Financial Prep for Grads
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 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.
IS THIS INQUIRY

HARD or SOFT

- Applying for an auto or home loan
- Renting a house or apartment
- Applying for a credit card

- A potential employer
- Requesting your own report
- 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
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

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

<table>
<thead>
<tr>
<th>Leasing Pros</th>
<th>Leasing Cons</th>
<th>Buying Pros</th>
<th>Buying Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower:</td>
<td>Higher long-term cost (vs. buying and driving until totaled)</td>
<td>More economical in the long run (unless you buy and trade-in regularly)</td>
<td>Higher: Down Payment (generally) Monthly Payment</td>
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<tr>
<td>-Monthly Payment</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>-Down Payment</td>
<td></td>
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<tr>
<td>Better car for less money</td>
<td>You don’t own the car at the end</td>
<td>Pride of ownership</td>
<td>More of your ready cash is tied up in a car</td>
</tr>
<tr>
<td>No trade-in hassles at the end</td>
<td>Costly to terminate lease early</td>
<td>Increased flexibility – you can easily sell the car when you want to</td>
<td>Dealership trade-ins can be confusing</td>
</tr>
<tr>
<td>Lower repair costs</td>
<td>Excessive mileage &amp; wear-and-tear costs paid at lease termination</td>
<td>No penalty for driving excess mileage</td>
<td>You are responsible for maintenance costs (after warranty expires)</td>
</tr>
<tr>
<td>(factory warranty covers most repairs)</td>
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</tbody>
</table>
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?