

Make Your Money Work For You

Grad School Edition  Feb. 29th, 2024



FINANCIAL
PLANNING
ASSOCIATION

NEW JERSEY



RUTGERS

THE STATE UNIVERSITY
OF NEW JERSEY

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Financial Fundamentals

- Taxes
- Cash Flow
- Saving + Investing
- Credit Scores
- Student Loans.

Taxes

Free Tax Prep Near You

Where to Go

<https://irs.treasury.gov/freetaxprep/>

UWCJ - New Brunswick Free Public Library 60 Livingston Avenue New Brunswick, NJ 08901 Volunteer Prepared Taxes Get Directions and Service Details	0.4 MI	02 FEB 2024 - 30 MAR 2024	FRI 1:30PM - 4:30PM SAT 10:30AM - 1:30PM 1:30PM - 4:30PM	English	Not Required
HOPES CAP Inc., Somerset (ad hoc to Plainfield) 900 Hamilton St Somerset, NJ 08873 201-468-8805 Volunteer Prepared Taxes Get Directions and Service Details	1.6 MI	08 FEB 2024 - 04 APR 2024		English Spanish	Required
UWCJ - Highland Park Senior Center 220 S 6th Avenue Highland Park, NJ 08904 732-819-0052 Volunteer Prepared Taxes Get Directions and Service Details	1.7 MI	07 FEB 2024 - 10 APR 2024		English	Required
UWCJ - United Way of Central Jersey 32 Ford Avenue Milltown, NJ 08850 732-247-3700	2.5 MI	22 JAN 2024 - 15 OCT 2024		Spanish Spanish	Required

Credits to Think About

- Lifetime Learning Credit | \$2k Max (\$160k+ Phaseout)
- American Opportunity Credit | \$2.5k Max (\$160k+ Phaseout)
- Child Tax Credit | Up to \$2k per kid under (\$400k+ Phaseout)
- Earned Income Credit | \$600 to \$7,430 (based on income, number of qualifying children, other factors).

Managing Cash Flow

Why it's Tough

- Hard to see link between buying something today and achieving goals in the coming months, years
- Lots of purchases each day
- Different ways to pay.



Approaches

- Expense-tracking
- Separate bank accounts
- Envelope system.

Expense Tracking Apps

- **Pros**

- Apps make it (relatively) easy: Rocket Money, Monarch Money, Quicken, YNAB
- Brings unconscious decisions into the conscious mind
- Greater sense of control over spending.

Expense Tracking Apps

- **Cons**

- Automatic categorization sometimes fails
- Viewing the past, not, planning the future.

Separate bank accounts

- **Pros**
 - Clear sense of how much is *available* to spend by checking a bank balance
 - Carve out room for saving in advance.

Separate bank accounts

- **Cons**
 - Takes some work to get set up
 - Must ensure bank charges no fees.

Envelope System

- **Pros**
 - Clear sense of how much is available for a given category of spending.

Envelope System

- **Cons**
 - Must use only cash for daily spending
 - Tight focus on *categories* of spending, less on overall spending.

Saving & Investing

What are you saving for?

- **Goals**
 - Short vs. Long term
 - Vacation next year, college, retirement, etc.

