


Financial Prep for Grads







LET'S PLAY A GAME

TRUE^{or}FALSE



Carrying a balance from month to month on my credit card will help my credit score.

Having no credit is the same as having bad credit.



Potential employers may use my credit report as part of the application process.

Your Credit Score

Your credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time.

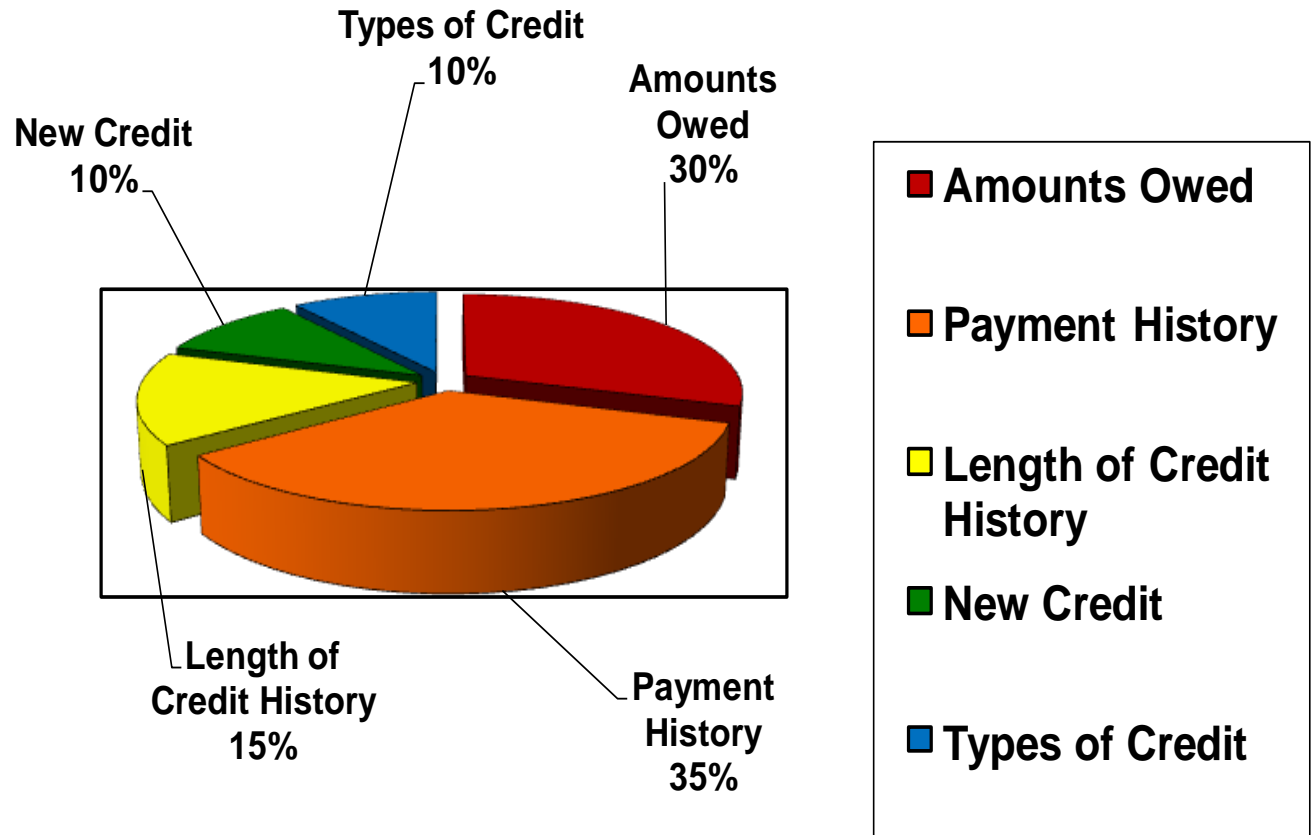
Typically your score begins at

665-675

and goes up or down from there



Credit Score Breakdown





IS THIS INQUIRY



HARD or SOFT




Applying for an auto or home loan

A potential employer



Renting a house or apartment

Requesting your own report



Applying for a credit card

Determining your auto insurance rates



Improve Your Credit Score



Pay your bills on time

Keep balances low on credit cards

Pay off debt rather than moving it between cards

Open new credit accounts only when you need them

Get current and stay current

How to Hurt Your Score



Late payments and derogatory information

Credit cards with no availability

Closing revolving accounts with long time history

Lowering credit limits on existing revolving credit lines

Multiple new accounts in a short period of time

What Can Prevent You From Obtaining Credit?

