



Achieving Financial Independence

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Topics Discussed Today



Managing Money



Budgeting and spending plans



The importance of savings and how to save



Careful with credit and dealing with debt



Building credit



What is a credit union?



Questions and Answers

Scenario

- Dave is a 35-year-old man on a fixed income. He receives a monthly SSI check in the amount of \$794.
- Below are Dave's expenses:
 - Rent--\$237
 - Electricity--\$100
 - Cable--\$80
 - Cell phone--\$50
 - Groceries/Food--\$200
 - Public Transportation \$60
- **Total--\$727**


He also owes \$250 on a credit card with a \$300 limit which he hasn't paid in over a year.

*The SSI limit for countable resources is \$2,000. Therefore, Dave cannot have more than \$2,000 in assets at the end of each month or he will lose his SSI benefits.

Scenario Continued

- What are some things Dave can do in this situation?
 - With anything, start with what Dave owes or has to pay each month (which is done for you already in this scenario).
 - One possible solution—Look for ways to reduce expenses
 - Live with family to reduce or eliminate housing expenses
 - Use food banks/pantries to reduce food budget.
 - Other areas to cut?
 - These are difficult decisions and discussions.
 - What's another solution?

Scenario Continued

- Certainly, there's some hesitancy in discussing money and what to do next.
 - No. 1 in this scenario is developing trust with your client to have money conversations.
 - Talk to them about their financial goals or aspirations. You can also ask them what some of their earliest money memories were. Listen closely to the answers.
 - If they have financial goals (renting their own apartment, owning a car etc...), then you can have discussions on how to get there and come up with a plan.
 - Under that particular scenario, I would try and find a job or two even though it means the loss of benefits.
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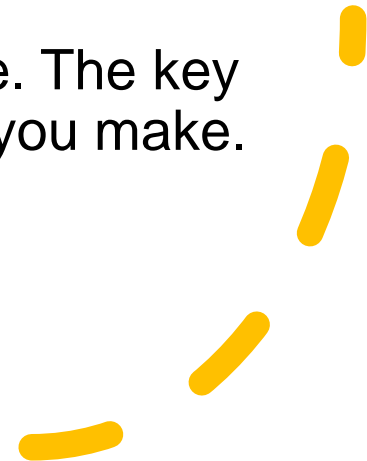
Budgeting or Spending Plans

- Developing a budget or financial plan is essential to managing resources.
- A helpful tool is Vertex42 <https://www.vertex42.com> which has spreadsheets for just about everything.
- Starting a spending journal is a good way to track expenses and see where your money goes.
- Some might prefer using paper and pencil or the numerous budgeting apps out there like EveryDollar, You Need a Budget or Mint.




Budgeting or Spending Plans

- Recap on Budgeting
 - Keep a diary of everything you spend money on
 - Analyze Income—is working two jobs better? Or a job and a side-hustle?
 - Treat savings as an expense—there should be a line item for savings.
 - Track Expenses (rent, utilities, food, clothing, charitable donations, etc...)
 - Hopefully, what you earn is greater than what you spend.
- Do not live on what you make. The key is to live on LESS than what you make.





The importance of saving

- There isn't a financial problem that can't be overcome by saving.
 - Something as small as \$250 or \$300 can help weather a financial storm.
 - You need that cushion in case you lose your job and have to immediately look for another one.
 - If you have debt, Dave Ramsey recommends saving at least \$1,000 in case of an emergency*
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Using financial products

- Basics: Ideally, people have a savings account (to save money for emergencies) and a checking account to help pay bills.*
 - *We may use a checking account to pay our bills, but some may not want to write a check and risk the check not being cashed for 15 days or so.
- Some people can do a savings account to start if they had difficulties in the past.
- In lieu of cashing a check at a check casher and paying a fee, look into a credit union that won't charge you a fee to cash a check. They will cash a check if you have a savings account.



Saving Money

- Pay yourself first or treat savings as an expense
- Just save something
- 10 percent is recommended, but even \$10 a week is \$520 per year. Even \$25 a month is \$300 at the end of the year.
- Start small, automate if possible.
- Keep savings separate from other accounts if possible
- Save for a rainy day. Just because it's not raining now, doesn't mean it won't in the future.