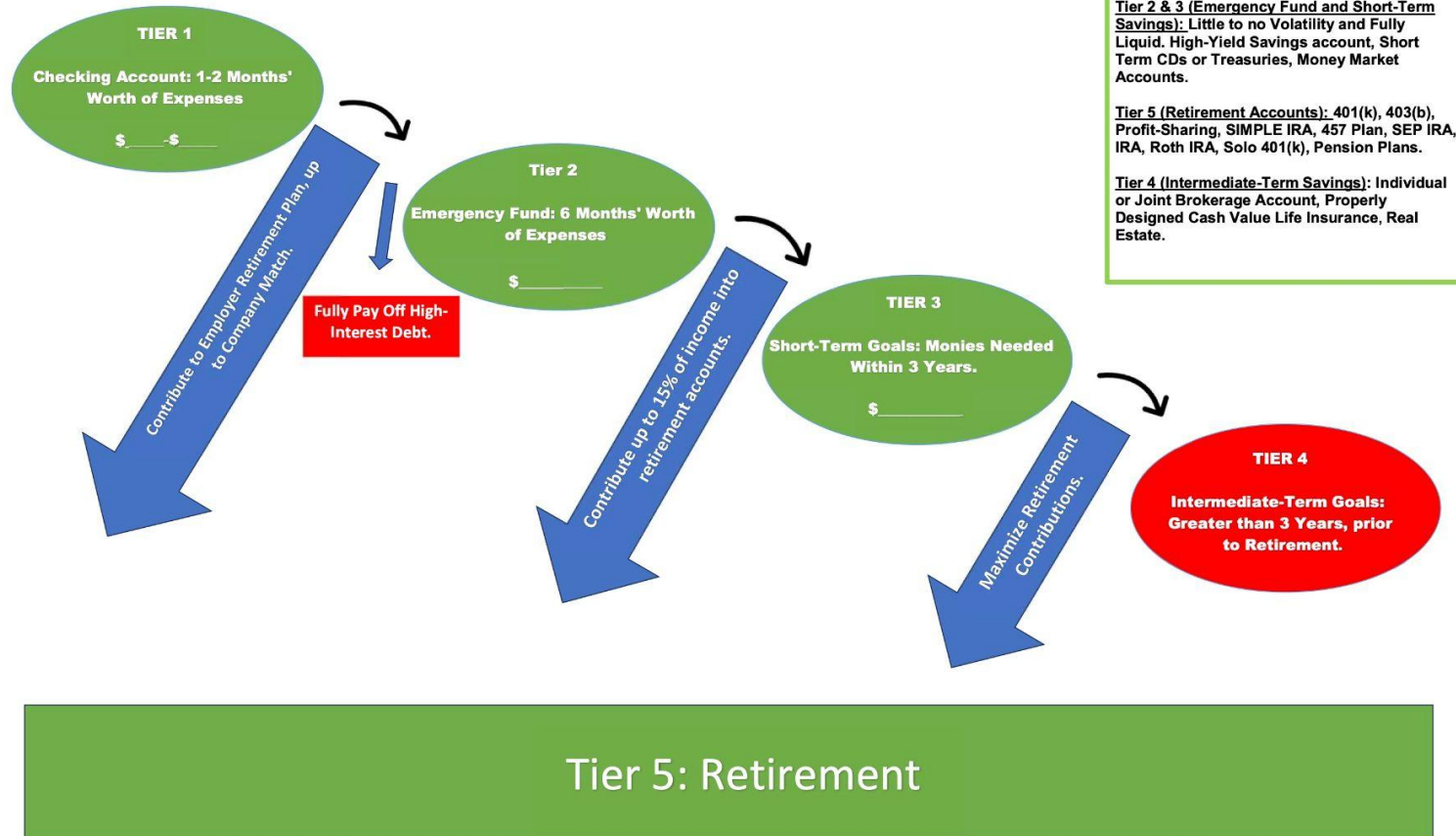


What are you saving for?

- **Prioritization**
 - What is most important?
 - Emergency fund
 - No “one size fits all.”



Personal Savings Plan



3 YEARS



NEW CAR FUND

Savings account or a mutual fund with short-term bonds

15 YEARS



KIDS COLLEGE

Balanced mutual funds

30 YEARS



RETIREMENT

Stock-focused mutual funds

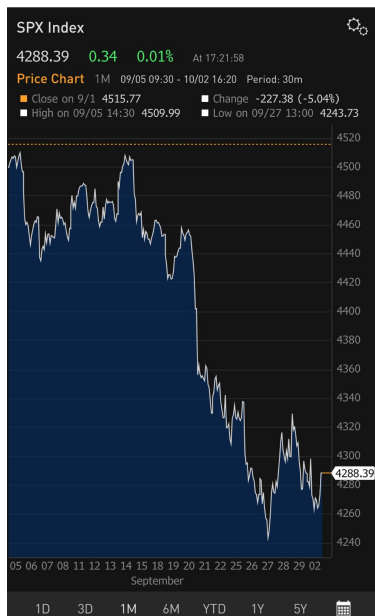
Account Options

- **Short-Term**
 - Checking
 - Savings / High Yield Savings
 - Money Markets / CDs.

