FIRST NATIONS DEVELOPMENT INSTITUTE

Freddie Mac

Oweesta
FIRST NATIONS OWEESTA CORPORATION
A SUBSIDIARY OF FIRST NATIONS DEVELOPMENT INSTITUTE

Building Native Communities

FINANCIAL EMPOWERMENT FOR TEENS & YOUNG ADULTS

First Edition

TRAINING WORKBOOK

Building Native Communities

FINANCIAL EMPOWERMENT FOR TEENS & YOUNG ADULTS

A Native community is more than the sum of its parts. It embodies the unique contribution of each community member to the greater whole, known as the circle of inclusion. Within each member, it generates powerful feelings of cultural solidarity. That precious spirit has survived over many generations and is supported by economic development. But the development must be for everyone – not for just a few. That is the Native understanding.

This financial skills curriculum is for young adults within Native communities. Our purpose is to:

> **Enable community members to celebrate their traditional values by learning financial skills that will help each person make informed financial decisions for themselves, their family, and their community.**

First Nations Development Institute

First Nations Development Institute is a nonprofit organization that helps Native communities build sound, sustainable economies. First Nations helps community members to identify assets and build models to create and retain wealth in ways that reflect the culture and desires of the people in those communities. The strategy coordinates local grassroots projects with national program and policy development initiatives to build capacity for self-reliant economies.

Oweesta — First Nations Oweesta Corporation — A Subsidiary of First Nations Development Institute

Oweesta is the first and only national Native Community Development Financial Institution (CDFI) intermediary in the country. Utilizing an integrated asset-building strategy, our mission is to provide opportunities for Native people to develop assets and create wealth by assisting in the establishment of strong, permanent institutions and programs, leading to economic independence and strengthening sovereignty for all Native communities.

Freddie Mac

Freddie Mac helps make home possible in communities and believes in the power of financial education.

We are grateful for the support of Freddie Mac on the development of this curriculum.

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Acknowledgments

This first edition of the ***Building Native Communities: Financial Empowerment for Teens & Young Adults*** workbook was made possible by input from our Advisory Committee. The Advisory Committee was comprised of financial leaders and practitioners in the field of Native youth financial education and asset-building and played a large role in creating and revising the curriculum. We would like to thank the following individuals for their assistance, careful reading, and feedback:

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We'd also like to thank Ricardo Cate from the Kewa Pueblo in New Mexico who provided creativity and talent with his illustrations throughout the publication. Cate is the father of three and a cartoonist for the *Santa Fe New Mexican* newspaper.

> *Statement of Ricardo Cate: I'm a father, a teacher, a filmmaker, a stand-up comic, and a keeper of my Kewa Pueblo heritage. Most of you might know me as the writer of the enormously successful (well, in Santa Fe, NM, anyway) cartoon "Without Reservations." From those humble days when I walked into the* Santa Fe New Mexican *newspaper building to ask them to run my cartoon, to my hugely successful career in film and stage, I have remained true to myself as a traditional Kewa man. I am a former U.S. Marine (served from 1985 to 1989). I love to read, do crossword puzzles, and play cards with my kids.*

We also express our sincere gratitude to Freddie Mac.

Disclaimer

All names and examples provided in the ***Building Native Communities: Financial Empowerment for Teens & Young Adults*** workbook are fictional. Any resemblance to actual individuals or their financial situations is coincidental. The *Building Native Communities* curriculum is intended to be used as guidance and should not be relied on as legal or tax advice. Please seek the counsel of a qualified attorney or tax professional for further assistance. The authors and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication.

More Information

To obtain additional copies of this workbook, more information about training opportunities, or to become an instructor, visit www.BNCweb.org or email info@oweesta.org.

Table of Contents

Introduction

Applying Traditions Today

Whether you want to manage your spending, get out of debt, buy a car, go to college, or save to purchase a future home, personal financial empowerment is the first step to creating a positive financial future. That is why Oweesta and First Nations Development Institute created this curriculum, ***Building Native Communities: Financial Empowerment for Teens & Young Adults***.

Native people have always managed their resources wisely. Whether it was catching salmon, hunting buffalo, harvesting wild rice, or herding sheep, we knew how to manage our resources. This curriculum is designed to help Native communities adapt their traditional skills to the wise management of financial resources.

This workbook will help you make informed financial decisions and be in control of your finances. Using these skills, you can save money that you might have lost because of poor planning or insufficient information. Information on credit will better prepare you for when it's time to apply for a credit card or a loan. The materials will show how your everyday decisions and actions can help support the economy of your local community.

Over time, personal financial management skills will help you achieve the goals that are most important to you, your family, and your community. This will enable you to be a key participant in building self-reliant, economically healthy communities now and for future generations.

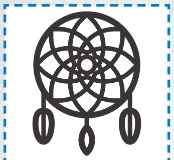
Your Learning Experience

Building Native Communities: Financial Empowerment for Teens & Young Adults is full of knowledge and skill-building information and exercises to empower you to make wise choices when it comes to money and assets. Combined, the lessons in this curriculum will provide you with a solid financial foundation, upon which you can continue building well into adulthood. Each lesson begins with an exercise intended to ground us culturally, centering our hearts and minds in a good place, before we dive into our learning experience.

In addition to regular lesson material, there are various elements sprinkled throughout the lessons designed to enhance your learning experience.

Money Maneuvers

These exercises are designed to get your mind moving and build your money muscles. They provide opportunities to increase your knowledge and hone your skills so that your financial decisions are on point.



Money Wisdom

These quick tips add valuable information to your financial knowledge base, deepening your understanding of the learning concepts being covered in each lesson.

Money Math

These calculations provide opportunities for you to apply financial concepts to real-life situations, reinforcing why and how wise financial choices impact our daily lives.

Money Talk

These oral tradition homework assignments guide you in conversations with your family members and community elders in a way that will build and strengthen your cultural and family connections.

Money Tools

These worksheets and trackers provide an opportunity for you to evaluate your financial reality and plan your financial future. These tools can be used beyond this class and adapted to your life situations again and again.

Money Extensions

These homework assignments expand on the subject matter covered in each lesson and provide a set of tasks to be completed beyond the classroom setting. They will help you retain and gain more knowledge.

Lesson 1

BUILDING THRIVING NATIVE ECONOMIES

Objectives

In this lesson, we will discuss:

- Money as a tool for empowerment
- Traditional resource management
- Ways to strengthen the local economy
- How to be an informed consumer

BEFORE WE BEGIN LESSON 1

Dreaming

Long before the first Europeans arrived, the Woodland Indians of North America taught their children that dreams are the single most important source of both practical and spiritual guidance.

The first business of the day in an Iroquois village was dream sharing, as dreams were messages from the spirits and the deeper self and might contain guidance for the community as well as the individual. The early Iroquois believed that, in dreams, we routinely travel beyond the body and the limits of time and space, can visit the future or the past, and may enter the realms of the departed and of spiritual teachers on higher levels.

Dreaming was a survival tool. In the depths of winter, the community looked to powerful dreamers to scout out the location of game and to negotiate with the animal spirits to provide sustenance for the people. For the Iroquois, dreaming is also good medicine. The Mohawk word *atetshents* means "one who dreams," and is also the term for a doctor or shaman.

> **— *The Importance of Dreams in American Indian Tradition* by Robert Moss**

What's the most vivid dream you've had? Can you see any connection between your dream and what was happening in your life at that time?

Aspiring Entrepreneur

When I was a sixth grader at Cutswood Blackfeet Immersion School, I opened a savings account at Native American Bank with the Blackfeet Mini-Bank Program. With encouragement from my dad, I started depositing money each week. I even deposited my birthday money instead of spending it right way. Even though I only deposited small amounts each time, I kept at it. I won a $100 cash award because I was the student that deposited the greatest number of times. I learned that if I have it in the bank, I don't spend it on stupid things. Now I have goals for bigger purchases.

The next year in seventh grade, I participated in the Blackfeet Youth Business Kick-Starter Program. At the end of the program, I got to pitch my business idea in a competition with other students. I won an award, and I used that to purchase inventory and launch my snack business, which has been pretty profitable. I did want to be a teacher, but now I think I want to be an entrepreneur.

– Danny Kennedy, Blackfeet

For years, our people have understood and practiced the present-day concepts of budgeting and saving. We managed our resources through conservation so that they lasted throughout the year by saving additional supplies for future use.

Consider the planning done by the Canadian Bands, Nit Nat and Sooke, when they prepared for one of their women to marry. They saved for one year to provide a feast and gifts for all guests at the ceremony. Traditionally, gifts included blankets, canoes, dried fish, and many kinds of animal skins. If the woman's family was of high status, the man's family/community provided them with a number of canoes to demonstrate they could take care of her. The wedding ceremony required a lot of preparation and planning.

Money as a Tool for Empowerment

You were born a unique individual with qualities and experiences unlike any other person in the world. This means that the way you choose to live your life, including the goals you set for yourself, will be unique and based on what is best for you. We often have pressure from outside sources, such as media, friends, or even our family, to live a certain way. But these outside sources cannot know what is in our own heart. Only we have the ability to listen to our heart and make choices that are right for us as individuals, and ultimately, right for the whole community. This is called self-empowerment.

DARING TO DREAM

What are some of the goals you have for yourself in the next few months? What are some goals you have for a few years from now? Ten years from now? Take some time to draw or write what feels like exciting goals for your future.

Congratulations on envisioning these goals for yourself! It is a big accomplishment to dare to dream of something new and exciting for yourself! Can you see a link between the goals you have for yourself and money?

Will you need to save money to achieve your goals? Will you need to borrow money? Will you earn money once you achieve any of your goals?

Can you see how achieving your goals might benefit your family and your community? If so, how?

Circle of Life

Our Native communities have traditionally demonstrated tremendous skill in managing resources to support our needs on an ongoing basis.

Our people also saved for the purpose of acquiring goods that we could not produce ourselves. By producing more than the community needed, we had goods to trade. For instance, the Northwest Coastal Indians traded a wide variety of products, including smoked or dried fish and venison, as well as tools made from elk, deer, fish, or other indigenous animals.

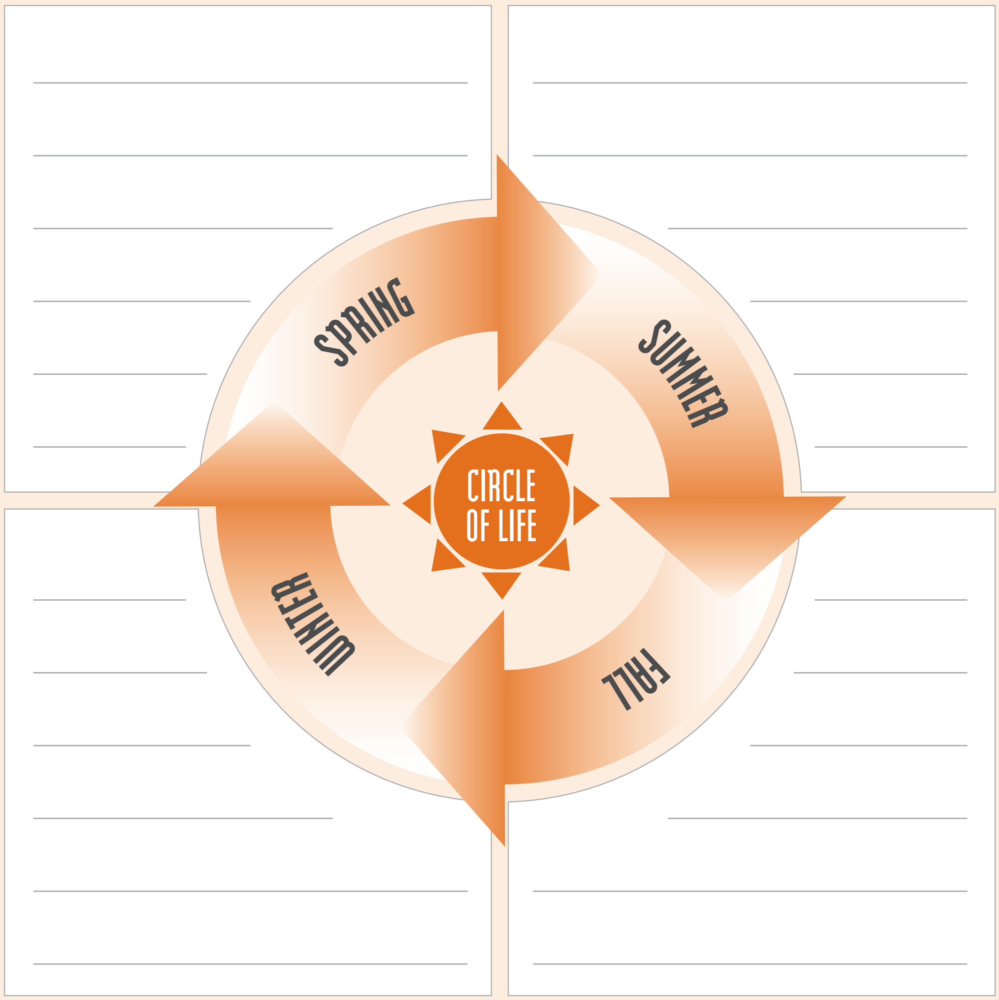
Budgeting and saving are core skills that allow individuals and families to contribute to the economy. In today's modern economy, these skills allow us to make informed financial decisions.

