartment, you'll need renters insurance to protect your belongings against theft or damage. Renters insurance also provides personal liability coverage to protect you if you injure someone, damage property, or if there's an accident in your apartment.

Suppose you don't have insurance and your apartment building burns down. Could you afford to replace your clothes? Your furniture? Your new plasma TV and surround sound system? It can be very expensive to start over with replacements. The landlord's insurance policy covers only the building itself. It doesn't cover your belongings or provide you with personal liability protection.

When you own a home, you'll need homeowners insurance to cover the building and its contents. It can also cover personal liability protection if someone is injured on your property.

Homeowners and renters policies vary in the type and scope of coverage offered. Look for a policy that provides **replacement cost coverage**. This means you'd receive compensation to buy replacement items at today's costs. If you didn't have replacement coverage and lost your 5-year-old TV in a fire, you'd be paid only for the value of a used TV, not a new one.

You also might need to buy special coverage for any valuable items you have such as musical instruments, camera equipment, or jewelry.



Health insurance

A trip to the ER after a tumble can cost thousands. A serious accident or illness could quickly wipe out your savings if you don't have health insurance, so make every effort possible to get adequate coverage. If you are not eligible for coverage through an employer, look into remaining on a parent's plan until you reach age 26. Here's a rundown of the basic types of health insurance:

Traditional **fee-for-service health insurance** plans allow you to use your choice of doctors and hospitals. You pay the bills and then submit a claim to your insurance company. If the medical service is covered, the insurance company will pay you back for all or part of your claim based on "reasonable and customary" charges in the region (typically the average charge for a service).

In some cases, you must pay a deductible (this is the dollar amount you have to pay before your insurance kicks in) and coinsurance (the portion of each bill you must pay), up to a specified dollar limit.

For example, a policy may have an 80/20 co-insurance requirement, where the company pays 80% of the bill, and you pay the remaining 20% plus anything more than reasonable and customary.

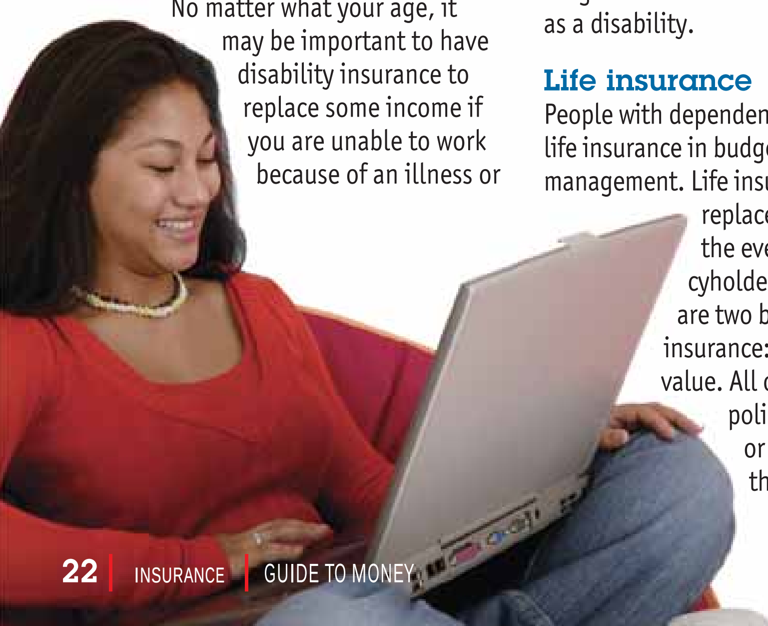
Health maintenance organizations (HMOs) are a type of "managed care" coverage that provide comprehensive medical services for a prepaid monthly fee. With HMOs, you're required to go to designated doctors and hospitals, and you may be charged fees for some things, such as prescriptions and doctor visits.

Preferred provider organizations (PPOs) combine the features of HMOs and traditional fee-for-service health insurance plans. As with HMOs, you generally pay a small fee to see doctors and hospitals in the preferred provider network. As with traditional plans, you can choose to go to the doctors and hospitals of your choice, but if they're outside the network, you'll have to pay more of your bill.