Account Options

- **Medium / Long Term**
 - Brokerage
 - 529s (College)
 - 401k / 403b / IRAs (Retirement).

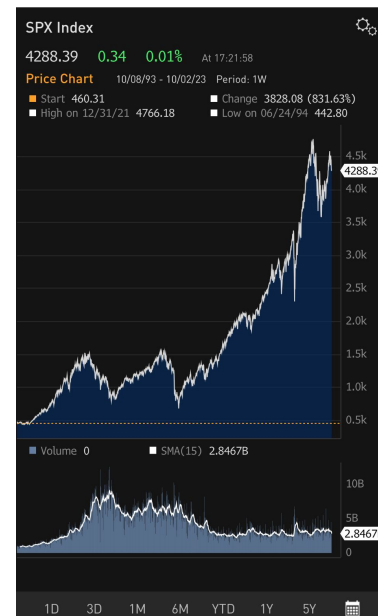
S&P 500 Example - 3 timelines



One-Month Period



Six-Month Period



10-Year Period

Credit Scores + Reports

Why You Should Care

- Borrowing starts here
- Better score can save you thousands in interest
- Low credit sometimes blocks job prospects
- Uncovering identity theft.

Credit *Reports*

- Record of a person's payment history
- Credit information reported by three major credit bureaus:
 - Equifax
 - Experian
 - TransUnion.

Credit Scores

- Used to estimate risk of consumer not paying back loan (creditworthiness).
- Often between 300 and 850
- Higher number = lower risk (and lower rates)
- Not included as part of the credit report.



How to Request Credit Reports

- Required information: name, address, Social Security number, date of birth
- How to request:
 - AnnualCreditReport.com
 - 1 (877) 322-8228.

Reading your Credit Report

TransUnion

Report Created On: 10/19/2020
File Number: [REDACTED]

Personal Information

SSN: XXX-XX-XXXX
Your SSN has been masked for your protection.

Names Reported: [REDACTED]

Addresses Reported:
Address [REDACTED]

Telephone Numbers Reported:
(809) [REDACTED]

You have been on our files since 04/21/2007

Date of Birth: [REDACTED]

Date Reported
08/05/2019
07/23/2011
10/06/2009
10/10/2012
09/17/2010
08/23/2010
04/21/2007

Account Information

Typically, creditors report any changes made to your account information monthly. This means that some accounts listed below may not reflect the most recent activity until the creditor's next reporting. This information may include things such as balances, payments, dates, remarks, ratings, etc. The key(s) below are provided to help you understand some of the account information that could be reported.

Rating Key
Some creditors report the timeliness of your payments each month in relation to your agreement with them. The ratings in the key below describe the payments that may be reported by your creditors. Please note: Some but not all of these ratings may be present in your credit report.

N/R	X	OK	30	60	90	120	COL	VS	PO	CO	FC
Not Reported	Unknown	Current	30 days late	60 days late	90 days late	120 + days late	Collection	Voluntary Surrender	Repossession	Charge Off	Foreclosure

Satisfactory Accounts

The following accounts are reported with no adverse information. For your protection, your account numbers have been partially masked, and in some cases scrambled. Please note: Accounts are reported as "Current; Paid or paying as agreed" if paid within 30 days of the due date. Accounts reported as Current may still incur late fees or interest charges if not paid on or before the due date.