Our people have successfully practiced resource management skills for generations. Now we call upon their example to strengthen our own abilities.

CIRCLE OF LIFE

Complete this exercise based on your traditional community. On the diagram below, list what your ancestors (elders) would harvest throughout the year.

Example: In the winter to early spring, Northwest tribes harvested venison, such as deer and elk. They stopped in the early spring, when the young animals were born, to ensure the survival of the herd.



HELPFUL HINTS

- Did your people preserve/save any resources used year round? What resources?
- How did they budget resources used throughout the year?
- Why do you think they developed this type of schedule?
- What types of goods did they trade? Were goods specifically put aside for the purpose of trading?

Strengthening the Local Economy

An **economy** is a system that helps people exchange items of value. Economies can be local, tribal, regional, national, or international. Our economy is made up of **businesses** that provide goods and services, and **consumers** who spend money on these goods and services. As a consumer, you can spend money in a way that benefits the local or tribal economy. When you spend money at a local business, you are making sure that your money goes to a local community member and business owner. That local business owner can then support the local community by providing goods or services that people want to purchase. A local business owner also contributes by employing community members, being a role model for youth, and making purchases at other local businesses. If you choose to spend your money at businesses that are not local, this money often "leaks out" of the local economy and doesn't support the local community.

BUYING LOCAL

Think about who owns the businesses where you buy things. Do you make purchases from businesses owned by community members? From the tribe? Non-Native-owned businesses?

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Are there ways you might support your community's financial independence?

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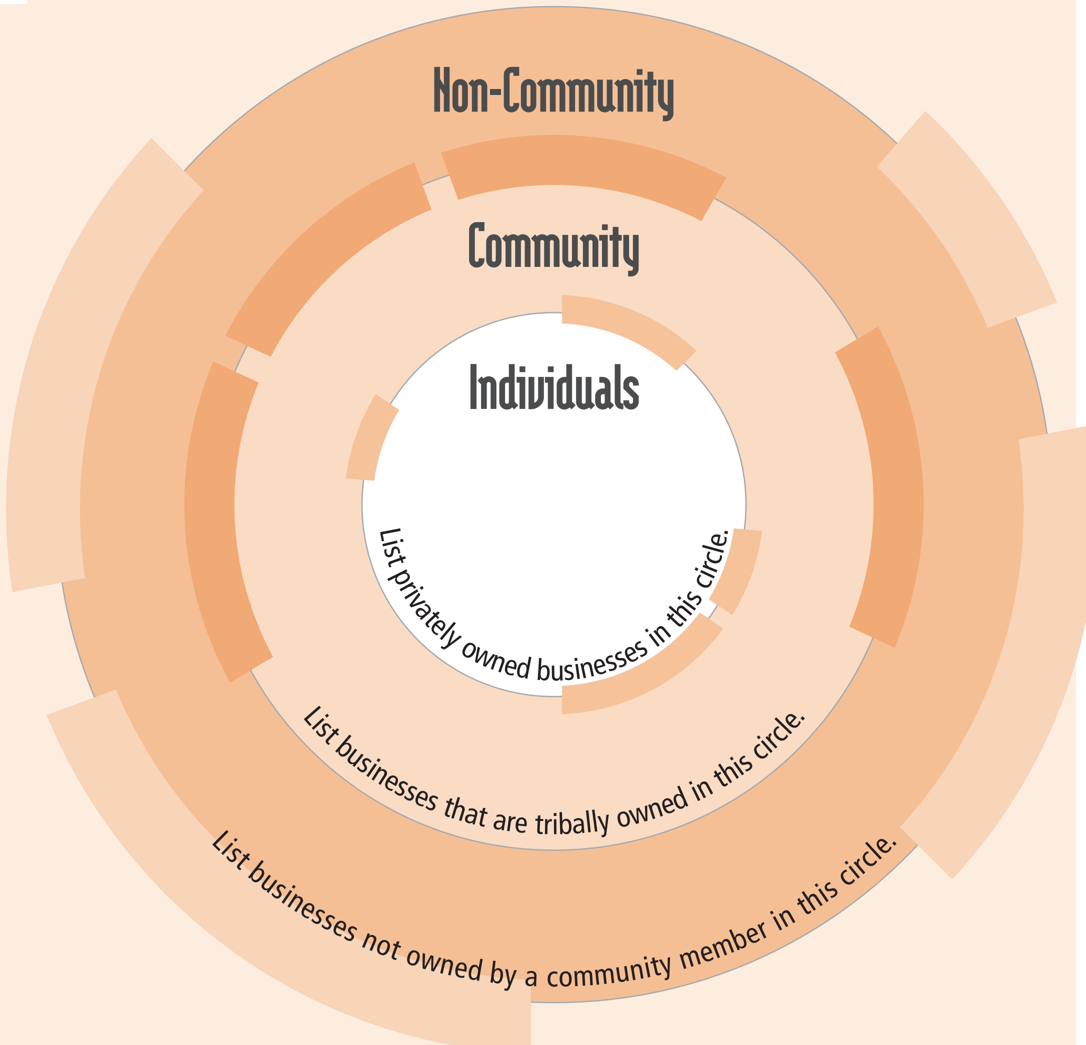
Name five Native-owned businesses in your community that you currently support or may start to support.

1. ______________________________________
2. ______________________________________
3. ______________________________________
4. ______________________________________
5. ______________________________________

THE LOCAL ECONOMY

List some of the businesses that serve the community (e.g., gas station, grocery store, movies, restaurant, car dealer, plumber, and landlord) in the appropriate circle.



What does this diagram say about our economic independence?

Plugging the Leaking Economy

The economic impact of spending your money at businesses owned by community members or the tribe is significant.

The majority of Native communities spend their money in surrounding communities. Money is leaking out of Native communities and into non-tribally owned businesses. When this occurs, we do not retain or build our wealth.

The way you choose to spend your money may be the most powerful tool that you can use to effect social change in your local tribal community. When money stays in the community, it gets spent again and increases community well-being. This is called the local multiplier effect and increases wealth creation when money is spent locally and continues to circulate within the local economy.

BUSINESSES IN THE COMMUNITY

What are some other businesses you would like to see in your community?

Building Native Economies Through Entrepreneurship

Small Businesses Build Local Economies

Small businesses make a major difference in local communities by providing valuable products and services to the community, but they also fuel local economies with tax dollars, create employment opportunities, and help develop community pride and development. Have you thought about starting a business in your local community? Do you have an entrepreneurship attitude and skills and maybe even a "side hustle" that you are passionate about? You may have even identified a business idea or a need in your local community.

BECOMING A BUSINESS OWNER

If you were to become a business owner in your community, what business would you like to start and why?

Once you have a solid business idea or a solution to fix a problem or fill a need, take some time to write out in the simplest terms what product or service that your business offers or provides. Take the next step and write out both a long, detailed description of your business and a short-yet-sweet answer to this question (what does your business do?), and then commit your answer to memory. This will be your "elevator pitch" (a brief speech that outlines an idea for a product or service). Imagine that you step into an elevator with another person, and that person asks what your company does, and you only have that moment to give them a meaningful and direct response.

If your business is something that you are passionate about and determined to create, your elevator pitch will be repeated over and over to potential business investors, funders, bankers, lenders, community members, family, friends, and maybe even Tribal Council, so it's a great idea to work hard on your pitch. Practice makes it perfect!

PITCHING YOUR BUSINESS IDEA

Write out your short-yet-sweet 30-second elevator speech.

Whether you want to create the next Amazon, finance a food truck, become the next social media influencer, or start up your own local electrical, plumbing, or welding business, when it comes to starting a business, the early bird gets the worm. For a small or emerging business to succeed, it's a great idea to run your business idea through the validation process by asking yourself this important question: Does your idea solve a problem, fulfill a need, or offer the community something that it wants?

10 Steps to Take to Start Your Own Business

1. **Start with Your Passion.** Once you identify your service/product, do your research. Market research will tell you if there is a potential to turn your idea into a successful business. It's a good idea to gather information about your target market (potential customers) and businesses already operating in your area. Is it a marketable product/service? Yes? Start your business. No? You may want to do more research to find that competitive advantage for your business idea.
2. **Find Mentorship.** Look for resources, peers, mentors, and even funders who currently work in the same field. Go and find them! Ask the person who is where you want to be to become your mentor. It doesn't hurt to ask!
3. **Develop Your Business Plan.** Your business plan is a written description of your business' future, what you plan to do, and how you plan to do it. It lays out how your business is going to work and how you're going to succeed. There are many resources available to get started. Do your research!
4. **Build Your Own Brand.** In Native Country, where we know that we are all connected, be intentional in everything you do, and because you represent yourself, build your own brand in a positive way. Be a good relative!

5. **Find Funding for Your Business.** Your business plan will help you determine how much capital (money) that you'll need to get started. If you don't have the money to get started, you'll need to find funding from your local CDFI (Community Development Financial Institution), banks, credit unions, or SBA (Small Business Administration). The good news is there are different paths that you can take to find the capital that you need to create your business.
6. **Identify Your Business Type.** One of the most important business decisions that you will make is determining how to structure your business. An LLC (Limited Liability Company), which protects your personal assets and gives you business and tax flexibility, is a popular choice for many start-ups. You may want to look at starting a corporation if you are thinking of raising capital, or if you're hoping to go public and expect a lot of shareholders. Or maybe you're thinking of forming a sole proprietorship, which is easy to form and gives you complete control of your business, but it does not create a separate business entity, meaning that your business assets and liabilities are not separate from your personal assets and liabilities. Check with the professionals on the best business structure for you!
7. **Register Your Business.** Once you have decided on your business type or structure, it's time to register your business with either your tribal government, federal government, and/or maybe even the state government. This will make your business legal and protect your brand. Your business structure and business location will help determine how and with whom you should register.
8. **Apply for Federal & State Tax IDs.** Now you will need to apply for an Employer Identification Number (EIN), which works like a Social Security number but for your business. You may need state tax ID and federal tax ID numbers.
9. **Open a Business Bank Account.** This will help you keep your business and personal accounts separate. A small-business checking account can help you when it comes to filing taxes and keeping your day-to-day transactions in one place. If you followed all of the above steps, you'll have everything you'll need to open up a business checking account.
10. **Give Back.** Once your business is off the ground and you are in a good place, consider giving back by helping and mentoring others, just like you may have needed help in the very beginning. Bring it back full circle!

Understanding Our Role as Consumers

Consumers play an important role in the economy by purchasing goods and services. Consumers try to make the best decisions they can about how to spend their money. When you are an informed consumer, you buy things you can afford, that align with your personal goals and values, and that you really need. You avoid purchases that could damage your financial well-being or the well-being of people you care about, such as your family members. When we make poor choices, or fail to act as informed consumers, we run the risk of spending too much, being taken advantage of, or buying things we don't need. When you are not an informed consumer, it can lead to stress, confusion, guilt, and feelings of regret known as "buyer's remorse."

BEING AN INFORMED CONSUMER

Have you ever felt buyer's remorse after you bought something?

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What are some challenges you face as a consumer?

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The Power of Advertising

As consumers, we sometimes feel pressure to buy things, including things we can't afford or don't need. Advertising is a method of communication by which businesses encourage consumers to buy products and services. Advertising works by delivering a clever message designed to influence our spending decisions. The message usually includes basic information about the product or service, as well as a "pitch" that stresses how the product will benefit the consumer. Television commercials, radio jingles, web pop-up ads, and billboards can all be effective methods of advertising. Advertising is certainly not a bad thing, but it is important that we don't allow advertisements to control our opinions to the extent that we make poor purchasing decisions.

HOW MANY ADS DO YOU SEE?

Did you know? Digital marketing experts estimate that we are exposed to around 4,000 to 10,000 advertisements per day in the U.S. That's a lot of pressure on consumers to spend!

Source: Red Crow Marketing Inc., https://www.redcrowmarketing.com/2015/09/10/many-ads-see-one-day/trackback/

HOW ADVERTISING INFLUENCES OUR CHOICES

Can you recall a recent purchase you made that was motivated by an advertisement? If so, what was the item you purchased, and what type of advertisement impacted your decision?