Premium: The amount you pay on a regular basis (usually monthly) for your insurance policy.

Disability income insurance

No matter what your age, it may be important to have disability insurance to replace some income if you are unable to work because of an illness or accident. Policies vary with regard to how much they pay, how soon after the injury or illness they start paying, how long the benefits last, and what counts as a disability.



Life insurance

People with dependents often overlook life insurance in budgeting and money management. Life insurance helps replace lost income in the event of the policyholder's death. There are two basic kinds of life insurance: Term and cash value. All other kinds of policies are variations or combinations of these two types.

Term insurance pays a death benefit only if you die during the period (or term) covered by the policy. The premium normally increases as the insured gets older. The cash value of this insurance does not grow in value.

Cash value insurance offers protection you can keep in force as long as you live. Cash value policies may pay interest, and some allow you to take a loan against your policy.

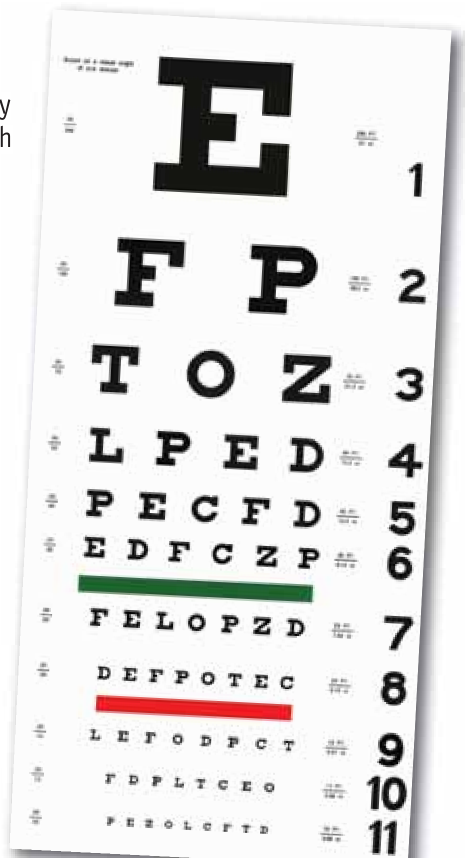
Smart insurance strategies

• When deciding whether or not to take a job, consider the benefits. Many employers offer free or low-cost health and life insurance options that give you peace of mind without stressing your budget.

• Buy when you need it. For example, if no one else (such as a spouse or child) relies on your income, you likely don't need life insurance.

• Shop around for car insurance. Rates usually go down as you get older or maintain a good driving record. Ask another insurance company if it can provide your current coverage at a lower premium.

• Consider dental or vision coverage, since these services are not typically covered by health insurance.



Invest in Your Future

Once you're out on your own and have a spending plan, an emergency fund, and adequate insurance, it's time to consider investing in your future. What are you hoping for? College? A house? Children? Your own business?

Investments at a glance

Most people invest for two reasons: income or growth. Income investments pay you interest. Growth investments, such as stocks, increase in value over time.

Generally, income investments are less risky than growth investments in the short term, but that "safety" comes at the cost of a lower return. Growth investments offer higher potential returns over a longer period (think years), but carry a higher risk—and no guarantee.

Remember, investment products are not federally insured, are not obligations of the financial institution, and are not guaranteed by the financial institution. They also involve investment risks, including the possible loss of principal (what you put in). Although that may sound like a lot of good reasons not to invest, the potential gain may outweigh all the negatives. The important thing to remember is how to take a calculated—and educated—risk.

Here's a review of some of the most popular types of investments.

