FINANCIAL EMPOWERMENT GUIDE

JIFFI
JUBILEE INITIATIVE FOR FINANCIAL INCLUSION

MODULE ONE

GOAL SETTING & BUDGETING

date: ______________
client: ______________
coach: ______________

HOW TO DECREASE YOUR EXPENSES

The most effective, but often most difficult, way to save money is by cutting down the amount of money you spend on everyday items. While it might seem impossible at times, there are always ways to decrease your expenses!

I DO	I CAN	
		GROCERY STORE
☐	☐	Make a shopping list beforehand, so I only buy what I need
☐	☐	Buy store brands over name brands to save money
☐	☐	Clip coupons from the newspaper
☐	☐	Print coupons from websites like coupons.com or couponmom.com
☐	☐	Fill water bottles with tap water instead of buying plastic bottles
☐	☐	Make coffee at home
☐	☐	Cook at home instead of eating out
		BILLS
☐	☐	Use a TV with an antenna to eliminate rising cable costs
☐	☐	Bundle cable, phone, and internet with the same provider
☐	☐	Eliminate a landline number
☐	☐	Look into lowering your rent (speak to landlord, etc.)
☐	☐	Look into consolidating debt from credit cards to improve rates
☐	☐	Turn off the lights when not in a room
☐	☐	Get a programmable thermostat
☐	☐	Use eco-friendly appliances that save energy costs (energystar.gov)

INCREASING YOUR INCOME

After looking at all the numerous ways to decrease your spending, you may find that there aren't many places you can cut, or you simply want more discretionary income. You can do this by increasing your income.

Increasing your income doesn't necessarily mean just taking on more hours or getting several jobs. There are many less obvious options that may even be better in the long term. When thinking about ways to increase your income, keep these questions in mind:

1. Is this option sustainable in the long run?
2. How will this affect my schedule? Will I be overworking myself?
3. How much will this be able to increase my income?

Let's look at the next sheet for some options and come back to notes and action items afterwards. Which ones are the most convenient for your scenario?

WORKPLACE						
Opportunity	*Description*	*Sustainability*	*Impact on Schedule*	*Feasibility*	*Difficulty of Task*	*Return*
Additional Jobs	Take on more low wage jobs	Short term	Heavy	Relatively Easy	Medium, depends on job	Low-Mid
Promotion	Seek ways to advance in your current job	Long term	Similar to current or lighter	Difficult	More difficult than current, depends on job	High
More Hours	Take on longer hours	Short term	Heavy	Easy	Same as current	Low-mid
Salary	Ask for higher wages	Mid-Long term	No change	Difficult, depends on job/employer	Same as current	Mid-High
Certification	Get certified to do more specialized jobs	Long term	Depends on job/ certification	Medium, depends on certification	Medium - Difficult	Mid-High
SELF MADE						
Opportunity	*Description*	*Sustainability*	*Impact on Schedule*	*Feasibility*	*Difficulty of Task*	*Return*
Self Employment	Begin your own business	Mid-Long term	Mid-Heavy	Easy-Medium, depending on self	Depends on self	Low-Mid
Odd Jobs	Do various random jobs for those in your community	Short-Mid term	Medium-sporadic hours	Easy	Easy-Medium	Low-Mid
Selling Used Goods	Sell items around the hose that you no longer use	Short term	Light impact	Easy	Easy-Medium	Low
MISCELLANEOUS						
Opportunity	*Description*	*Sustainability*	*Impact on Schedule*	*Feasibility*	*Difficulty of Task*	*Return*
Government Aid	Apply for funding from the government	Medium	Light impact	Easy	Easy	Medium
Investment	Invest your money for the long term	Long term	Light impact	Easy	Easy-Medium	Mid-High
Scientific Studies	Participate in paid research	Short term	Light-Medium, depends on study	Unlikely	Easy-Medium, depends on study	Low