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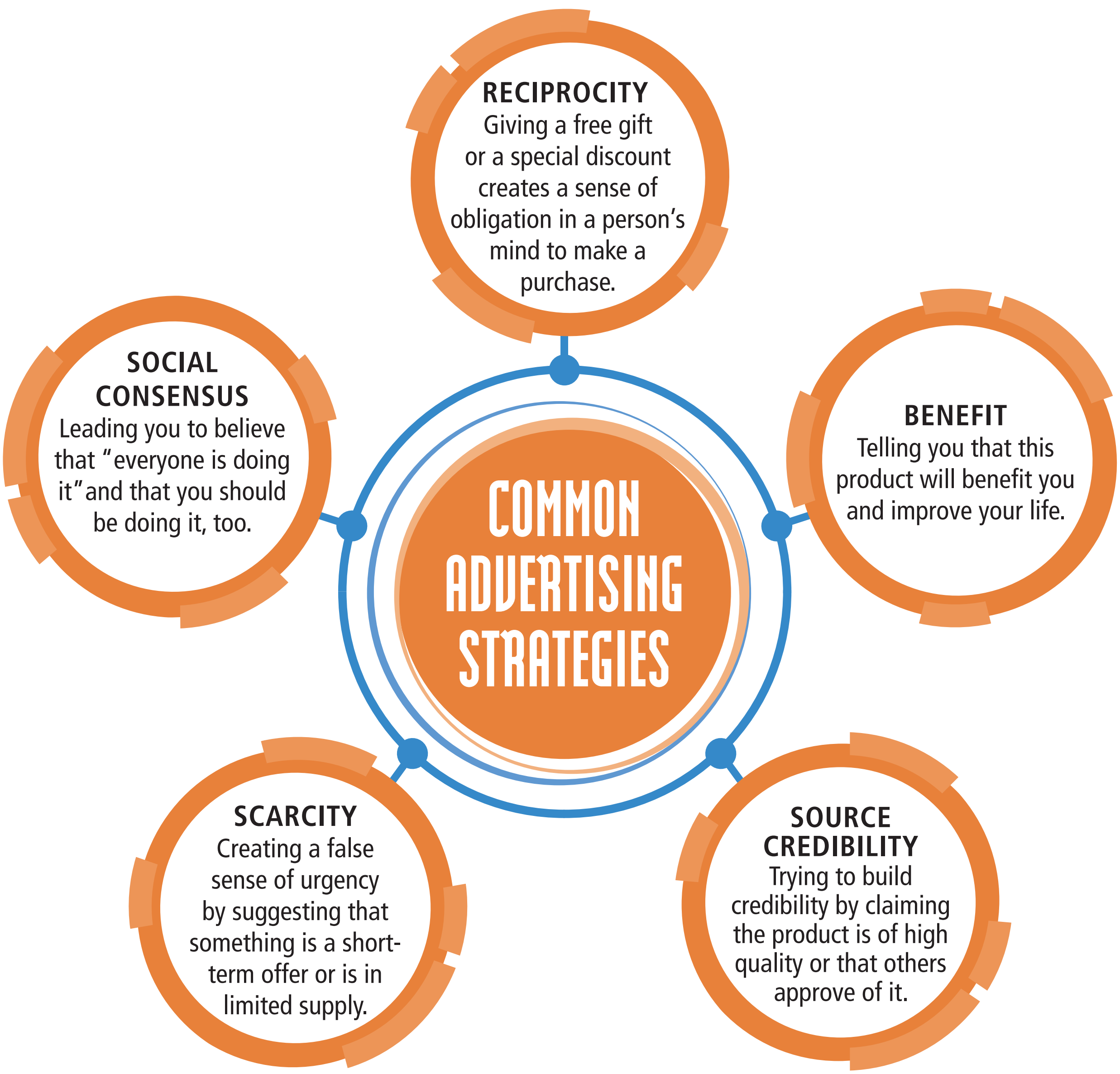
Persuasion Tactics

Advertising is big business, and a lot of effort goes into creating well-targeted, attention-grabbing messages that will sway consumers. Some advertisements, such as fancy commercials, are aimed at millions of people and can cost thousands of dollars to produce. Others are much less expensive to create and are targeted to a small group of people, like a simple store sign or an ad on Craigslist (an online classified forum). Most advertisements will place a series of "emotional triggers," known as persuasion tactics, into a message. **Persuasion tactics**, such as the five listed below, can appeal to a consumer's emotions and encourage him or her to buy and spend. They can make you feel like you are missing out if you don't buy something, or that a deal is going away quickly and you need to act fast to get a good price.



IDENTIFYING PERSUASION TACTICS

Take a few minutes to look at the advertisement below. Then answer the questions.

What is the message contained in this advertisement?

What are some examples of persuasion tactics used in this ad?

Do you think this is an effective advertisement? Why or why not?

Consumer Tips for Avoiding Advertising Pressure

How you choose to spend your money is entirely up to you, but here are some tips for avoiding unnecessary or costly purchases that can be promoted by various forms of advertising.

1. **Limit the time** you spend watching TV or fast-forward through commercials when possible. Also, avoid watching TV when hungry, lonely, or bored.
2. **Add your phone number,** landline or mobile, to the National Do Not Call Registry at www.donotcall.gov.
3. **Disable pop-up ads** on your web browser, as well as "cookies" that advertisers can use to track your internet activity.
4. **Opt out** of receiving some types of unsolicited commercial mail and email at www.dmachoice.org.
5. **Use caution** when downloading free mobile apps. Many are loaded with ads to offset the free service.
6. **Unsubscribe** from email lists from online retailers.
7. **Use caution** when offered a free gift with a purchase.
8. **Keep an eye out** for persuasion tactics and emotional triggers in all forms of advertising, including online, television, and print.

LESSON 1 SUMMARY

Lessons Learned

In this first lesson, we learned what some of our goals are and the ways in which money can help us achieve these goals (self-empowerment!). We learned that our ancestors practiced excellent resource management that was in harmony with nature. We learned how our community benefits when we strengthen our local economy (plug the leaks!). We also learned how to be smart consumers by keeping our focus on our financial goals and seeing through advertising and persuasion tactics. You are well on your way to making your financial dreams a reality!

Discussion Questions

1. What are some of your goals in the next few months? Ten years from now?
2. What are some ways that our ancestors used to manage resources wisely?
3. Why is it important to buy local in the community?
4. In your local community, how many businesses are owned by tribal members? By the tribe? By non-tribal members?
5. Why is it important to plug a “leaking” economy?
6. What have you purchased in the past and then felt “buyer’s remorse” about?
7. Why is advertising important in our economy? How can it be hurtful?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – www.sba.gov/course/young-entrepreneurs/

Resource #2 – www.ted.com/topics/goal-setting

HOMEWORK: DARING TO DREAM AND TAKING ACTION

Before we dive into the next lesson, let's take a moment and take action on accomplishing our goals. Thinking back to page 5, and the Daring to Dream activity, let's take this one step further. Are you dreaming of buying your own car, traveling to a new city, or buying a new phone, but aren't sure how to get there? The key to achieving your financial goals is to break them down into manageable steps. It's time to TAKE ACTION!

STEP 1

Write one of the short-term goals that you wrote down or drew on page 5.

What action have you taken, or do you plan to take, toward achieving this goal?

STEP 2

When do you want to complete this goal?

STEP 3

How much money do you need to save in total?

$

STEP 4

How much money do you need to save per month?

$

STEP 5

What can you cut back on to reach your goal?

STEP 6

Every human on this planet experiences setbacks and roadblocks on the path to achieving their goals. What is the biggest challenge or roadblock in the way of your financial goals?

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These are ways that I can overcome this roadblock:

1. ______________________________

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2. ______________________________

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3. ______________________________

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4. ______________________________

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STEP 7

Start moving the roadblocks out of your way, one by one. Stay motivated by writing out your goals and placing them in a space where you will see them every day. Develop your goals together with your budget and spending plan to ensure success. Envision yourself achieving all of your goals!

SETTING BOUNDARIES

Pressure to spend money can come from all around us. Sometimes "persuasion tactics" can come from our family members as well. We all want to make sure our family members are happy and have what they want and need. It can be hard to say no when your family members ask for something. By discussing financial goals with your family, you can figure out together how to support each other in achieving individual and shared goals. Other tips for relieving this pressure are to stay focused on your goals and values and consider creating a save, spend, share budget so that you are able to share some of your money with your family. Remember, it is OK to save your money and watch it grow!

Lesson 2

MONEY IN NATIVE CULTURES

Objectives

In this lesson, we will discuss:

- Money in Native cultures
- Building on a solid foundation
- Developing a spending plan
- Getting organized
- Tips for managing spending

BEFORE WE BEGIN LESSON 2

Native American Money

Money in Native cultures has a very intriguing past. Throughout history, money (or currency) took on a much different appearance, with many Native American tribes having quite advanced forms of trade and currency that did not consist of paper bills or coins with a leader's name on it. Many Native communities succeeded in developing complex and advanced societies without paper "money" and created bartering systems. Back in the earlier days, currency came in the form of elaborate beads or beadwork, like wampum beads. Wampum beads were made from clamshells and were initially used by coastal tribes, until the use of wampum spread throughout the continent and was stored by the Iroquois, which was one of the most prosperous and powerful tribes.

The first European colonists did not use wampum as a form of currency but later colonists did. For instance, Peter Stuyvesant paid his workers in wampum when they constructed the New York Citadel. Manhattan Island was purchased for wampum. Wampum was used as the main form of Native American money because it had value as a decorative item, and many Native Americans pierced holes at the top of their wampum and wore them in a belt rather than carrying wampum in a bag. Wampum, the Native American money that became the most famous form of currency developed by American Indians, eventually fell into disuse, initially among the colonists, because of inflation. Wampum was not difficult to "harvest" from the oceans and was worth less and less as time went by. Nowadays, genuine wampum is valuable as an artifact, but it is not used for purchases.

— Adapted from indians.org/articles/native-american-money

What are some forms of currency or "money" that your ancestors used in the past?

A Plan Changed My Life

I have humble roots – I grew up in a small, no stoplight town in Navajo country – so just making it to the bright lights of New York City was a huge accomplishment. But, the day I knew that I could be truly financially free with no debt is when I logged into my bank and saw $10,000 of dedicated, mapped out, hard-earned savings.

To meet my savings goal, I set a very detailed budget, with limits for everything, from groceries to entertainment. I also follow the 24-hour rule when shopping – I wait to see if I'm still thinking about an item the next day before making a purchase. And while you can easily drop $100 per person at dinner in New York, with a little more effort, you can find a hidden gem and only spend $20 per person.

Now that I've personally hit the $10,000 milestone, I need to start investing – those savings could go to better use than just earning 1% in a bank account.

– Chasity Nez, Navajo

Culture is a set of shared beliefs and practices that characterize an institution, organization, or group. One of the best ways to look at what is important to our culture is by paying attention to the stories that have been passed down from our elders.

Our Native ancestors lived in a time when they could live off the land and barter to meet their needs. In today's society, more and more, we use money to buy what we need. Money is defined as "a current medium of exchange in the form of coins and banknotes." Therefore, money culture is related to the beliefs and practices that a group has regarding money.

Money, Culture, and Values

Here are some thoughts on money from Native youth with different backgrounds:

> *My* unci *(Lakota word for grandmother) was really good at saving money, and she always managed to put a little money aside for those rainy days.*
>
> **— Buffy (Sicangu Lakota) Rosebud, South Dakota**

> *We didn't grow up with much money around, so it's important for me to teach my young son the importance of education so he can provide for himself and thrive rather than struggle.*
>
> **— Robert (Yakama Nation) Toppenish, Washington**

There are few places to bank where I come from. I remember my dad cashing his check and separating it out based on our needs, which were pretty basic.

— Rae (Navajo) Window Rock, Arizona

I can easily check my checking and savings accounts balances, deposit checks, and set up automatic bill payments with my phone. I hardly go into the actual bank. It sure is different from the way our parents handled and dealt with money.

— Ava (Seneca Nation) Salamanca, New York

WHAT IS YOUR MONEY CULTURE?

Does your family discuss money?

How do your parents or grandparents handle money?

Do you have a financial role model? If so, who is it?

How do your friends view money? How do you think this may influence you?

Building on a Solid Foundation

Native communities are built on a strong foundation, on which individuals live in connection and in harmony with their family, the community, and Mother Earth. This foundation of valuing Earth and our people allows for the natural flow of life's resources so that everyone in the community has what they need.

One of many strengths traditional Native cultures affirm is a clear understanding of one's beliefs and values. As proud Native people today, we can continue to uphold these principles by acknowledging who we are and what we strive for.

COMMUNITY VALUES

List some of the traditional values that your tribe is respected for.

1. ____________________
2. ____________________
3. ____________________
4. ____________________
5. ____________________

DISCOVERING YOUR VALUES

Along with having values that are held by our culture, we also have individual values. Our individual values are the set of beliefs that make up who we are. It is much easier to manage your money well when you know your own values regarding money.

Although there are many choices, choose and rank your top 10 values from this list. Begin with what is most important to you (#1) and working down to what is least important (#10). If you don't see an important value of yours, please add it.

- ☐ Family
- ☐ Health
- ☐ Financial Security
- ☐ Education
- ☐ Heritage/Culture
- ☐ Right to Vote
- ☐ Respect
- ☐ Honesty
- ☐ Integrity
- ☐ Commitment

Continued on next page...

- [ ] Acceptance
- [ ] Safety
- [ ] Happiness
- [ ] Dignity
- [ ] Humility
- [ ] Community
- [ ] Language
- [ ] Environment
- [ ] Independence
- [ ] Balance
- [ ] Power
- [ ] Creativity
- [ ] Relationships
- [ ] Generosity
- [ ] Leadership
- [ ] Self-Respect
- [ ] Other:
- [ ] Other:

Define your values.