Income investments

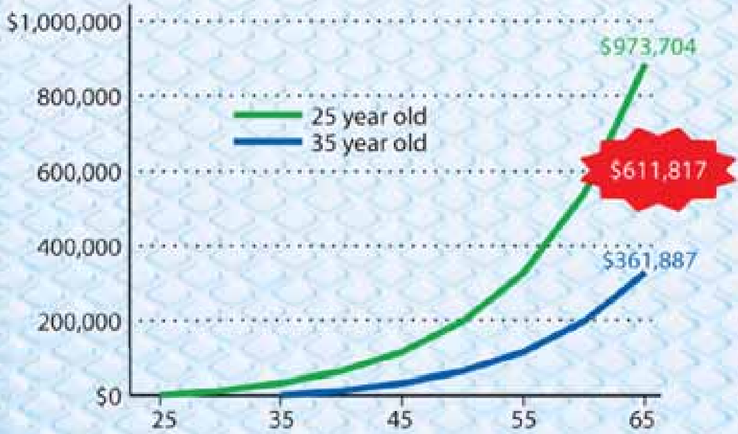
Bonds—When you buy a bond, you lend money to a corporation, an institution, or the government for several months or years. Bonds have different face values, interest rates, maturities, and risk levels. If you need to cash in a bond before it's due, it may cost you a penalty.

U.S. Government Series EE Savings Bonds are considered one of the safest investments around because their values don't vary according to market

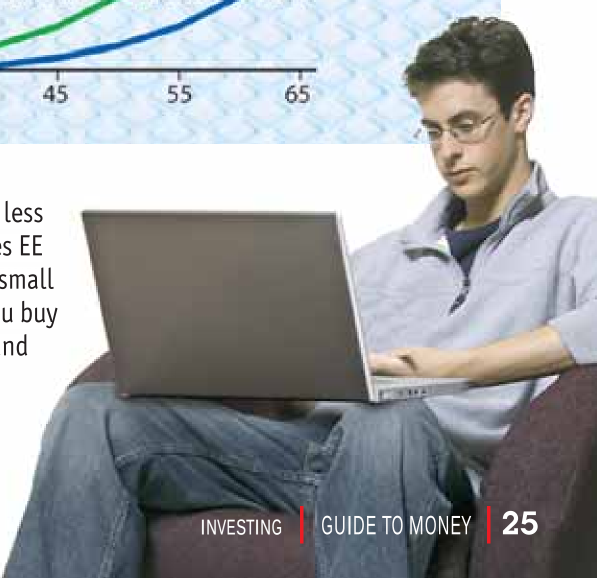
It Pays to Start Investing Early

Investing small amounts each month may not seem productive, but the earlier you start socking it away, the more money you'll have down the road. The reason: Your earnings have time to compound over the years.

For example: Let's compare investing $2,000 a year in a tax-deferred account that earns a 10% average annual return, starting at age 25 versus age 35. The $20,000 that you didn't invest between ages 25 and 35 will cost you $611,817 by age 65!



conditions, so they're never worth less than what you paid for them. Series EE are available in denominations as small as $50 and as large as $10,000. You buy them at one-half their face value and redeem them for full face value at maturity, which varies as interest rates change.



Diversification: The concept of not putting all your eggs in one basket. Say two investors have $30,000. Jenny diversifies by investing $3,000 in each of 10 companies, one of which is XYZ Corp. Max invests $10,000 in each of three companies, one of which is XYZ Corp. If XYZ Corp goes bankrupt, both investors will be upset. But Jenny (the person who diversified) will lose a much smaller percentage of her total investment than Max.

Series EE bonds also offer tax breaks: You don't ever have to pay state or local taxes on the interest earned, and you don't owe federal tax on the interest until you cash in the bonds or when they reach final maturity.

Growth/income investments

Stocks—When you buy shares of a stock, you become part owner of the company, and you can make money in two ways:

• First, the company may pay dividends, which are your small share of the company's profits (income).

•Second, if the price of the stock goes up, you can sell your shares for more than you paid (growth). If the price of the stock declines, you risk losing money.

With tens of thousands of companies to invest in, each with different levels of risk, stock selection takes some study. Many people don't want to commit the time it takes to research and analyze potential investments, not to mention enough money to diversify holdings! Stock mutual funds are a popular alternative.

Stock or bond mutual funds offer instant diversification and professional money management. There are thousands of mutual funds to choose from, each with different goals, risks, and returns.