Debt to income ratio

Length of residency

Length of employment

**Low score or derogatory
information on your
credit report**






LET'S PLAY A GAME



TRUE^{or}FALSE



I can use my debit card as a credit card to build credit history.

Credit cards are the only loan that you can avoid paying interest on entirely.



Credit Cards

Keep your used credit at 15-20% of your available limit

- **For example: a card with a \$1,000 limit should carry no more than \$200 on it**

Be aware of:

- **Late fees**
- **Annual fees**
- **Cash Advance APRs**
- **Rewards benefits**



Schumer Box

Applications and Solicitations

MSUFCU Visa Credit Card Disclosure

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	8.9% to 17.9% based on your creditworthiness
APRs for Balance Transfers	8.9% to 17.9% based on your creditworthiness
APRs for Cash Advances	8.9% to 17.9% based on your creditworthiness
Penalty APR and When It Applies	17.9% The Penalty APR is applied if your account becomes delinquent 60 days. How Long Will the Penalty APR Apply? The Penalty Annual Percentage Rate will apply indefinitely.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
For Credit Card Tips from the Consumer Financial Protection Bureau	To learn more about factors to consider when applying for or using a credit card, visit the website of the Consumer Financial Protection Bureau at http://www.consumerfinance.gov/learnmore

Fees	
Transaction Fees <ul style="list-style-type: none">International transaction and cash advance fees	1% for ATM transactions 3% for all other transactions calculated after the transaction has been converted to U.S. dollars
Penalty Fees <ul style="list-style-type: none">Late Payment	\$25 if the minimum payment due is \$25 or more; \$15 if the minimum payment due is \$15 to \$24.99; or \$0 if the minimum payment due is less than \$15.
Other Fees <ul style="list-style-type: none">Returned Convenience Check	\$25

How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

This is a box of text included on credit card applications that outlines important information about the account such as the annual percentage rate (APR), overdraft fee, late payment fee, and rate calculation methods.

The box is named after New York Democratic Senator Charles Schumer. As a Congressman, he led the charge against predatory lending, passing into law the Schumer Box for greater disclosure on credit card statements. The legislation was enacted in 1988, but did not take effect until 12 years later in 2000.

Cosigner/Authorized User



Cosigner

- This individual has guaranteed this account and assumes responsibility should the signer default

Authorized User

- The payment history on the loan account will show on your credit report and have an effect on your credit, good or bad

Auto Leasing vs. Buying

Leasing Pros	Leasing Cons	Buying Pros	Buying Cons
<p>Lower:</p> <ul style="list-style-type: none"> -Monthly Payment -Down Payment 	<p>Higher long-term cost (vs. buying and driving until totaled)</p>	<p>More economical in the long run (unless you buy and trade-in regularly)</p>	<p>Higher:</p> <ul style="list-style-type: none"> -Down Payment (generally) -Monthly Payment
<p>Better car for less money</p>	<p>You don't own the car at the end</p>	<p>Pride of ownership</p>	<p>More of your ready cash is tied up in a car</p>
<p>No trade-in hassles at the end</p>	<p>Costly to terminate lease early</p>	<p>Increased flexibility – you can easily sell the car when you want to</p>	<p>Dealership trade-ins can be confusing</p>
<p>Lower repair costs (factory warranty covers most repairs)</p>	<p>Excessive mileage & wear-and-tear costs paid at lease termination</p>	<p>No penalty for driving excess mileage</p>	<p>You are responsible for maintenance costs (after warranty expires)</p>

401(k) Basics

What is it?

A 401(k) is a retirement-savings plan provided through your employer.

