

Unexpected Expenses Exercise

The majority of Americans don't have enough in savings to pay for an unexpected expense of \$1000.00 or more. Have you heard the phrase, "Life Happens"? So many things can happen that can cost you money that you didn't plan on spending. Take two minutes and write down all the unexpected expenses you can think of.

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Keep Going!! The possibilities are endless!

Average Credit Card Interest Rate (APR)

We examined the universe of credit cards to get a sense of what credit card interest rates are among different card types. Use this as a guide to understanding what typical interest rates for card are, and how your existing or potential APR compares to the larger population. If you're carrying a balance on your card, consider what you might do to lower your interest payments in the long run using our data.

Average Credit Card Purchase Interest Rate (APR): By Card Type

The average credit card interest rate varies significantly depending on the type of card you're looking at. Rewards credit cards will generally have a higher average APR as a group to make up for the additional benefits that these cards provide. Most credit cards have a range of offer APRs that will depend on your credit worthiness, so we also look at the low and high ranges of cards.

Card Type	Low	High	Overall
Travel Rewards Cards	15.62%	19.24%	15.99%
Airline	14.62%	21.99%	16.24%
Hotel	15.24%	21.99%	16.12%
Business Credit Cards	13.12%	19.87%	15.37%
Cash Back Credit Cards	13.24%	22.99%	20.90%
Student Credit Cards	13.99%	22.62%	19.80%

The Lower end of the APR range is generally for those consumers with excellent credit and would get the most competitive interest rates, while the higher end interest rate range would be for consumers on the bottom end of eligible credit scores.

<https://www.valuepenguin.com/average-credit-card-interest-rates>

Types of Loans & Interest

Payday loansⁱ

A payday loan usually a short-term, high cost loan, generally for \$500 or less, that is typically due on your next payday. Depending on your state law, payday loans may be available through storefront payday lenders or online.

- Maximum Finance Rate and Fees: 36% APR + \$10-\$0 fee

Student loansⁱⁱ

While student loans can sometimes be branded “financial aid,” all student loans are debt that will need to be repaid. Public student loans are need-based, and available. Private student loans are credit-based and usually require a co-signer. Private student loans typically have significantly higher interest rates. Try to exhaust all forms of grants and scholarships before taking out student loans.

- Direct Subsidized and unsubsidized loans 3.76 %
- Parent PLUS Loans 6.31 %
- Private Loans (ex. Wells Fargo) 5.46 % – 14.24 %

Car Loansⁱⁱⁱ

Car loans can be sneaky. While it’s exciting to get a new used car, loans can take up a sizable amount of your paycheck. Paying with as much cash as you can afford is always the best first option. If you have to take out a loan, getting pre-approved at a credit union will typically have much better rates than the car dealership.

Car loan interest rates are based on your credit. The following table will give you a better understanding of how a lower credit score translates to higher interest rates (Annual Percentage Rate) and higher monthly car payment:

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	3.31%	\$362	\$1,730
690-719	4.64%	\$374	\$2,448
660-689	6.76%	\$394	\$3,624
620-659	9.48%	\$420	\$5,191
590-619	13.86%	\$464	\$7,834
500-589	14.95%	\$475	\$8,516

*based on a 60-month, \$20,000 auto loan at current national average rates

ⁱ <http://www.paydayloaninfo.org/state-information/45>

ⁱⁱ <https://www.credible.com/blog/what-are-average-student-loan-interest-rates/>

ⁱⁱⁱ <http://www.thesimpledollar.com/best-bad-credit-auto-loans/>

Building Savings

Savings is the art of **finding** and **re-directing** money to use in the future. Everyone who has tried to save knows it is **easier said than done**. In fact, many times we have to create methods of savings that actually **trick ourselves** into putting money aside for future goals. Here are ten principles and methods that DevNW clients have used to successfully **start and continue building** savings:

1. **Automate your savings.** Determine how much you would like to move from your checking to your savings account each month, and ask your credit union or bank to make automatic transfers. Create savings methods that don't require you to remember to take action.
2. **Bill yourself first.** Pay yourself first before spending any of your paycheck. Put a set amount in your savings account every pay period, before paying rent, utilities and other fixed expenses.
3. **Open a second savings account, far far away.** Open it at another credit union or bank that is not very close to your home or work, so you can't get your money out easily. Making accessing the savings inconvenient will help your money grow. Some online savings accounts offer higher interest rates.
4. **Empty your pockets each day.** Put your change in a special savings container or your piggybank. Every couple of months count your change and take it to the bank. Want to take it a step further? Create a Dollar Jar, and raid your wallet's single dollar bills for the Dollar Jar at the end of the week.
5. **Use a round up card.** Some banks and credit unions issue debit cards that allow you save by rounding up your purchases. For example, you are charged \$38.00 for a \$37.49 purchase. Then \$0.51 is sent to your savings account.
6. **Bank your surprise and windfalls.** If you receive money unexpectedly, as a gift or a tax refund, deposit it in your savings account. Find five dollars on the street? Into savings it goes.
7. **Identify your spending leaks** so you can stop them from draining your money away. Spending Leaks are usually little purchases that add up really fast, but that you might not be thinking about.
8. **"Savings" your "savings."** Is a 30% off sale, really help building savings? Maybe. Only if you re-direct that amount saved to your savings account. For example, if you \$10 t-shirt on sale for \$7, put \$3 in your savings account to really save.
9. **Get the Match.** Does your employer offer a match for making contributions to your retirement account? That's free money sitting on the table. Find out the maximum match your employer offers and meet it.
10. **Turn Savings into a Game.** One example is the 52-Week Savings Plan: start by savings \$1 in Week One, \$2 in Week Two and so on. After 52 weeks, you'll have saved \$1378.

Building Savings

It's helpful to think about savings in two different buckets, Emergency Savings and Savings for Goals, because they have different purposes and uses.



Savings for Goals include savings you have “tagged” for a specific reason. A short term goal could be saving for television or a trip to the grandparents. Savings goals requiring more time could include saving for a house down payment, starting a business or a replacing car. Long term saving goals including retirement and education. Using the S.M.A.R.T. Goal framework, Savings for Goals consists of setting a plan, and slowly building “up the staircase” until you reach it.

Emergency Savings is just that, savings intended for unexpected and emergency expenses. Why save for emergencies? Just ask Forrest Gump, because they happen. Unlike “Savings for Goals,” Emergency Savings is meant to be used. Think of this bucket like a glass of water: you have to regularly use it, and you have to also regularly replenish it.

How much Emergency Savings do you need? The answer relates to how much your emergencies and surprises cost. Your car breaks down, you need a dental procedure, you incur a court fee or you have an extra high utility bill. Everyone’s “number” is different, but starting with a goal of \$500 and building from there is powerful.

Emergency savings is powerful because it actually saves you money. When you have Emergency Savings,

you charge yourself 0% in interest and \$0 in fees.

That’s better than a credit card interest or bank overdraft fees, right? That’s savings and peace of mind.

52 Week Savings Challenge

The most powerful way to start savings is...just to start! No matter how big or small, saving consistently really adds up. By taking the 52 Week Savings Challenge and starting saving \$1 in the first week, and savings additional dollar each subsequent week results in \$1,378 at the end of the year!