JIFFI
JUBILEE INITIATIVE FOR FINANCIAL INCLUSION

MODULE TWO

MANAGING DEBT

DO's & DON'Ts OF SPENDING

DO:

- **Track your spending** to learn about where your money is going and how you can cut down on your expenses.
- **Make a repayment plan** and stick to it.
- **Watch out for interest rate risk.** Variable interest rates are risky. Interest rates may seem to be going down, but the trend will eventually reverse.
- **Strategize payments.** Pay off debts with the highest interest first. We will explain this further in the following module.
- **Try to pay more than minimum.** Minimum payment plans will likely never get you out of debt, and they charge the most interest in the long run. Allocate as much money as possible to paying off your debts, even if it is more than the minimum required amount.
- **Have an emergency fund once you are debt-free.** You can use this to cover unanticipated costs in emergencies.
- **Learn about good and bad debts.** While installment loans and credit debts are mostly bad, college loans and home mortgages can be good because they have lasting value.

DON'T:

- **Rob Peter to pay Paul** as it will create a bigger problem for you in the future. The exceptions are organizations such as JIFFI, which work to help you get out of debt.
- **Spend more than you can afford.** Create a budget and stick to it.
- **Get more into debt.** Even when loan rates are favorable, it is best to eliminate debt, as it is a regular expense that can quickly build up.

SITUATIONAL ANALYSIS

Have you ever wondered why you are in debt? Maybe you got a loan for something years ago and still haven't paid it back completely. Maybe you just got so used to buying on credit that debt just seems like a regular and permanent part of your life now. As you'll find out later on in this module, even the smallest loans have consequences, but there are also many ways of managing them. But to understand how to tackle your debt, you must first figure how it started in the first place.

HOW IT ALL STARTED

Whether it's one big loan or a series of seemingly small credit card purchases, your debt didn't appear on its own. Here are just a few reasons that people may get into debt. Think about each of the following causes of debt and try to identify where yours came from. Knowing the root cause of your debt can help you isolate more specific and effective ways of eliminating it.

1. Job Loss or Unemployment
2. Medical bills
3. Divorce
4. Gambling
5. Student Loans
6. Overspending/Credit Cards

WHY YOU'RE STILL IN DEBT

It might have been relatively easy to identify the cause of your debt, but understanding why you're still in debt is bit harder. The problem is that debt usually happens in a cycle. For example, maybe your debt started with one harmless credit card. But soon, that credit card gets maxed out, so you apply for more credit cards. In addition, you're amassing large amounts of monthly interest so that when you pay your bills every month, it barely makes a dent. Debt has a tendency to sneak up, so that you don't notice how much you're paying or how long you're paying it until it has become a regular part of life. Here are some reasons why people stay in debt. Discuss each of the following causes and try to figure out the biggest factors keeping you in debt.

1. Keeping up appearances of stability
2. Unwilling to sacrifice current lifestyle
3. Addicted to spending
4. Fear of changing lifestyle to try to eliminate debt
5. Don't know how, or feeling powerless against debt
6. Gotten used to having debt

Now that we understand a little more about where your debt came from, let's take a look at ways to decrease or even eliminate your debt.

INSIDE INTEREST

<u>Interest Rate</u>: A rate which is charged or paid for the use of money.
Interest by itself is neither a good nor a bad thing. It is simply the **cost of borrowing money**. An interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal.

<u>Example</u>: if a lender (such as a bank) charges a customer $90 in a year on a loan of $1000, then the interest rate would be 90/1000 *100% = 9%.

The time where you will most likely encounter interest is when using a debit or credit card, taking out a regular loan, or starting a bank account. Interest is a very important concept to understand when dealing with the world of finance. Debts will almost always have to be repaid with interest, and it is very important to understand **how much extra** you will have to pay when taking out a loan.