___

___

___

Who of your friends, family, or community has modeled these values for you?

___

Which values would your friends say match you the closest?

___

___

___

___

Continued on next page...

Which value did you rank highest? Lowest?

How might your values affect your financial decisions?

Savings Goals

Financial freedom comes when you are able to make choices about what you really want. A good way to achieve financial freedom is to define your savings goals by thinking about what you really want to buy if you could afford it. Savings goals are statements about things you wish you could afford. You can accomplish these goals if you manage your finances and put aside money (savings) on a regular basis.

SAVINGS GOALS

List some things you would like to be able to afford (write yours below the examples).

SHORT-TERM GOALS: Identify some things you can save enough money for in a few weeks or months.

MID-TERM GOALS: Identify some things you can save enough money for in a few years.

LIFETIME GOALS: Identify some things you can save enough money for in five to 10 years, or even longer.

SHORT-TERM GOALS (WEEKS OR MONTHS)		
Item	**Cost**	**Time Frame**
Basketball shoes	*$50*	*1 month*
New clothes	*$150*	*3 months*
Headphones	*$100*	*2 months*

MID-TERM GOALS (12-48 MONTHS)		
Item	**Cost**	**Time Frame**
Books for college	*$450*	*6 months*
Downpayment for a car	*$1,000*	*1 year*
Moving into an apartment	*$1,020*	*1 year*

LIFETIME GOALS (MORE THAN 60 MONTHS)		
Item	**Cost**	**Time Frame**
Home (down payment)	*$2,500*	*5 years*
Retirement	*$500,000*	*30 years*

Wants vs. Needs

You have thought about your values and your "money culture," and how they relate to your money management. You have also started to think about saving your money, including saving for your short- and long-term goals. One of the most difficult parts of learning to save money is learning to distinguish between wants and needs, so that you can make sure to buy what you need and still have money left over to save. How do you decide what is a want and what is a need? Usually a need is something you need to have to survive, like food, a home, and medical care. A want is something you would like to have, but it is not necessary to survive. This includes things like a brand-new car, the most up-to-date smartphone, or the latest basketball shoes – nice to have, but you would probably be fine without them.

A good way to think about wants and needs is to think about food. If you did not eat any food for a long time, you would get very sick and eventually die. But now think about new basketball shoes. You will survive without brand-new shoes on your feet. Once you can decide what you want and what you need to live your life, you can save a lot of money by not spending it on things that you can live without.

IDENTIFYING WANTS AND NEEDS

Think for a minute about several things that you spent money on last month.

Write them here:

1. ______________________
2. ______________________
3. ______________________
4. ______________________
5. ______________________
6. ______________________
7. ______________________
8. ______________________

Now separate these into two categories:

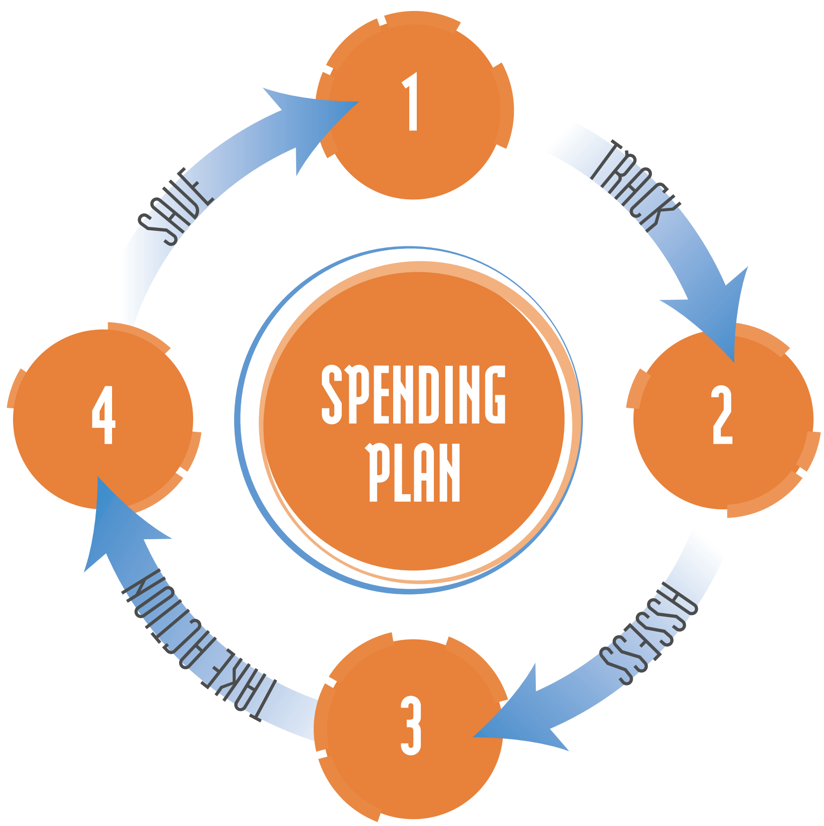
WANTS	NEEDS

Developing a Spending Plan

Developing a spending plan is similar to managing resources in a traditional Native community. Effective resource management successfully supported our communities for generations. What is a spending plan? A spending plan is simply a plan for how you will save and spend your money. How can you reach your savings goals? By using a spending plan. A spending plan tracks how much money comes into your pocket and shows how it needs to be used to meet your expenses and savings goals. Developing a spending plan is a process that may take time to create so that it meets your needs and goals. To develop a spending plan, there are some questions you will ask yourself throughout the process:

- How much money do I make or bring home?
- What are my expenses?
- What is my projected budget?
- Do I have enough for the week? Until the next pay period?
- Do I need to cut some expenses?
- Do I have enough to put some money into savings?

There are four major steps to creating a spending plan: Track, Assess, Take Action, Save. Let's look at each of the four steps.



Step 1: Track

The first step is to track your income and expenses. This includes looking at the money that comes in and the money that goes out. Tracking will help you answer the question: Where does my money go?

It's a good idea to track every expense for a couple of months to get a sense of where you are spending your money. You might be surprised at what you see at the end of each month. There are many ways to track how you spend: 1) online banking, 2) a calendar, 3) mobile app, 4) financial journal, 5) Excel spreadsheet, 6) software programs, etc. Find what works best for you to reach your goals.

Tracking your expenses is an easy way of seeing where your money is going and where you can make changes. Look at your expenses and do a gut check. How does your spending make you feel? If some of your purchases don't sit right with you, or you immediately feel like returning the purchase as soon as you get home, you know what you need to cut out.

You can go a step further by looking at your list of purchases and labeling each purchase as a want or a need, as we learned earlier in this lesson.

1 **Every year our ancestors estimated their needs based on what they used in previous years.**

Step 2: Assess

When you assess your spending, you can identify areas to reduce spending and increase savings. A good habit to strengthen your financial future is to pay yourself first. Why is that important? After you pay all of your bills – housing payment, utilities, groceries, and loan commitments – it's easy to feel like there is nothing left to save. When you pay yourself first, you put money in savings and, therefore, put measures in place to protect your future and accomplish your savings goals. The easiest way to pay yourself first is to set up automatic deposits into your savings account. Out of sight, out of mind, and your savings account is growing! But, make sure you have enough to cover your expenses before you pay yourself first.

2 **Our ancestors compared the available harvest to their current needs.**

Step 3: Take Action

When you take action, you can develop a spending plan, or budget, to reduce your spending so you have money left over to save. Now that you've tracked your spending and have an idea of what your spending patterns are, it's time to create a budget plan. A budget is essentially a spending plan, with the main premise being: spend less than you earn. If you are constantly spending more than you earn, you could be depleting your savings or heading towards debt and, in the long-term, even bankruptcy. Start by looking at how much money is coming in each month; i.e., your income. Then look at your income versus expenses. How do they match up? If your expenses are higher than your income, you'll want to go back to that list of expenses and see where you can cut back. Then take your amount of income and start allotting a certain amount of money to each budget category, such as rent, groceries, insurance, etc. You'll want to start budgeting for your needs first and then your wants with any extra.

3 **Our ancestors adjusted what they used based on how much was available.**

Step 4: Save

When you save, you can put aside extra money for a goal. A savings account can also help create and grow an emergency fund, which will help alleviate the impact of financial situations when they arise. A good example is if your car breaks down and needs to be repaired. With an emergency savings account, the car repair becomes an inconvenience rather than a crisis. Money in the bank creates a peace of mind, so if you start creating a habit of paying yourself first (see Step 2: Assess), you'll increase your financial health. Knowing how much to save is also a part of having a monthly budget planner.

Creating a budget and tracking your spending can help you in the present, but to be financially strong, you also need to think long-term about your future. What long-term financial goals do you have? How much will they cost, and when should you start saving for these goals? Have you thought about saving for retirement? At this point, you may be thinking, I'm young and have plenty of time to worry about that later. In reality, though, it is key to start thinking about this now, so you can prepare. By starting now, you have the advantage of time on your side!

Start investing in your future with a couple simple steps:

- Contribute to your employer-sponsored retirement accounts and take full advantage of any matching funds;
- Consider opening a Roth IRA, which offers tax-free withdrawals when you retire, but make sure to check with your tax advisor or IRS.gov for details on Roth IRAs, including restrictions and limitations.

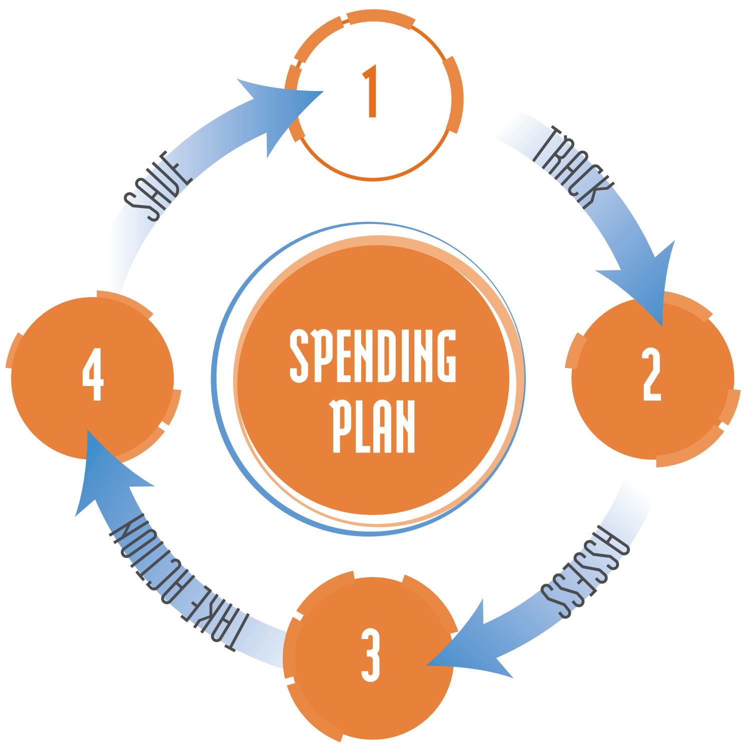
It's really important that you have a financial plan for your future, for you and your family. By using these steps, you can have a system in place for building wealth and preparing for the future.

4 **Finally, our ancestors planned what portion of the harvest to set aside for their future needs.**

Before we use the four steps – Track, Assess, Take Action, and Save – to develop your own spending plan, we are going to do an exercise to help Pauline Running Horse develop a spending plan. Let's see how we can help Pauline manage her money better.

Meet Pauline Running Horse

Pauline Running Horse is 20 years old, attends tribal college, lives with her grandmother, and works full-time at the local convenience store. Pauline has been having some problems making ends meet and is running out of money each month. She would like to obtain a better-paying job so she can begin saving money for school and can graduate without going into too much student-loan debt. Her long-term goal is to stay out of debt and build her credit so she can buy a home in the next five years for herself and her grandmother. Pauline was raised by her grandmother and has made it her goal to take good care of her, just as her grandmother took great care of her while she was growing up. Walk through the following exercises and see if you can help Pauline develop a spending plan.



Step 1: Track

Track: Pauline's Family

To understand income, track how much money comes into a household. This can include income from many sources (job, per capita payment, tax refund, seasonal work).

Let's start by helping Pauline track her income. She reported the following sources of income. What is her total monthly income?

PAULINE'S MONTHLY HOUSEHOLD INCOME (TAKE HOME)		
Source	**Amount**	**Notes**
Wages (Pauline)	$1,080.00	Assistant Manager at Big Bat's ($12/hr)
Extra Income (Grandmother)	$1,060.00	Social Security
TOTAL INCOME	$	

Ok, so now we know how much money, or income, is coming into Pauline and her grandmother's household. Now let's find out how much money goes out, or what the expenses are. When you add up all their spending for the month, what are their total monthly expenses?