Traditional vs. Roth

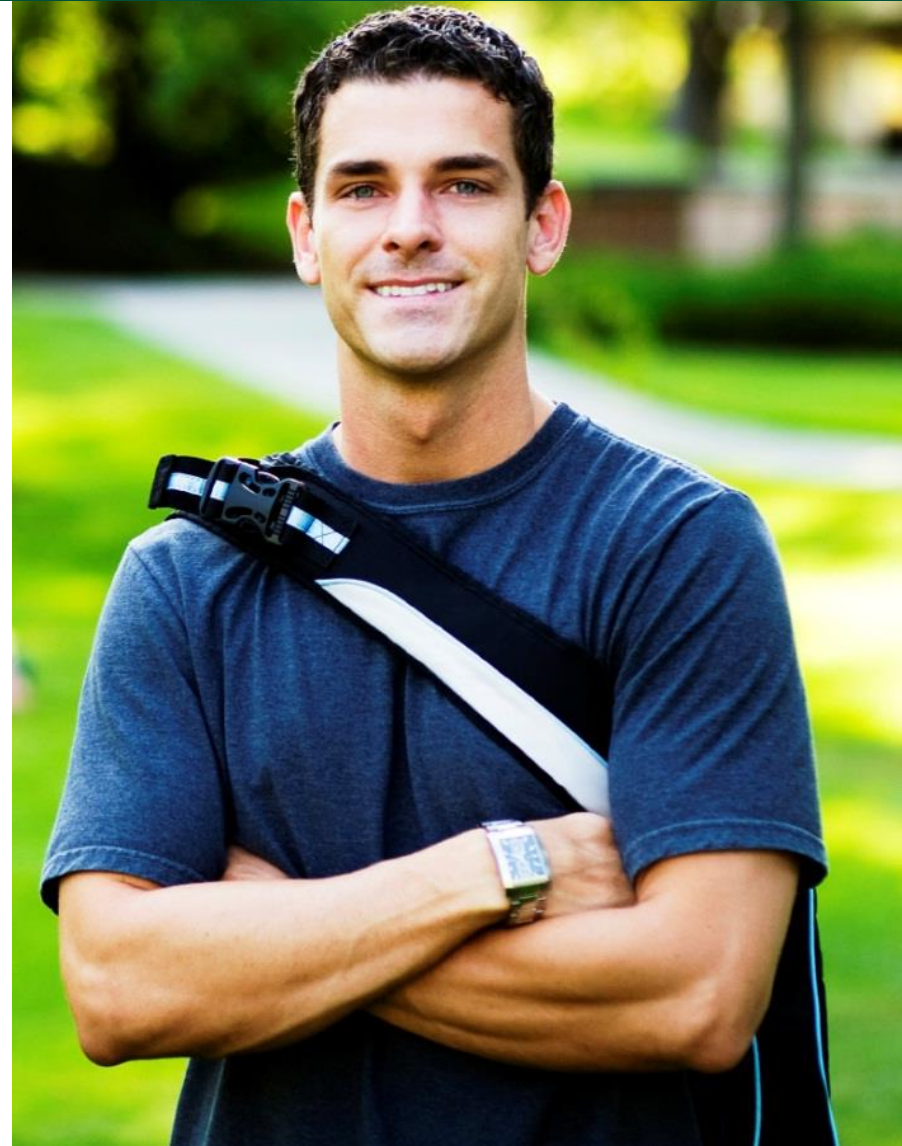
Traditional:

Taxes paid upon distribution.

Roth:

Taxes paid upon contribution.

Will you pay a higher income tax when you contribute, or when you take distributions?



401(k) Basics



How much should I contribute?

Two things to keep in mind:
Matching & Your Personal Budget

If your employer matches contributions to a certain percentage, try to contribute at least the amount your employer will match.

If your employer matches your contributions, you will have to be vested before the funds are yours.

401(k) Basics



Contribute what you can comfortably afford to.

Your contribution to your 401(k) will be a percentage of your pay.

Working out your budget and meeting with your plan provider will help you to determine how much to contribute.