MODULE THREE

DEBIT VS. CREDIT & SAVINGS VS. CHECKINGS

DEBIT VS. CREDIT

Debit	*Credit*
When you use your debit card, the money comes from your checking account	Money is “borrowed” and you pay it back later (with interest)
Use a “PIN” number	Sign the receipt instead of a PIN
Can only charge the amount that you have in your checking account	Can spend more money than you have in your checking account; this must be paid back to the credit card company who charges interest
Take cash out of an ATM with a debit card	

Debit doesn’t allow you to spend more than you have available, which would help to spend less money, and incur less debt.

• Be aware—

• Overdraft fees. Recently, some banks have started allowing charges to go through even if there is not enough money in the account. Then, the spender would have to pay back the extra money (like a credit card) in addition to an overdraft fee. The important message here is to always be aware of the balance in your checking account, and to ask your bank to opt out of overdraft coverage to avoid additional costs.

Credit cards allow you to spend money that you may not have in your bank account. The card borrows money, and you can pay the money back.

• Be aware—

• Credit cards become dangerous when you are unable to make your payments on time. If the payment is not made on time, you will be charged interest on the money you owe, and will end up owing more money.

• Read the fine print about interest rates changing, hidden fees, annual fees, etc. Payment history will affect your credit score

SAVINGS VS. CHECKINGS

	Savings	*Checkings*
Purpose	To save money for emergencies/future purchases	Everyday purchases
Withdrawals	Number of withdrawals is limited (usually 6x per month)	No restriction
Interest	Higher interest rate	May have interest (depends on bank)
Balance	Minimum balance (depends on bank)	No minimum balance (but can charge fees when money is automatically withdrawn from savings account)
Fees	Can charge fees when money is withdrawn	Many have a monthly maintenance fee (depends on bank)

How can I start growing a savings account?

- Make regular deposits—schedule a portion of your paycheck to be automatically deposited into your savings account (ask your employer to directly deposit a portion of your earnings into your savings account, or ask your bank to link your savings and checking accounts and automatically transfer funds at a regular interval)
- Assign a nickname to your savings account to remind yourself of what you're saving for.
- Smartphone applications—balance alerts will keep track of transactions, and notify you to pay your bills.

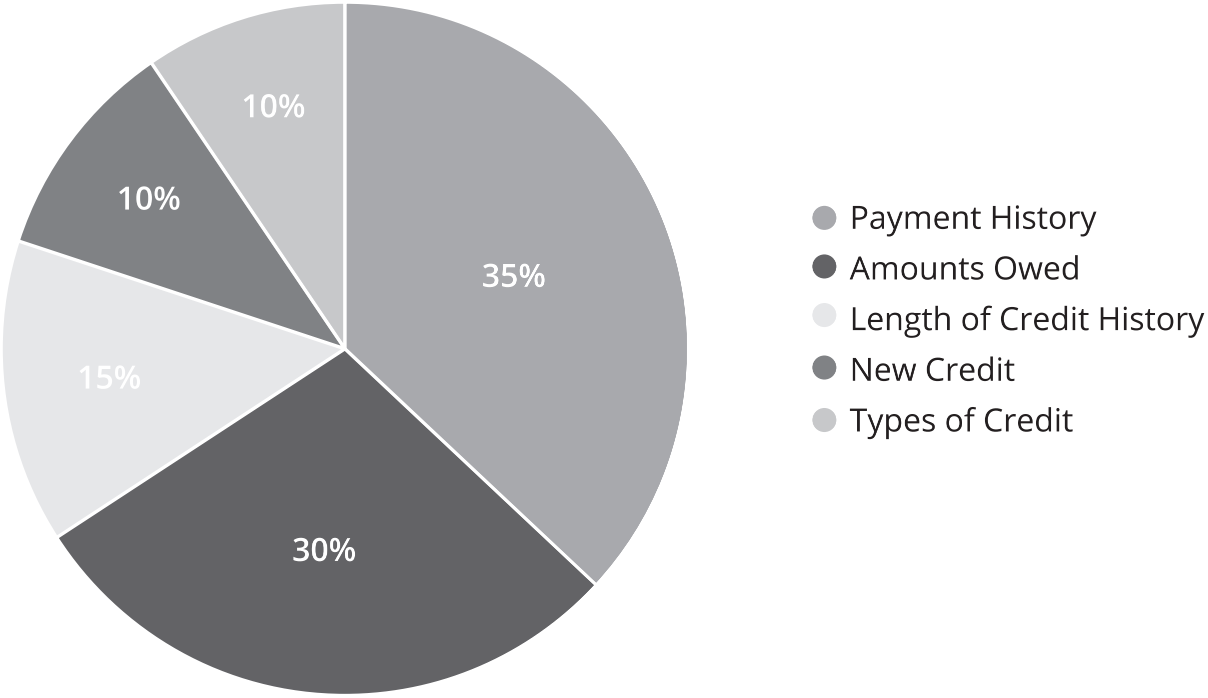
Most banks now offer online and mobile banking. But what can you do with online and mobile banking?