PAULINE'S MONTHLY HOUSEHOLD EXPENSES		
Expense	**Last Month Amount**	**Notes**
HOUSING		
Rent	$500.00	
Utilities	$116.00	
HOUSING SUBTOTAL	**$616.00**	
TRANSPORTATION		
Car Payment	$200.00	
Car Insurance	$55.00	
Gasoline	$150.00	
Repairs/Maintenance	$320.00	brakes, front tires
TRANSPORTATION SUBTOTAL	**$725.00**	
FOOD		
Groceries	$300.00	
Eating Out	$250.00	
FOOD SUBTOTAL	**$550.00**	
DEBT (OTHER THAN AUTO)		
Student Loan	$64.00	
Mastercard	$75.00	monthly minimum
Visa	$50.00	monthly minimum
DEBT SUBTOTAL	**$189.00**	
COMMUNICATIONS		
Cell Phone	$128.00	w/ overage charges
COMMUNICATIONS SUBTOTAL	**$128.00**	
ENTERTAINMENT		
Dish/Cable	$50.00	
ENTERTAINMENT SUBTOTAL	**$50.00**	
HEALTH		
Tribal Gym	$0.00	
HEALTH SUBTOTAL	**$0.00**	
TOTAL ALL EXPENSES		

MONEY MATH: CALCULATING WAGES

You will be surprised by how much you use basic math to manage your finances. Think about it. Being able to properly add or subtract figures, understand decimals, or use percentages helps you understand whether you receive correct change when paying for an item with cash, how much you are paying for a loan over time, or how much of your income you are spending on eating out.

Try this example:

Martha works at a part-time job after school (15 hours per week) at a local grocery store. If her hourly rate is $11.50, and she worked four weeks last month, how much did she earn last month (before taxes were taken out)?

$ ____________

Pauline Running Horse's Savings

In addition to covering expenses, many families try to save some money each month. Right now, Pauline and her grandmother are not saving very much each month. Pauline's grandmother has $100 automatically put into her savings account when she does a direct deposit of her Social Security benefits. But Pauline doesn't put any money aside for savings. Pauline wishes she had more savings, because she would like to have money for holidays, emergencies, school, and a future home.

Let's take a look at Pauline's household monthly savings. How much does her household save each month?

PAULINE'S MONTHLY HOUSEHOLD SAVINGS		
Source	**Amount**	**Notes**
Pauline	$0.00	0% of monthly income
Grandmother	$100.00	10% of monthly income
TOTAL MONTHLY SAVINGS	$	

EMERGENCY SAVINGS ACCOUNT

It is a good idea to set aside some money each month in an Emergency Savings Account. The rule of thumb is that you should save enough money to cover your major expenses for six months. That way, if you have a financial emergency, you have some money to help you until you are on your feet again.

What Is Pauline's Family's Cash Flow?

Pauline is doing a great job tracking her income, expenses, and savings. She tracked her spending for the month, or the money going out of her household, and knows what her expenses are. She also knows how much money is coming into her household, or what her and her grandmother's combined income is. And she knows how much they are saving. But she has one more thing to do. She needs to compare the money coming in to the money going out and find out if there is any money left over at the end of the month. This is also called figuring out your cash flow.

In order to do this, follow a simple formula:

MONTHLY INCOME - MONTHLY SPENDING - MONTHLY SAVINGS = CASH FLOW

Pauline has done the work of tracking her income, expenses, and savings. Let's find out how her cash flow looks. Is it positive or negative? If there is a negative number at the end of the month, they are spending more than they are earning – they have more expenses than income. If the number is positive at the end of the month, with more income than expenses, they are doing OK. Let's find out how they are doing. Fill in the final box in this formula:

PAULINE'S HOUSEHOLD CASH FLOW						
Monthly Income	-	Monthly Spending	-	Monthly Savings	=	Cash Flow
$2,140.00	-	$2,258.00	-	$100.00	=	$

EVALUATING PAULINE'S FAMILY'S CASH FLOW

How are Pauline and her grandmother doing? Do they have:

❑ Positive cash flow? ❑ Negative cash flow?

What does this mean for Pauline's family?

____

____

What recommendations would you have about Pauline's situation?

____

____

____

TRACKING YOUR EXPENSES

Some people practice by tracking their daily expenses and adding them up so they know what they spend their money on in a day, a week, or a month. Try using this tracking worksheet for the next few weeks to help you determine what you're spending every day. You might be surprised where your money is going!

MONEY TRACKER WORKSHEET

TODAY'S DATE

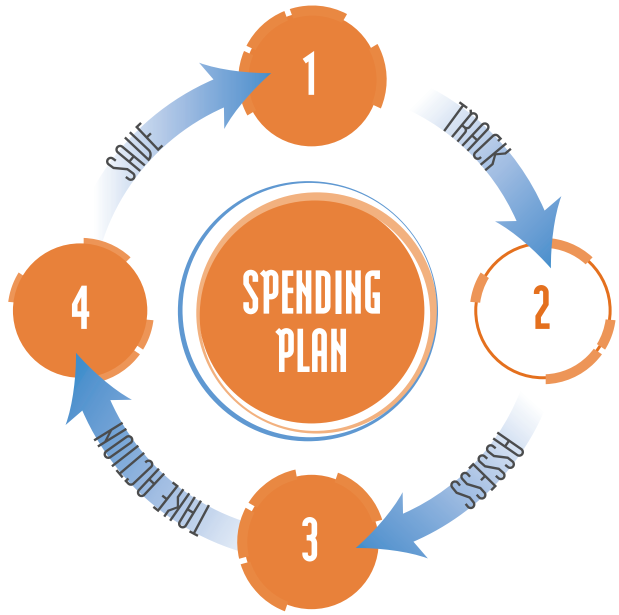
EXPENSE	DESCRIPTION	AMOUNT
Breakfast		$
Lunch		$
Dinner		$
Snacks		$
Soda/Coffee/Drinks		$
Groceries		$
Gas		$
Clothing		$
Online Subscriptions		$
Bills Paid		$
Other		$
Other		$
Other		$
	TOTAL DAILY EXPENSES	**$**

REFLECTIONS: How do you feel about today's spending? What changes can you make for tomorrow? What are you happy about in terms of how you managed your money today?

Step 2: Assess

Assess: Pauline's Family

Pauline has done the work of tracking her income, expenses, and savings. She recently discovered that they were spending more than they were earning each month. In other words, they are running out of money at the end of the month and have a negative cash flow. That means that to make ends meet, they might be charging more on their credit cards or borrowing from friends or relatives. Let's take a minute to think about what Pauline can do to reduce her expenses. But first let's learn about fixed versus flexible expenses. We will also discuss luxury expenses, and how to decide if you are spending money on a want or a need.



MONTHLY INCOME	-	MONTHLY SPENDING	-	MONTHLY SAVINGS	=	CASH FLOW
$2,140.00	-	$2,258.00	-	$106.00	=	($224.00)

Fixed and Flexible Expenses

Expenses can be put into two categories: fixed and flexible. Fixed expenses usually don't change from month to month. Flexible expenses can go up and down – and more importantly, you can choose how much you want to spend on these each month!

FIXED EXPENSES	FLEXIBLE EXPENSES
Monthly costs that do not change every month. Examples include:	**Monthly costs that could change every month. Examples include:**
▪ Rent	▪ Groceries
▪ Car payments	▪ Utilities
▪ Loan payments	▪ Gas
▪ Insurance premiums	▪ Ceremonial costs

Luxury Expenses – Your Wants Not Your Needs

Many people have luxury expenses every month. Luxury expenses include things like eating out, buying expensive clothes, or purchasing the latest and greatest smartphone when your old one still works. These expenses are wants not needs and eliminating them might be a good way to reduce your spending.

Luxury Expenses

Luxury expenses can be both fixed and flexible, but they tend to be your wants and not your needs. Examples include:

- Designer clothing
- Aftermarket auto accessories
- Going to the movies
- Brand new smartphone when your old one works fine
- Video games
- Eating out instead of cooking at home

Help Pauline Assess Where She Could Reduce Spending

Take a look at Pauline's monthly expenses again (next page). Study each expense and check off:

- Is it a flexible or a fixed expense?
- Is it a luxury expense?

Note whether she could reduce her spending on that item next month.

MONEY MATH: REDUCING EXPENSES

Austin is trying to reduce his flexible expenses by comparison shopping for toothpaste. His favorite brand comes in two sizes: a 6.4-ounce tube for $2.49 and an 8.2-ounce tube for $2.99. Which tube is the better deal?

____

EVALUATING PAULINE'S MONTHLY HOUSEHOLD EXPENSES						
Expense	Amount	Notes	Fixed Expense	Flexible Expense	Luxury Expense	Possible to reduce spending?
HOUSING						
Rent	$500.00		❑	❑	❑	❑ yes ❑ no
Utilities	116.00		❑	❑	❑	❑ yes ❑ no
HOUSING SUBTOTAL	**$616.00**					
TRANSPORTATION						
Car Payment	$200.00		❑	❑	❑	❑ yes ❑ no
Car Insurance	$55.00		❑	❑	❑	❑ yes ❑ no
Gasoline	$150.00		❑	❑	❑	❑ yes ❑ no
Repairs/Maintenance	$320.00	Brakes, front tires	❑	❑	❑	❑ yes ❑ no
TRANSPORTATION SUBTOTAL	**$725.00**					
FOOD						
Groceries	$300.00		❑	❑	❑	❑ yes ❑ no
Eating Out	$250.00		❑	❑	❑	❑ yes ❑ no
FOOD SUBTOTAL	**$550.00**					
DEBT (OTHER THAN AUTO)						
Student Loan	$64.00		❑	❑	❑	❑ yes ❑ no
Mastercard	$75.00	monthly minimum	❑	❑	❑	❑ yes ❑ no
Visa	$50.00	monthly minimum	❑	❑	❑	❑ yes ❑ no
DEBT SUBTOTAL	**$189.00**					
COMMUNICATIONS						
Cell Phone	$128.00	w/ overage charges	❑	❑	❑	❑ yes ❑ no
COMMUNICATIONS SUBTOTAL	**$128.00**					
ENTERTAINMENT						
Dish/Cable	$50.00		❑	❑	❑	❑ yes ❑ no
ENTERTAINMENT SUBTOTAL	**$50.00**					
HEALTH						
Tribal Gym	$0.00		❑	❑	❑	❑ yes ❑ no
HEALTH SUBTOTAL	**$0.00**					
TOTAL ALL EXPENSES	**$2,258.00**					

FLEXIBLE AND LUXURY EXPENSES

What are some flexible or luxury expenses that Pauline can adjust to reduce their spending? Can you identify some of their expenses that are wants, not needs?

MONEY MATH: MANAGING EXPENSES

Martha's goal is to make sure her monthly auto expenses (e.g., auto loan payment, insurance, gas, maintenance, etc.) amount to no more than 25% of her monthly income. If her monthly income is $1,275, how much can she afford to spend on auto expenses?

$ ______________

SPEND LESS, SAVE MORE

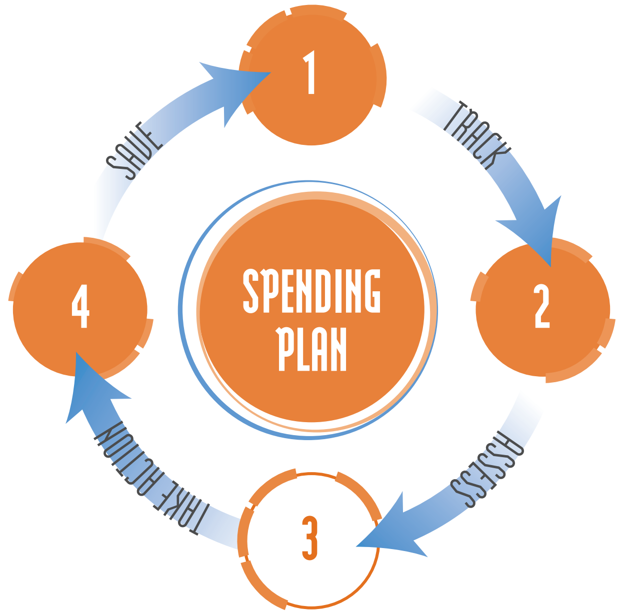
If you need to decrease your monthly spending, look first at lowering your flexible and luxury expenses. It may help to ask yourself the following questions:

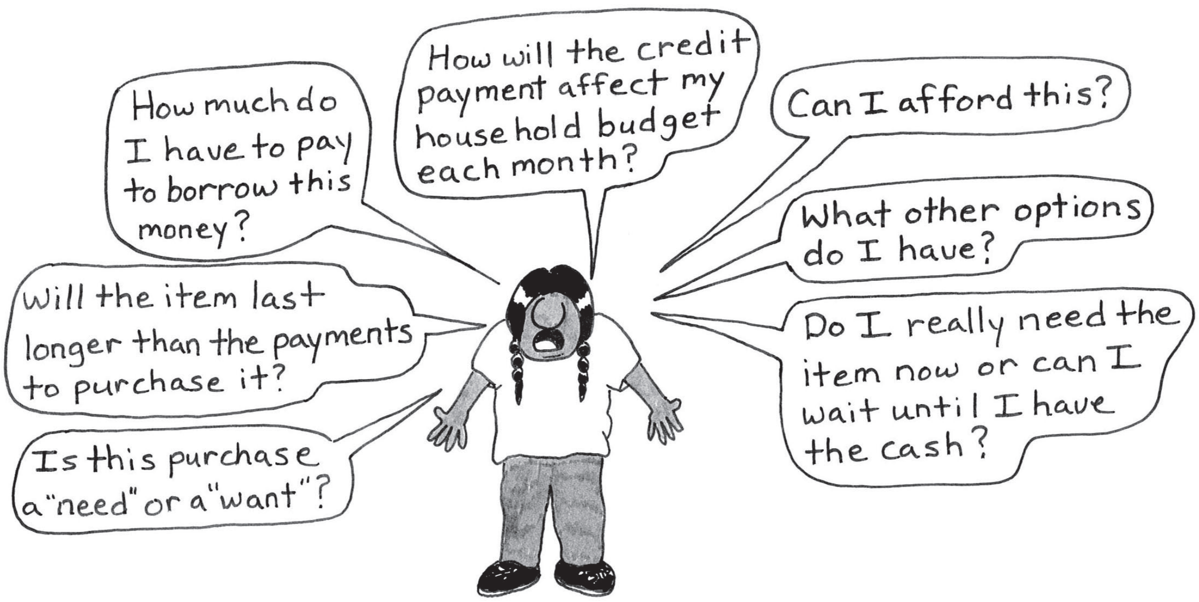
1. What are your biggest expenses?
2. How might you decrease them?
3. What luxury expenses can you reduce or eliminate?