AMERICAN EXPRESS #: [REDACTED]
PO BOX 981537
EL PASO, TX 79998
(800) 674-2717

Date Opened: [REDACTED]
Responsibility: Individual Account
Account Type: Revolving Account
Loan Type: CREDIT CARD

Date Updated: 10/12/2020

Pay Status: Current Account
Terms: \$40 per month; paid Monthly

High Balance: High balance of \$3,301 from 04/2018 to 07/2019; \$3,351 from 08/2019 to 08/2019; \$3,921 from 09/2019 to 10/2020
Credit Limit: Credit limit of \$19,000 from 04/2018 to 10/2020

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Reading your Credit Report

TransUnion

DSNB/MACYS # [REDACTED]
 PO BOX 6218
 MASON, OH 45050
 (800) 289-6229

Date Opened: [REDACTED]
Responsibility: Individual Account
Account Type: Revolving Account
Loan Type: CHARGE ACCOUNT

Date Updated: 09/29/2020
Payment Received: \$0
Last Payment Made: 02/15/2020

Pay Status: Current Account
Terms: Paid Monthly
Date Paid: 02/15/2020

High Balance: High balance of [REDACTED]
Credit Limit: Credit limit of \$2,000 from 02/2020 to 09/2020

	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020
Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amount Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK

LOANCARE LLC # [REDACTED]
 3637 SENTARA WY
 STE 303
 VIRGINIA BEACH, VA 23452
 (800) 274-6600

Date Opened: [REDACTED]
Responsibility: Joint Account
Account Type: Mortgage Account
Loan Type: CONVENTIONAL REAL ESTATE MTG

Date Updated: [REDACTED]
Payment Received: [REDACTED]
Last Payment Made: [REDACTED]

Pay Status: Current Account
Terms: Monthly for 360 months

High Balance: High balance of [REDACTED] on 08/2019 to 10/2020

	10/2020	09/2020	08/2020	07/2020	06/2020	05/2020	04/2020	03/2020	02/2020	01/2020
Balance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Scheduled Payment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amount Paid	\$3,293	\$3,293	\$3,293	\$3,293	\$3,293	\$3,293	\$3,093	\$3,093	\$3,093	\$3,914
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

	12/2019	11/2019	10/2019	09/2019	08/2019
Balance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Scheduled Payment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amount Paid	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Past Due	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK

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Student Loans

Income-Driven Repayment Plans

Payment Amounts Based on your Income

- Series of programs that peg your student loan payment amounts to your income
- Generally a portion of your “discretionary income,” which is the amount you earn above the federal poverty level
- Depending on your income, your payments could be \$0.

Contrast & Compare

Degrees of freedom

Type	Definition of DI*	% Payment	Forgiveness	Notes
IBR	> 150% of PL**	15% (old) 10% (new)	25 years (old) 20 years (new)	New Borrower after 07/2014
ICR	> 100% of PL**	20%	25 years	Not available after 07/2024
PAYE	> 150% of PL**	10%	20 years	Not available after 07/2024
REPAYE	> 225% of PL**	10%	25 years	No longer available
SAVE	> 225% of PL**	10% (grad) 5% (undergrad)	25 years (grad) 20 years (undergrad)	

DI** = Discretionary Income *PL** = Poverty Level

More Info: <https://studentaid.gov/manage-loans/repayment/plans/income-driven>

The new 'SAVE' Plan

‘Saving on a Valuable Education’

- Introduced last year
- Narrower definition of “discretionary income”
- Payments are smaller percentage of new, lower discretionary income
- No negative amortization (i.e., balance remains the same even if payments are too small to pay interest in a given period).

Things to Consider...

- Smaller payments (probably)
- Can exclude spouse's income (but only if you file separately, which brings drawbacks of its own)
- Credit for forgiveness even during certain types of deferments or forbearance
- Unlike other plans, payments *not* capped at standard, 10-year repayment rate.

**Thoughts or
Questions?**

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