- Access online statements
- In the case of smartphone applications, balance alerts will keep track of transactions, and notify you to pay your bills. This can help you keep track of your spending and avoid fees
- Pay your bills electronically
- Pay your friends/family electronically
- Save trips to the bank
- Schedule transfers between accounts
- Know irregular activities to prevent fraud

MODULE FOUR

CREDIT SCORE & PROPER USE OF CREDIT

CREDIT SCORE COMPONENTS



So, what is NOT in our Credit Score?

- Race, religion, color, nationality, sex, marital status, age
- Salary, occupation, employer, title, employment history
- Location
- Other interest rates
- Any information not on your credit report
- Taking this course!

Institutions use credit scores to determine the risk you present to their money. Some of the institutions that will use credit scores are the following:

- Banks
- Credit Card Companies
- Auto Dealers
- Retail Stores
- Landlords
- Cell Phone Companies
- Utility Companies
- Employers

HOW TO IMPROVE YOUR CREDIT SCORE

Past	• Check your credit report to make sure that there are no errors such as incorrectly listed late payments or an incorrect balance on your account. If there are errors you should dispute them with the reporting agency and credit bureau
Present	• Set up payment reminders to make payments on time • PAY BILLS ON TIME - Making a payment just a few days late can impact your score • Pay back outstanding debt if possible using lessons form Module Two • Be patient
Future	• In the future long-run, opening new accounts responsibly and paying them off on time will help raise your credit card • Don’t simply open many accounts just to have a mix of accounts; this probably won’t help your score • Only open accounts that you make payments to responsibly

MODULE FIVE

LONG-TERM SAVING

date: ______________
client: ______________
coach: ______________

WHY IS SAVING IMPORTANT?

We are constantly being told that saving money is important for our future. But the problem is, it's hard to save for the future when you're focused on what is happening now.

So, why is it that saving is so important to us? Here are a few main reasons:

1. **Emergencies.** As much as we'd like to, we can't predict the future. Things come up that we don't expect: a broken arm, an unforeseen medical condition. These are bills that you have to pay regardless of how ridiculously expensive they are. If you don't have an emergency fund to pay these bills with, you could risk getting yourself deep into debt.
2. **Retirement.** If you plan to retire one day, you will need savings to take place of the income that you will no longer be getting every month, if you plan on maintaining a similar lifestyle.
3. **Maintenance.** It is useful to have a fund set aside for maintenance, in case your car breaks down or your house needs repairs. You wouldn't want to go into your emergency fund for these situations.
4. **Personal goals.** Everyone has a dream that they want to become reality, whether it is owning your own house, getting a new car, or providing your children with a college education. But, the problem is that dreams aren't easy to achieve, otherwise you would already have done it! Most of the time, dreams cost a lot of money, and one of the only ways to get this money is to save money over a long period of time. We'll talk more about personal goals in a little bit.
5. **Education.** As you probably know, education can be a costly endeavor, but it can also be a very worthwhile endeavor. Some certifications or courses can help you earn a higher income or get a better-paying job.