Step 3: Take Action

Take Action: Pauline's Family

Let's look at Pauline's family's expenses again. Unfortunately, they overspent by $224 during the month. Let's help them take action by coming up with a spending plan for next month. You can help them by making suggestions on how much they should spend in each category next month. You have already identified some areas where they could reduce their spending. They could reduce their spending on luxury items and on some flexible expenses, like groceries or entertainment. If they follow a new spending plan, or budget, they will be able to reduce how much they spend each month.



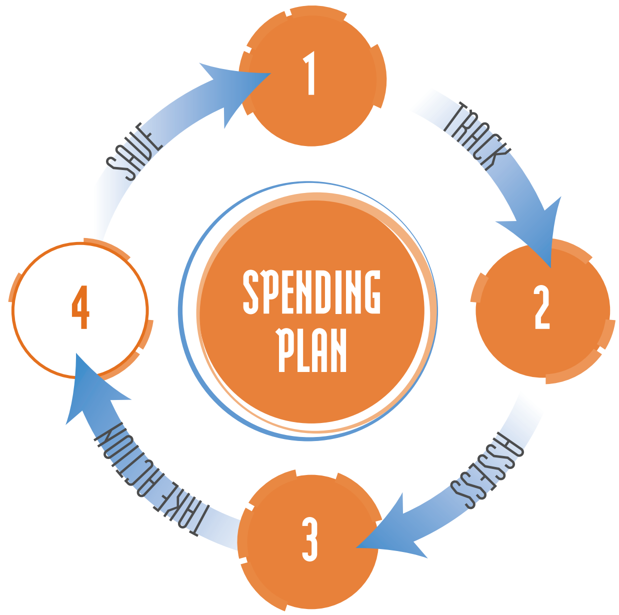


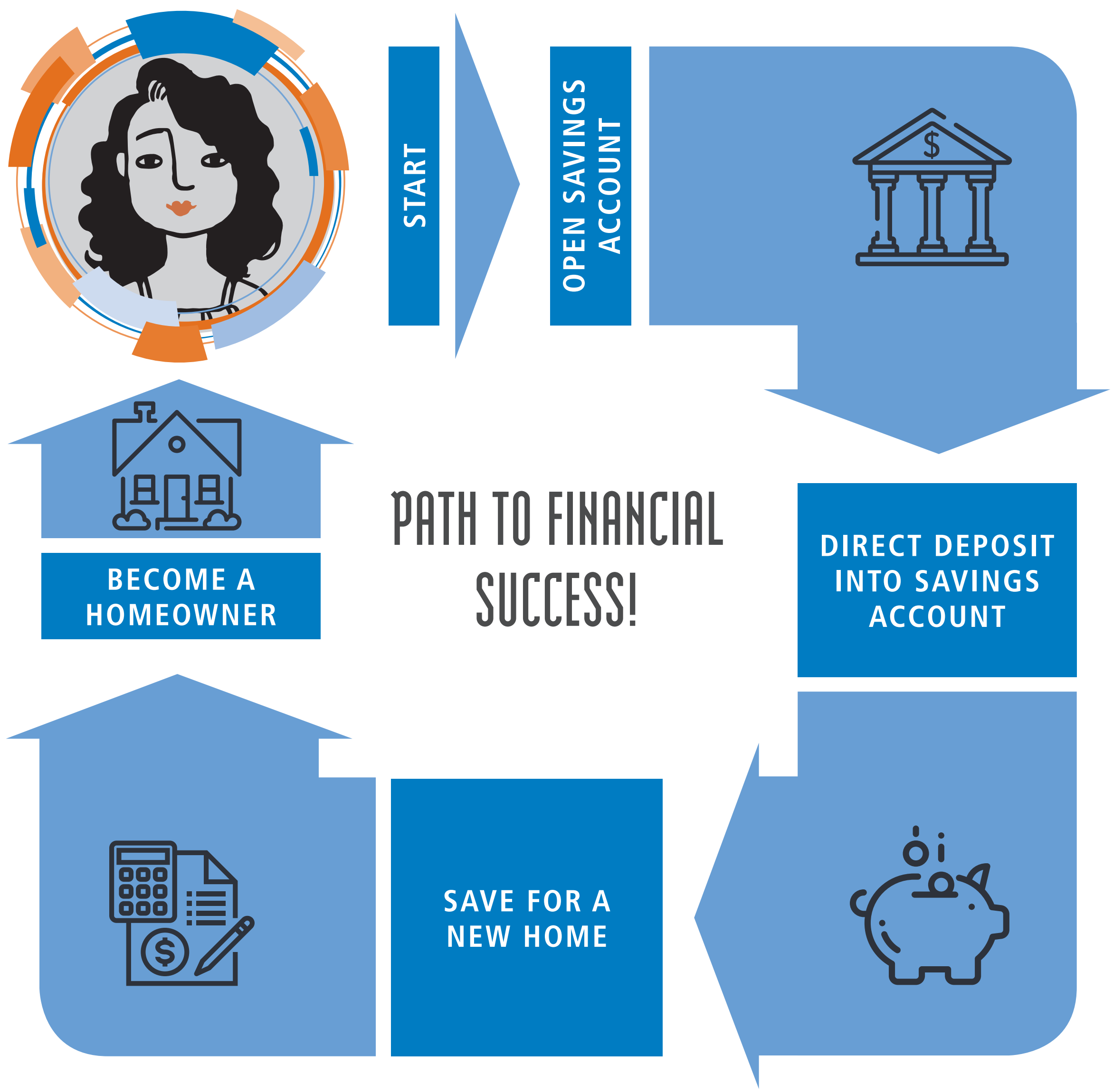
ADJUSTING PAULINE'S MONTHLY HOUSEHOLD EXPENSES			
Expense	Last Month Amount	Notes	How much do you suggest they spend next month?
HOUSING			
Rent	$500.00		$
Utilities	$116.00		$
HOUSING SUBTOTAL	**$616.00**		**$**
TRANSPORTATION			
Car Payment	$200.00		$
Car Insurance	$55.00		$
Gasoline	$150.00		$
Repairs/Maintenance	$320.00	Brakes, front tires	$
TRANSPORTATION SUBTOTAL	**$725.00**		**$**
FOOD			
Groceries	$300.00		$
Eating Out	$250.00		$
FOOD SUBTOTAL	**$550.00**		**$**
DEBT (OTHER THAN AUTO)			
Student Loan	$64.00		$
Mastercard	$75.00	monthly minimum	$
Visa	$50.00	monthly minimum	$
DEBT (OTHER THAN AUTO) SUBTOTAL	**$189.00**		**$**
COMMUNICATIONS			
Cell Phone	$128.00	w/ overage charges	$
COMMUNICATIONS SUBTOTAL	**$128.00**		**$**
ENTERTAINMENT			
Dish/Cable	$50.00		$
ENTERTAINMENT SUBTOTAL	**$50.00**		**$**
HEALTH			
Tribal Gym	$0.00		$
HEALTH SUBTOTAL	**$0.00**		**$**
TOTAL EXPENSES	**$2,258.00**	**TOTAL ADJUSTED EXPENSES**	**$**

Step 4: Save

Save: Pauline's Family

So now that you have figured out where Pauline can reduce her household expenses each month, let's help her figure out how to do a better job saving money. Money set aside as savings is a very important part of your spending plan. Money that is saved can be put toward your savings goals. There are a lot of different ways to save your money: by opening a savings account, having direct deposit into a savings account from your paycheck, or investing in a retirement account.





HELP PAULINE START SAVING

What savings goals did Pauline identify on page 39?

____

____

How much money do you think she could save each month?

$ ______________

Where would you recommend she put the money that is saved?

____

____

____

MONEY MATH: SAVING

Jeanette can save $10 a month and is saving up to buy a new bicycle. If she saves $10 a month for one year, how much has she saved?

$ ______________

HOW TO SAVE AND MEET YOUR FINANCIAL GOALS

- Pay yourself and save first if you pay the bills for all your needs!
- Buy what you need.
- Play with a little and give to people and causes you care about.

Any amount of money you save is an accomplishment. Keep up the good work!

50-30-20 Rule

Here's a quick tip to help manage your spending by setting limits on what percentage of monthly income you will earmark for fixed expenses, flexible expenses, and savings. Also, savings can include emergency funds, retirement accounts, and any other types of "rainy day" funds. If possible, try to follow the 50-30-20 rule.

Tips for Managing Spending

It might sound easy, but it can be really hard to change your spending habits and reduce your expenses. Tracking your spending is the first step. It can be a surprise what you spend money on! Once you have decided to use a spending plan and reduce your expenses, you may want to follow a few of these tips for reducing your spending:

Don't pay so much for stuff:

- Buy something used by checking out thrift stores and yard sales for clothes and furniture.
- Go to the library for books.
- Buy a good used car rather than a new car.
- Check online to find discounts.

Try to control your spending:

- Make a shopping list before you go to the grocery store and buy only the items on your list.
- Carry an ice chest in your car for snacks during long trips or sport activities.
- Don't carry your credit cards with you. Make yourself wait a day before making a purchase with a credit card.
- Create a list of fun, free things to do with your friends. When they suggest doing something expensive, recommend something off the list.

Avoid "paying" to pay:

- Avoid payday loans, check-cashing stores, pawnshop loans, and rent-to-own stores. They can cost you a lot of money in fees and high interest rate charges!

Get help:

- Use a good budgeting app to track your expenses.
- Check to see if you are eligible for the Earned Income Tax Credit (EITC) when you prepare your tax return each year. If your parents do your taxes for you, have them walk you through the process this year, so you'll be able to do it in when it is your turn.
- Check to see if you qualify for a sweat equity or down payment assistance program to help you buy a house someday.
- Find out if there is a matched savings program or Individual Development Account (IDA) program to help you save.
- Use a Volunteer Income Tax Assistance (VITA) site to prepare your taxes for free if there is one in your area.

FINANCIAL INDEPENDENCE

To become financially independent, you have to have to manage a healthy cash flow. To do that, you can raise your income or watch your spending. Or better yet, both!

Do you have a job? Can you get one or what are some extra ways you can make some extra money with a side hustle?

Brainstorm some ways to manage your spending:

Developing Your Spending Plan

Now that you have helped Pauline develop her spending plan, do you think you could develop your own plan?

1: TRACK	Track how much money you have coming in, and how much goes out. Figure out whether you are earning more than you spend or spending more than you earn!	What will you do?
2: ASSESS	Assess your spending and find a way to reduce your expenses. Reduce your spending on your wants, not your needs. If possible, reduce your flexibe expenses and luxury expenses.	What will you do?
3: TAKE ACTION	Take action by making a spending plan based on reducing your expenses and/or increasing your income. Put that plan into action!	What will you do?
4: SAVE	If you are successful in putting your plan into action, you will have extra money to save toward your goals! Put the savings in a safe savings vehicle, like a bank account.	What will you do?

We found an extra $200 a month to save, which is $2,400 a year. We will reach our home-purchase goal within a year and have money left over. We can't wait to get a new home.

— The Smith Family, Seneca Tribe, Tonawanda, New York

FAMILY SUPPORT

Include the entire family in your spending plan. Discussing your financial goals, such as buying a home or paying for college, may help you reach your goals faster. This is because you will have support and accountability from family members who now know your goals. You can even suggest ways that everybody can contribute to your financial success by helping you stick to the spending plan. For instance, your younger sibling may be used to asking you to buy them toys or candy. Now you can remind them that you are saving that money for textbooks next fall.

Getting Organized

One key to a successful spending plan is to develop strong organization and record-keeping habits. These are skills that many people who struggle with money unfortunately have not mastered. Whether it's hanging on to receipts, account statements, legal papers, and other important documents, or keeping notes from important phone conversations with people like bill collectors and salespeople, maintaining a financial record-keeping system is critical. For some people, an old-school filing cabinet with folders for papers might work best. For others, an electronic filing system with scanned images or pictures of documents might work better. Whichever system best suits your needs, you owe it to yourself to get organized!