Questions before moving on
to Credit?

Let's Discuss Credit

- Responsible use of credit
 - Credit is an effective tool when used responsibly.
 - If you open a credit card, start with a small limit of \$500 to \$1,000 and make small purchases and pay them off at the end of the month in full.
 - You need 6 months of on-time payments for it to register on your credit report.
 - Use secure credit cards if possible—where a deposit backs the card limit.
- Change your mindset when it comes to credit cards—Some think it's easy money, but it's really a loan product. You're getting a short-term loan, which is due at the end of the month.
- Have a discussion with a credit union or financial institution and don't be afraid to ask for help.

What is your Credit Score used for?

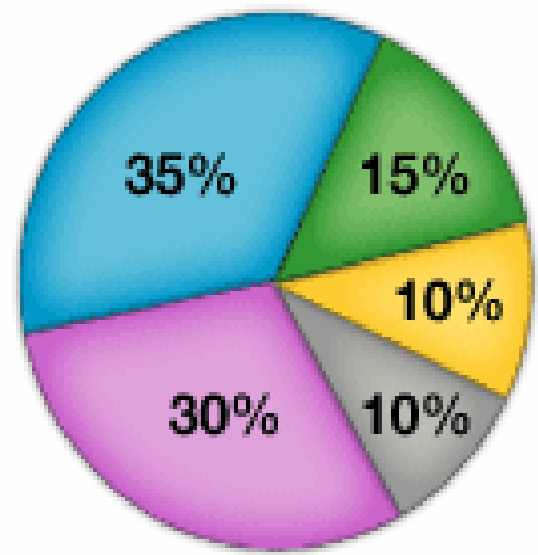
- Getting a loan (auto, home and personal)
- Applying for a credit card
- Auto Insurance
- Landlords pull credit to see if you'd be a responsible tenant who will pay on time
- Employers can pull credit too

Credit Score

- Your credit score is more important now than ever
- Your credit score is based on your credit report, which you can check once a year for free at:
www.annualcreditreport.com
- That's once a year from each of the three credit bureaus.
- Another helpful resource can be sites like Credit Karma, Mint (for budgeting) and score estimating tools through your credit card company.



How your score is calculated



- Payment history
- Amounts owed
- Length of credit history
- New credit
- Types of credit used

Source: myFICO.com

Credit Tips

- Pick a point in time to improve
- Let the past be the past—Most negative items on your credit report will fall off after 7 years. So if you were 60 days late on a payment 8 years ago, you're good now.
- Work with lenders if you get into a difficult spot.
- Use resources available—Credit Karma isn't a bad resource to get an idea of where you're at. It'll give you a rough score and also an idea of your payment history and accounts.



Questions before moving on
to Credit Unions?

Credit Union FAQ

Early credit unions came about to help serve underserved and marginalized populations. The floodgates opened for credit unions with FDR around the time of the Great Depression.

Working at a credit union and joining a credit union is probably one of my best financial decisions.

The difference between credit unions and banks—Banks are for-profit entities; credit unions are not-for-profit. Credit unions give their profits back to the account holders through lower fees, lower interest rates and higher rates on deposits.

Think local pizza shop vs. national chains.

Credit Unions

- Visit CTCreditUnions.org
- Some are tied to employment, but others are open to the community, meaning if you live, work or worship in a particular county (like Hartford County), then you're eligible to join.
- Credit Unions are what I would consider the safety net of the financial system. They are much more likely to work with you.
- The Planet Fitness of Financial Institutions (Judgment-free zone)



Credit Unions

- Form the relationships before you need them
 - Join a credit union and get to know them. Become friends with them—we all need friends in different sectors.
- If you have a financial question(s), ask them.
- We have checking accounts, savings accounts, credit cards, personal loans, car loans, mortgages, etc...
- We're recommended by many financial experts due to better rates and lower fees.
- Federally Insured by NCUA (Banks are federally insured by the FDIC) up to \$250,000.





Credit Union Questions

- Should you take advantage of a credit union too?
- What are the benefits and drawbacks?
- What if I move or leave my job?





Questions or Comments?



What are some experiences
you're seeing in the field?

What can I do to help?

What can we as financial
institutions do to help?