People often think that saving is for individuals who have money to spare and generally high incomes. When in fact, it is more important for low-income families and individuals to save. This is because income for low-wage jobs tends to be more volatile. Also, having savings will help you lower costs, which is extremely important for low-income families. For example, if you have a bigger down payment on a house, you will get better interest rates.
Even if you don't think you could possibly save on your current budget, there are ways for you to start saving today, and we're going to help you get there.

Is there some amount that you could consistently save and set aside at the end of every month? There are two easy ways to do this:

1. **Set aside a percentage of your total income at the beginning of the month.** In other words, as soon as you receive a paycheck, take out a specific percentage for your savings.

2. **Set aside a percentage of your discretionary income.** Make sure that no matter how much you spend each month, your bank balance never dips below that amount, and put it into your savings at the end of the month.

Plan A

I can save $________ a month by taking out % from my **total income**. This gives me $________ left over in my total income.

Plan B

I can save $________ a month by taking out my **discretionary income**. This gives me $________ my discretionary income.

Additionally there are other worthwhile alternatives to saving, for example:

1. Pay down debt
    a. Guaranteed return on investment!
    b. Lower debt, better credit score.
2. Long-term CD
    a. Better rates than savings accounts.
    b. Lock money awayy
3. Prepaid credit cards
    a. FDIC insured
    b. Improve credit score
    c. Limited
4. Savings accounts hybrids
    a. Saving goals
    b. Better interest and FDIC insured
5. Online Savings Accounts
    a. No brick and mortar costs
    b. Less fees
    c. Higher interests

Any of these fit better than a normal bank? Call and find out!

Finally, take a minute to reflect on all these things you have learned and all of the things you have done ever since you first started this Financial Empowerment training. Take a second to think about all the things you have accomplished so far— go ahead and take a look at all of your SMART goals and see exactly which ones you have achieved. Don't be discouraged if you haven't accomplished all of them—just know that you're making steady progress towards accomplishing them! You have the power to reach all of your goals and all of your dreams; you just have to keep working towards them!

At this point, we want you to set a "dream goal" for yourself. This goal is exactly what it sounds like—a long-term realistic goal that you would love and hope to achieve. We want you to think long and hard about this dream goal. You should truly want this; it should not be just any old goal that holds no real meaning to you. This goal should resonate with your heart and your desires; it should be a powerful motivator. Think about a goal that would make you incredibly happy if you were to achieve it...and incredibly sad if were to not achieve it. Think about a goal that truly means a lot to you. Feel free to look back at your SMART goals and find something that you would really love to accomplish—a dream that you want to make into a reality.

We can't make any promises, but we can help you try to achieve this amazing dream goal of yours. It may take a lot of time and it may take a lot of work on your part, but if it is truly a realistic goal that you are willing to strive towards, we believe you can achieve it.

So go ahead and pick your dream goal—we'll start making a plan right away for you. With the right goal in mind and the right plan to guide you, there is nothing that can stop you from achieving your dream! So what are you waiting for? Pick a dream and let's start working on it!

MODULE SIX

PLANING DREAMS

GOAL

(List out your main goal)

COSTS

(List out the costs associated with achieving that goal)

Total:

SPECIFICS:

(List out specific tasks that need to be completed to reach the goal)

-
-
-
-
-
-

JIFFI
JUBILEE INITIATIVE FOR FINANCIAL INCLUSION

STEPS TO COMPLETE GOAL

(Create a Step-by-Step plan to achieve the goal)

STEP 1 ______________________________

STEP 2 ______________________________

STEP 3 ______________________________

STEP 4 ______________________________

STEP 5 ______________________________

STEP 6 ______________________________

STEP 7 ______________________________

STEP 8 ______________________________

STEP 9 ______________________________

STEP 10 ______________________________