ORGANIZATION HELPS!

One Native American credit counselor estimates that 90% of his clients who struggle financially also struggle with organization and record keeping.

How Do I Set Up a Paper or Online Financial Record-Keeping System?

START TRACKING

1

CREATE FOLDERS FOR EACH EXPENSE

If you're old school, you may want to file your hard copies in a filing cabinet. Otherwise, you can use electronic folders on the computer, in the cloud, or on your smartphone.

2

KEEP TRACK OF YOUR MONEY

When you open your bills that come in the mail or online, make sure to read them carefully and check for errors or unexpected charges. Pay the bill, then file it in your filing system. Put the paper copy in your filing cabinet, put a scan of it in an electronic folder on your computer, or take a picture of the bill and file it on your phone.

When you go shopping you can carry an envelope with you to keep all receipts (debit card and credit card purchases). File those receipts in your filing cabinet, scan them for your computer, or take a picture of them and store them on your phone.

3

CHECK FREQUENTLY

Check your bills as needed to make sure you're on budget or to answer the question:
Where does my money go?

Record-Keeping Tips

Here are a few tips to help you create your own financial record-keeping system:

- Create folders (either paper or electronic) for every separate financial account you have (e.g., credit card, utility, cell phone, auto loan, bank account, insurance, retirement, etc.). Almost all banks offer online banking and apps to assist you with record-keeping.
- Every time you receive a new statement for any account, via email or mail, add it to the appropriate folder in the order of when it was received. Also, make note of when payments are made with a date, amount, and check number or confirmation number.
- Carry a small envelope in your purse or wallet to save debit and credit card receipts while shopping.
- Later, add these receipts to the appropriate folder in your record-keeping system.
- Make it a point to review every statement or letter you receive regarding your financial accounts. This step is easy to forget, but it will keep you well informed and up to date with any changes or issues that might arise. It will also ensure that your attention does not stray from important financial matters for extended periods of time.
- Safeguard your records as needed (e.g., locked filing cabinet, safety deposit box, home safe, password-protected electronic files, etc.).

MONEY MATH: SHOPPING AROUND

Cody wanted to buy a small refrigerator for his dorm room at the University of Arizona. He checked out a store in Tucson and found one for $130, but he didn't want to pay that much. Cody's brother suggested that he check some online marketplaces to see if he could find one at a better price. Sure enough, he found a fridge that another college student was selling for $45. How much money did Cody save by looking around before making his purchase?

$ ______________

CREATING A BUDGET

Use what you've learned in this lesson to create a budget for yourself. Try using this budget worksheet to help you meet your financial goals.

MY MONTHLY BUDGET

MONTH

MY GOALS	

MONTHLY INCOME	
Source	**Amount**
Wages	$
Per Capita	$
Side Hustle / Other	$
TOTAL MONTHLY INCOME	$

MONTHLY SAVINGS	
Account	**Amount**
Savings	$
Investment	$
Other	$
TOTAL MONTHLY SAVINGS	$

MONTHLY INCOME	-	MONTHLY SAVINGS	=	SPENDABLE INCOME
$	-	$	=	$

MONTHLY SET-ASIDE FOR ANNUAL EXPENSES	
Expense	**Amount**
Car Insurance (annual)	$
Tuition, Books (annual)	$
Ceremony, Gifts (annual)	$
Total Annual Expenses	$
MONTHLY SET-ASIDE*	$

DEBT		
Creditor	**Balance**	**Payment**
Car Loan	$	$
Credit Card	$	$
Student Loan	$	$
TOTAL DEBT PAYMENTS		$

MONTHLY EXPENSES	
Expense	**Amount**
Rent	$
Utilities	$
Car Payment	$
Gasoline	$
Car Maintenance	$
Groceries	$
Cell Phone	$
Satellite/Cable	$
Online Subscriptions	$
Monthly Set-Aside*	$
Debt Payments	$
TOTAL MONTHLY EXPENSES	$

SPENDABLE INCOME	-	MONTHLY EXPENSES	=	CASH FLOW
$	-	$	=	$

*Divide your Total Annual Expenses by 12 to determine how much you should set aside each month to cover these expenses.

LESSON 2 SUMMARY

Lessons Learned

In Lesson 2, we discussed how money is viewed in our own culture, from our family to our friends and community. We also learned how we are building on a strong foundation, because we come from communities that value Earth and our people. We looked at our individual values to get a better sense of what short- and long-term goals are important to us. We also learned how to develop a spending plan (remember wants versus needs), how to get and stay organized, and tips for managing our spending (time to budget!). Now you're really building a strong financial foundation!

Discussion Questions

1. What is money culture? How does it affect your personal finances as we get older?
2. What are some of your community values? Personal values? Why is this important to know?
3. Why are savings goals important whether you are saving for the short or long term?
4. What are wants versus needs? Can you identify some?
5. Why are spending plans important and how do you create one?
6. How can you organize your personal finances?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – You Need a Budget (app)

Resource #2 – Wally (app)

Resource #3 – Acorns (app)

Resource #4 – www.moneymanagement.org/budget-guides

HOMEWORK: MY CASH-FLOW EXERCISE

The first step in building a solid financial foundation is to understand money. In this modern world that we live in, money makes the world go around. You need money to pay for rent or the mortgage. You need money to buy food to survive and thrive. You need money to buy clothes to keep you warm and comfortable. You need money to connect yourself to the world through technology, whether that is paying for your Internet service, cell phone, tablet, smart TVs, or all of the above. You need money to pay for your education through colleges, universities, or vocational schools. You need money to buy gifts for your loved ones and to experience life by traveling around the world and eating out.

There are millions of ways to earn money and spend money. The money that is earned is used to pay for your needs (food, shelter, security) or your wants (traveling, eating out, latest iPhone). The difference between what is earned and what is spent is savings, but only if it's a positive amount. If the amount is negative, you need to reduce spending or increase income. You have a choice in how you spend your money. There are three options: spend it, save it or invest it. Most people will focus all their time and energy into spending. The goal of this exercise is to get you focused on saving, and to get that habit started, you'll need to know what your monthly cash flow is.

STEP 1

Fill out the worksheet on page 56 with your own personal information.

Is your monthly cash flow positive or negative?

____

Now that you know your monthly cash flow, in what ways can you change your current cash-flow situation?

____

____

____

____

STEP 2

Write down the last significant item you bought over $500.

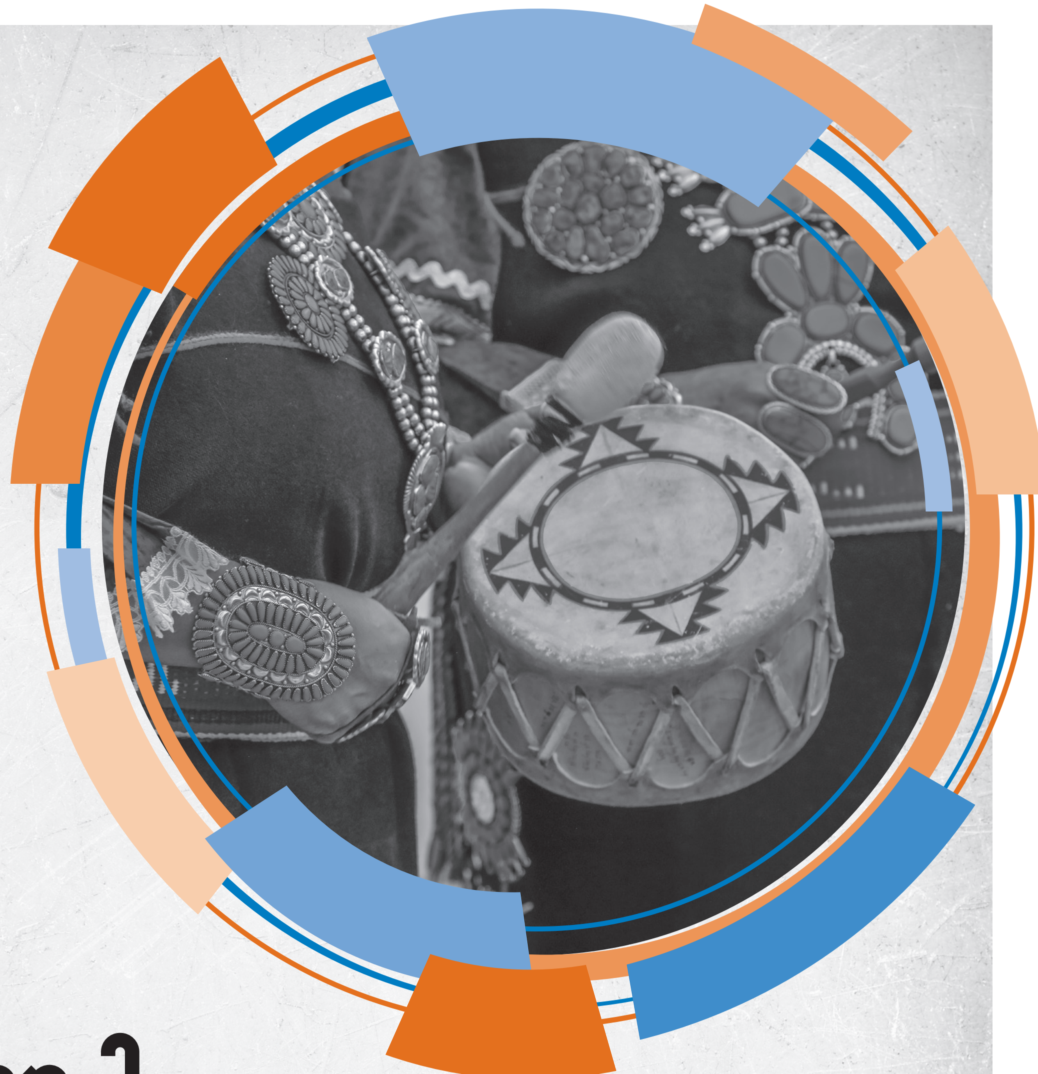
Think about how it affected your financial situation. Was it a positive or a negative?

STEP 3

Can you list some ways in your own financial situation where you could cut down on your spending and increase the amount you save?

HONORING OUR ELDERS: BUDGETING

Now that you've created a budget and started mapping your financial future, take a moment to discuss this process with your parents or elders in your family or community and explain the importance to them. Is this something that they would find useful? What are different ways that they practice budgeting?



Lesson 3

BANKING 101 – CHECK IT OUT

Objectives

In this lesson, we will discuss:

- The purpose and benefits of checking and savings accounts
- How to open an account
- Activities involved in using and managing an account
- Online banking
- Tools and technology to manage your account
- Protecting yourself against identity theft

BEFORE WE BEGIN LESSON 3

The Sacred Hoop

The sacred hoop, also known as a medicine wheel, or circle of life, is found throughout many Native cultures and represents honor, respect, balance, and wisdom. All things in the living world are part of the sacred hoop and everything in the Universe is intertwined. It is the belief that all things that exist are connected in one continuous process of growth and progression with no beginning and no end. The sacred hoop represents the shared values that bind the tribal nations together in unity within our own tribal systems. These values include, among others, language, ceremonies, storytelling, songs, spiritualism, religion, bravery, caring, compassion, honesty and truth, respect, wisdom, generosity, the four directions, Mother Earth, Father Sky, teachings from elders, and the common belief that everything which is good and holy is represented in the shape of a circle.

The life of a man is a circle from childhood-to-childhood, and so it is in everything where power moves. Our tipis were round like the nests of birds, and these were always set in a circle, the nation's hoop, a nest of many nests, where the Great Spirit meant for us to hatch our children.

> **— Black Elk, Holy Man of the Oglala Sioux, quote from *Black Elk Speaks: The Complete Edition***

How is money a part of the sacred hoop?

Banking My Way to a Bright Future

In my senior year of high school we were all required to take a personal finance class that showed us not only how to do our own taxes, but how to build our credit. The most important thing they told us about credit was to not buy anything you couldn't immediately pay off and to keep our charging to below 30% of our credit line.

I saw how much my parents struggled without good credit and I didn't want the same for myself. My journey began by getting in contact with my local credit union. I didn't have any credit whatsoever, but they told me I could apply for a credit-builder loan. I would pay off a $500 loan over the course of a year. I did this until I had enough credit to apply for a credit card. I didn't charge more than I had in my bank account so I could immediately pay it off, and slowly my credit got to where it is now. And it's certainly set me up for a good financial future. I'm on my way!

– Alliayah, Confederated Tribes of Warm Springs

By now you probably get the idea that learning to manage your money will help you reach your financial goals. In this lesson, we will look at money management tools and ways to keep your money and your identity safe.