One way to start investing early is to sign up for an automatic investment plan that regularly transfers money from your checking account to the fund. Some funds waive or reduce the minimum initial investment requirement when you sign up.

Automatic investment plans also allow you to take advantage of what's called "dollar cost averaging," so that you don't have to try to guess the best times to invest. For example, say you invest $200 every month in a mutual fund. When the price of the fund is high, you purchase fewer shares. When the price is low, you purchase more. Over the long run, this strategy "evens out" the highs and lows of the market because your average cost per share is lower and you're likely to make more money.

Smart investing strategies

Think long term. Investing is different from short-term saving for things such as the down payment on a car. Cash you'll need in the near future belongs in a safe place, like a savings account. Money that you won't need for at least five to 10 years or longer, however, has time to ride out the inevitable ups and downs of the stock market and should be invested for income and growth.

Open an IRA. Consider investing a portion of your earnings in an individual retirement account (IRA). Contributions and interest earned may be tax free or allow withdrawals for college or a house down payment.

Learn the basics, keep it simple, and have patience. The key to making the most of your money is to invest small amounts gradually and sensibly over time. Don't invest in anything you don't understand; leave complex and high-risk investments such as options, futures, commodities, penny stocks, and limited partnerships to the pros. Likewise, keep your expectations realistic, use common sense, and don't expect to get rich quick.

Don't put all your eggs in one basket. Experts recommend that investors diversify, which means dividing your money among different types of investments. This helps protect against loss and increases your chances for making money. Diversifying works because different types of investments tend to move in different cycles—some may go up while others go down. Others may move in the same direction, but not at the same rate or speed.

Web Links

Not a member of a credit union yet?

Visit *creditunion.coop*, click on "locate a credit union" and find one near you. Do it today and start making the most of your money!

Need help selecting a financial institution? Visit *cuna.org/initiatives/download/youth_shopfi_short.pdf*.

Free Information on the Web

Be aware that these sites may contain advertisements for services, and you may be asked to register. Some sites may contain both free and fee-based services. Remember to check federal tax laws for any recent updates or changes.

Money advice

Pueblo.gsa.gov has hundreds of articles, from choosing an Internet service to shopping for auto insurance.

Bankrate.com gives comparisons of rates and services for banks and credit unions.

Money for college

Ed.gov/finaid.html lists information on grants, loans, work-study, and tax credits for education.

Fafsa.ed/gov provides directions on how to complete the FAFSA to apply for federal student aid.

Princetonreview.com/scholarships-financial-aid.aspx has tips for filling out the FAFSA and financial aid forms that colleges may require.

Studentaid.ed.gov gives guidance on preparing for college, applying for admission, finding scholarships, types of financial aid, loan repayment, and much more.

Finaid.org/ has information on scholarships, savings, loans, military aid, FAQs, and calculators. You can even estimate your Effective Family Contribution (EFC) on this Web site.

Fastweb.com is a source for finding scholarships, colleges jobs, and internships.

Collegeboard.com/student/pay/ is a scholarship source site.

School Savings Plans

With more than 80 different 529 college savings plans available, plan time for your research.

Visit *savingforcollege.com*, *bankrate.com*, and *finaid.org* for help.

Investing

Fool.com offers investment guidance.
Treasurydirect.gov explains how federal savings bonds work.
Morningstar.com rates stocks, bonds, and mutual funds.
Savingsbonds.com explains savings bonds.
Investorwords.com is a financial glossary.
Smartmoney.com provides articles and information.
Cnnmoney.com provides articles and information.
Sec.gov gives investment advice from the U.S. Securities and Exchange Commission.

Credit

Annualcreditreport.com is the site to order your free annual credit report.

Nfcc.org will help you find a local consumer credit counseling service. Click "Find a counselor now."

Ftc.gov/idtheft offers information on how to protect yourself—and recover—from identity theft.

Onguardonline.gov provides tips from the federal government about Internet fraud.

To report identity theft or dispute an entry on your credit report, contact each of these credit bureaus:

- Equifax at *Equifax.com*
- Experian at *Experian.com*
- TransUnion Corp at *Transunion.com*

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