Student Loan Repayment Plans

Standard – Fixed amount over 10 years

Graduated – Lower at first, increasing every two years

Extended – Fixed or graduated up to 25 years

-OR-

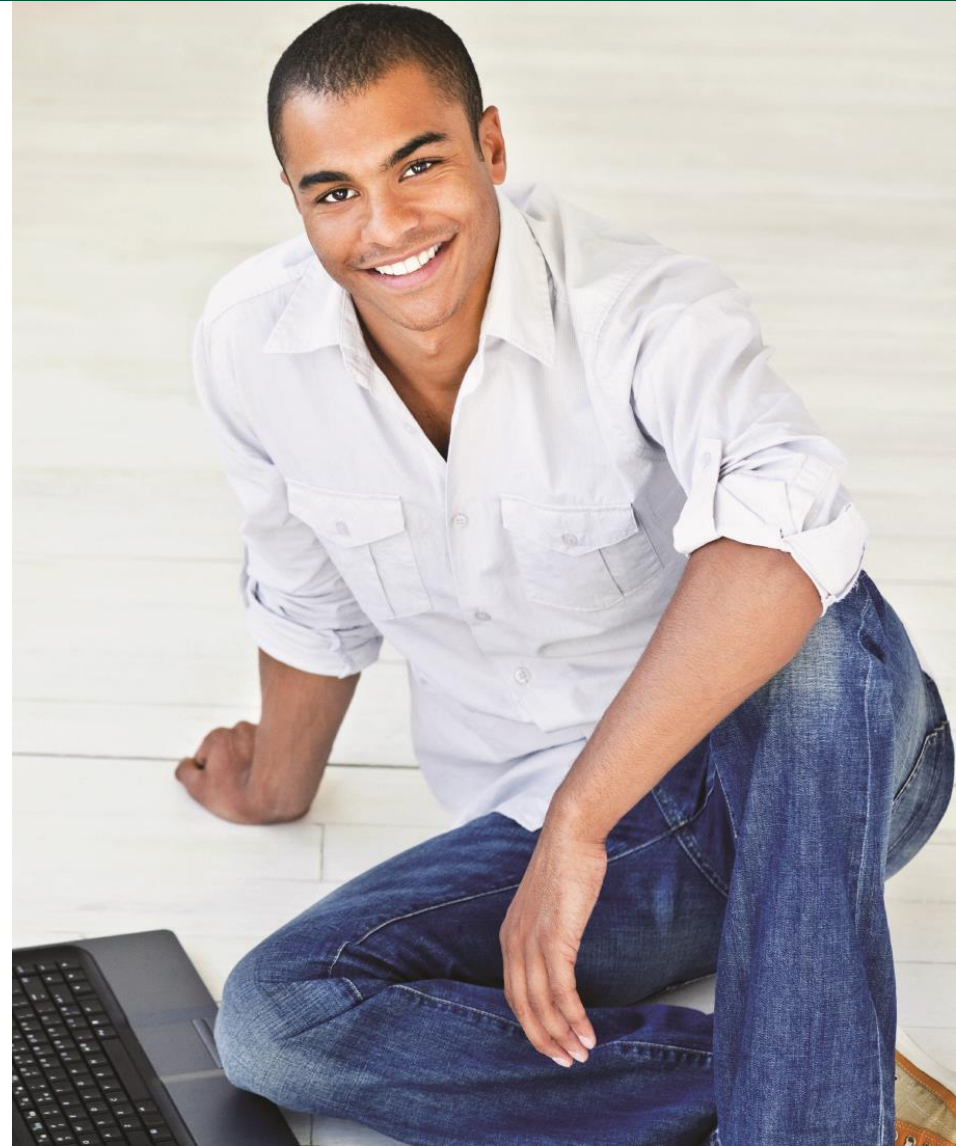
Plans based on your income:

Pay As You Earn

Revised Pay As You Earn

Income-Based

Income-Contingent



Deferment and Forbearance



Deferment – Temporary delay of repayment of principal and interest.

Forbearance – Stops or reduces payments up to 12 months. Interest still accrues.

*There are many situations under which you are eligible to apply for either deferment or forbearance.

<https://studentaid.ed.gov/sa/repay-loans>

Questions?



msufcu.org
annualcreditreport.com
studentaid.ed.gov