Week	Deposit	Account
1	\$ 1.00	\$ 1.00
2	\$ 2.00	\$ 3.00
3	\$ 3.00	\$ 6.00
4	\$ 4.00	\$ 10.00
5	\$ 5.00	\$ 15.00
6	\$ 6.00	\$ 21.00
7	\$ 7.00	\$ 28.00
8	\$ 8.00	\$ 36.00
9	\$ 9.00	\$ 45.00
10	\$ 10.00	\$ 55.00
11	\$ 11.00	\$ 66.00
12	\$ 12.00	\$ 78.00
13	\$ 13.00	\$ 91.00
14	\$ 14.00	\$ 105.00
15	\$ 15.00	\$ 120.00
16	\$ 16.00	\$ 136.00
17	\$ 17.00	\$ 153.00
18	\$ 18.00	\$ 171.00
19	\$ 19.00	\$ 190.00
20	\$ 20.00	\$ 210.00
21	\$ 21.00	\$ 231.00
22	\$ 22.00	\$ 253.00
23	\$ 23.00	\$ 276.00
24	\$ 24.00	\$ 300.00
25	\$ 25.00	\$ 325.00
26	\$ 26.00	\$ 351.00

Week	Deposit	Account
27	\$ 27.00	\$ 378.00
28	\$ 28.00	\$ 406.00
29	\$ 29.00	\$ 435.00
30	\$ 30.00	\$ 465.00
31	\$ 31.00	\$ 496.00
32	\$ 32.00	\$ 528.00
33	\$ 33.00	\$ 561.00
34	\$ 34.00	\$ 595.00
35	\$ 35.00	\$ 630.00
36	\$ 36.00	\$ 666.00
37	\$ 37.00	\$ 703.00
38	\$ 38.00	\$ 741.00
39	\$ 39.00	\$ 780.00
40	\$ 40.00	\$ 820.00
41	\$ 41.00	\$ 861.00
42	\$ 42.00	\$ 903.00
43	\$ 43.00	\$ 946.00
44	\$ 44.00	\$ 990.00
45	\$ 45.00	\$ 1,035.00
46	\$ 46.00	\$ 1,081.00
47	\$ 47.00	\$ 1,128.00
48	\$ 48.00	\$ 1,176.00
49	\$ 49.00	\$ 1,225.00
50	\$ 50.00	\$ 1,275.00
51	\$ 51.00	\$ 1,326.00
52	\$ 52.00	\$ 1,378.00

Ways to Save

Write down ways that you can (and ACTUALLY WILL) start saving up money for your Freedom Fund and SMART Goals.

1.

2.

3.

4.

5.

6.

7.

IDA NET WORTH CALCULATION WORKSHEET

Do you own the following and what is the value?			Assets Total:	What is the amount you owe?			Liabilities Total:	Minimum Monthly Payment:
Vehicle 1: *	Vehicle 2:	Vehicle 3:	\$	Vehicle 1:	Vehicle 2:	Vehicle 3:	\$	\$
Home 1: *	Home 2:	Home 3:	\$	Mortgage 1: *	Mortgage 2:	Mortgage 3:	\$	\$
Cash:			\$	Auto loans:			\$	\$
CD's:			\$	Unpaid Income/Property Taxes:			\$	\$
Saving Accounts:			\$	Child Support:			\$	\$
Checking Account:			\$	Credit Cards:			\$	\$
Business Bank Accounts:			\$	Store Credit:			\$	\$
Business Assets/Inventory:			\$	Personal Lines of Credit:			\$	\$
Retirement 401K/IRA:			\$ *	Medical Debt:			\$	\$
Stocks/Bonds (not retirement):			\$	Personal Debt (to family/friends):			\$	\$
Other Investments:			\$	Business Debt:			\$	\$
Per Capita Trust:			\$	Student Loans:			\$	\$
Trust Fund:			\$	Collections:			\$	\$
Children's Savings Accounts/CDs:			\$	Other Debt:			\$	\$
Other Assets			\$				\$	\$
Total Assets:			\$	Total Liabilities:			\$	\$

_____ - _____ = _____

ASSETS LIABILITIES IDA NET WORTH

*EXCLUDE from your net worth Calculation the following:

* Value of 1 Vehicle and any loans associated with this vehicle

*Value of your Primary Residence and the mortgage(s) associated with this property

*Up to \$60,000 of retirement funds if the account charges a penalty for early withdrawal

Your net worth needs to be \$20,000 or less to meet IDA program eligibility requirements