Traditional Concept of Managing Resources

Traditional life involved choices about how to utilize resources. Our ancestors made choices about the best ways to use, save, and trade resources so that they provided for the community's needs throughout the year. For instance, the Indians in the plains and hills of middle North America were nomadic tribes, following the herds of buffalo. Buffalo were one of the most important food sources for the Plains tribes, and when they killed a buffalo, they used every part of it. Besides eating the meat, they used the hide, horns, hair, and hoofs for tipi coverings, clothes, moccasins, rope, rattles, dishware, drums, and more. The tribes had a spiritual and economic relationship with buffalo and performed sacred rituals in order to honor the buffalo. Buffalo hunts were carefully planned within the tribe so that there was enough food throughout the four seasons.

In today's society, money is a resource used to meet your own needs and to meet the needs of family and community. How you manage money affects your ability to meet these present and future needs.

TRADITIONAL RESOURCE MANAGEMENT

What are other examples of how your community traditionally managed/preserved resources?

SELF-ASSESSMENT

1. Do you have a checking account?
   ❑ Yes ❑ No ❑ Not yet ❑ Not sure

2. Do you use a mobile banking app?
   ❑ Yes ❑ No ❑ Not yet ❑ Not sure

3. Do you have a debit card?
   ❑ Yes ❑ No ❑ Not yet ❑ Not sure

Where Should I Put My Money?

Did you know banks are not the only businesses that offer financial services? In fact, a person can choose to do their banking with a wide assortment of financial-service providers. There are two major types of financial-service institutions: depository institutions, like banks and credit unions, and non-depository institutions, like loan funds and community development corporations. Whether you need depository services (where you can deposit and retrieve your money) or a non-depository institution (where you can receive a loan), financial institutions play an important role in realizing economic self-sufficiency and good community health.

WHAT IS A DEPOSITORY INSTITUTION?

A depository institution, such as a bank or credit union, accepts money in the form of "deposits" from consumers and allows you to withdraw your money, too.

TYPES OF FINANCIAL INSTITUTIONS

In the chart below, indicate the type of each financial institution in the chart and then list some local examples.

TYPE	MISSION	TYPE	LOCAL EXAMPLES
Banks	For-profit institutions that are the largest source of deposits and credit in the economy. Banks are operated to generate a profit for the shareholders.	❑ Depository ❑ Non-Depository	
Credit Unions	Nonprofit cooperative institutions serve their members by distributing earnings in the form of lower rates, fees, or dividends. Credit Unions are operated as a cooperative, meaning owned by their members.	❑ Depository ❑ Non-Depository	
Finance Companies	For-profit businesses that cash checks and/or provide loans, usually with higher interest rates and fees.	❑ Depository ❑ Non-Depository	
CDFI Loan Funds	Institutions that lend money to borrowers on terms that are generally more favorable to the borrower. Lending practices in these organizations are usually guided by a community development mission.	❑ Depository ❑ Non-Depository	
Tribal Credit	Organization that provides credit services to tribal employees and/or community members with lower rates and flexible terms.	❑ Depository ❑ Non-Depository	
Investment Banks	Specialize in buying and selling corporate securities (stocks, bonds, etc.).	❑ Depository ❑ Non-Depository	

DEPOSITORY INSTITUTIONS	NON-DEPOSITORY INSTITUTIONS
▪ Banks	▪ Finance Companies
▪ Credit Unions	▪ Payday Loan Companies
▪ Savings & Loans	▪ Community Development Financial Institutions (CDFIs)
	▪ Tribal Credit

Money Management Tools

Before European contact, each Native community provided for its own needs and acquired additional goods by trading with surrounding communities. In recent history, Native people used a local trading post or other venues to interact with the money economy. As Native communities move further away from a subsistence lifestyle and become more economically engaged in the world economy, we need additional tools, such as checking and savings accounts, to manage our finances.

When you make choices about managing your money, it's important to consider all of your options. Sometimes we don't consider something because we don't have any information on or experience with it. Checking and savings accounts are often not used in Native communities, although these accounts are the safest and least-expensive way to manage money.

USING FINANCIAL INSTITUTIONS

Do people in your community have accounts at a financial institution? Why or why not?

Bank Account Features

Financial institutions offer checking and savings accounts so that you have a safe and secure place to keep your money. You can deposit and withdraw money from both checking and savings accounts.

Common features of a bank account include the following:

CHECKS	Checks are used for paying bills and making purchases when you do not want to use cash. Checks allow you to use the money in your account to pay for things without having to withdraw cash.
ATM	An ATM, or an automated teller machine, is a machine you can use any time to handle your financial transactions. Many ATMs allow you to electronically do the same transactions you do at a financial institution, such as withdraw cash, make a deposit, check account balances, receive a copy of your statement, and transfer money between accounts.
DEBIT CARD	A debit card is a plastic card, sometimes called a "check card." It is branded with either a VISA or MasterCard logo and it can be used at a point of sale (POS) terminal to pay for goods or services.
ONLINE BANKING/ BILL PAY	Available 24/7 and a few clicks away, online banking will allow you to access your savings and checking accounts and to view previous account statements, make payments, transfer funds between accounts, and see copies of checks you've written. This service is efficient and paper-free!
DIRECT DEPOSIT	This service allows your paycheck to be directly deposited into your bank account. The amount of money deposited is available immediately. In many cases, with direct deposit, you can arrange to have part of your paycheck put into your checking account and/or some into your savings account each time.

MOBILE BANKING

Mobile banking allows you to use your smartphone to check your account balances, transfer money between accounts, check on your recent deposits or withdrawals, and stop payment on a check.

MONEY ORDERS

Similar to a check, you can use a money order to pay bills or make purchases instead of using cash. There is a fee to get a money order. A money order does not expire, so it can be cashed at any time.

LOANS

A loan is money you borrow with the intent to repay the financial institution at a later time. With a loan, the financial institution will charge you fees and interest to borrow money.

CHECK CASHING

If you don't have a bank account, cashing a check can cost a lot of money. Businesses such as check-cashing stores, grocery stores, and casinos will almost always charge a fee for this service – usually a percentage of the check's total. However, most banks will cash checks for free if you have an account there.

FEES & INTEREST

Just keep in mind that some accounts have fees and others do not. When you open your account with a financial institution, they will provide you with a list of fees related to your account.

Interest Rates

Sometimes a financial institution will pay you for keeping your money in an account at their institution. This payment is called interest. The interest you receive is calculated as a percentage of the total funds you have in your account. If you do not take money out of your account, the balance continues to grow. Interest is a powerful tool because it's money you don't have to work for. Instead the money in your account does the work for you!

For example, let's say that you deposited $200 into your savings account that earns 2% interest. You decide to put $50 each month into your account and let it grow. Let's take a look at the table below and see how much money you could potentially earn.

	6 Months	12 Months	18 Months
Starting Balance	$200.00	$200.00	$200.00
Add $50.00 Per Month	$300.00	$600.00	$900.00
Subtotal	$500.00	$800.00	$1,100.00
Earn 2% Interest*	$4.98	$15.98	$33.04
TOTAL	**$504.98**	**$815.98**	**$1,133.04**

**This is an estimate. It can be tricky to get the "true" interest when money is being added incrementally at $50.00 per month.*

Changing Interest Rates

The interest rates that banks pay on deposits can change periodically. Sometimes bank accounts might earn quite a bit more or less interest than during other times. The overall economy has a lot to do with how interest rates are determined, and through much of the current decade, interest rates on many types of bank accounts have been under 1%. Regardless of how low interest rates might be, don't let them discourage you from saving money.

BENEFITS OF BANKING

List some benefits of having a checking or savings account:

1. ____________________
2. ____________________
3. ____________________
4. ____________________
5. ____________________

YOU'RE NEVER TOO YOUNG!

Research suggests that young adults who have a bank account do better in school (especially in math) and are more likely to go to college and be financially savvy as adults than those who do not have bank accounts. So if you don't have an account open yet, you'd better get it open!

Opening a Bank Account

OPENING AN ACCOUNT

1 **DO YOUR RESEARCH**

Get your questions answered before you step foot into any financial institutions by calling and speaking with a representative over the phone, or you can also research bank account features online.

2 **DECIDE WHICH ACCOUNT IS BEST**

Checking, savings, or both. Opening a checking account is a fairly simple process. Pick a bank, go to selected bank, provide valid identification and documentation, fill out paperwork, and leave with an account. First things first, you'll need to be at least 18 years old to open an account on your own.

3 **GATHER THE PROPER PAPERWORK**

Some banks may require two forms of identification like a driver's license, tribal ID or other government-issued photo ID, Social Security card, passport, or a birth certificate. You will need to provide personal information, like your date of birth, physical address, and phone number, and you may need to produce proof of address, for instance a utility bill in your name. Many banks do not accept P.O. boxes as a valid form of address, and most will request your email address. While some of this may not always be required, it's usually best to call the bank directly or look at their website for their list of requirements and to find out what exactly is needed.

4

GETTING TO YES!

Before they allow you to open a bank account, most banks look at your banking history. They make sure that you don't have a history of bounced checks or overdrafts. Most banks use an electronic report called ChexSystems to determine your eligibility to open an account. An individual may be denied the chance to open a bank account for several reasons. This can include having a previous overdrawn account closed by a financial institution or having outstanding debts owed to a financial institution.

If you are denied permission to open an account at a bank, you can discuss the reasons with the financial institution and request a ChexSystems consumer report. If an account is denied within the past 60 days, the report will be provided free of charge. However, you are also entitled to a free copy of your consumer report, at your request, once every 12 months.

A ChexSystems consumer report can be ordered by:

Web
www.consumerdebit.com

Phone
1-800-428-9623

Mail
Print and complete an order form available at www.consumerdebit.com. Then mail to:

ChexSystems
Attn: Consumer Relations
7805 Hudson Road, Suite 100
Woodbury, MN 55125

5

OPEN ACCOUNT AND MAKE YOUR FIRST DEPOSIT

When you open a bank account, you'll often need to make an initial opening deposit. Cash or a check will work, but if you open your account online, you'll need either a debit card, credit card, or possibly a check from an existing account. A pre-paid debit card might work, too.

6

SAFEGUARD BANKING INFO

When you receive your account number, protect this information and keep it in a safe place with other critical personal info – online account username, password, or PIN. Your wallet or purse is not a safe place.

7

SIGN UP FOR ONLINE BANKING

Download your financial institution's mobile banking app, activate your debit and/or ATM card, review your account policy materials, and complete any other unfinished tasks you feel comfortable with in order to enjoy the many features and tools of your new bank account!

TIPS FOR OPENING AN ACCOUNT

1. **DO NOT** sign up for overdraft protection unless you understand the pros and cons.
2. **DO** check your statements every month. If you see unexpected fees, call and see what they are for.
3. **DO NOT** carry an ATM card to your savings account. This will help prevent you from spending your savings.
4. **DO** set up an automatic transfer from your direct deposit income to your savings account each month.

Pauline Running Horse Opens a Savings Account

Pauline opened her first bank account when she was 14 years old. Her grandmother took her to the only bank in town. When the bank teller first handed Pauline the debit card for her youth savings account, she felt empowered being able to save and withdraw money all by herself and kept a proud smile on her face for days. Her grandmother was happy, too, as the account would help Pauline learn the importance of saving and help her do something more useful with her pocket money than just spend it all on snacks, energy drinks, and the latest games and apps. Pauline's account was a point of pride for the bank as well – by offering her a youth savings account, the bank was able to bring in a new customer at a young age and help instill a strong financial future.

By the time Pauline turned 18 and headed off to her tribal college, however, she felt too old to be using a youth savings account for teenagers. She wasn't sure what to do, so she decided to take out her savings. She used the money to help buy her textbooks and the supplies she needed for school. Since she didn't want to use her youth savings account anymore, her habit of saving part of her monthly allowance gradually disappeared. She found herself spending whatever money she had on hand, without thinking much about the future.

MAKING WISE FINANCIAL CHOICES

What is something Pauline could have done to ensure her financial well-being?

After reading Pauline’s story, would you be interested in opening a savings account? Why or why not?

Managing Your Account

Once you open a checking or savings account it is your responsibility to manage your finances. Understanding your accounts and the tools provided will help you to avoid overdrawing your account and getting Non-Sufficient Funds (NSF) notices in the mail, by email, or by text. An NSF fee is charged when you do not have enough money in your account to honor a payment.

It is very important to keep enough money in your account to cover all outstanding checks, debit transactions, online bill payments, or any withdrawals. If you don't, a financial institution will charge you a substantial overdraft fee of $15 to $50, plus the institution usually does not pay the person/business that tried to retrieve the amount owed to them.

Community businesses depend on you as a customer to be responsible. You can support the businesses in your community by providing on-time and complete payments.

Understanding Overdraft Protection

Many financial institutions offer overdraft protection as a back-up in the event that you overdraw your checking account. These services may seem helpful, as they can ensure that a transaction is completed even if you don't have enough funds in your account to cover it, but you will be charged a fee for them. Overdraft protection can prevent a bounced check or other delinquent debit from winding up on a ChexSystems consumer report. However, there are also fees associated with overdraft protection, when used, that can differ depending on the type of transaction that caused the overdraft and the source of funds used to cover it. Make it a point to become very familiar with your financial institution's overdraft protection policies to avoid any unnecessary surprises.

More About ChexSystems

Approximately 80% of all banks and credit unions in the United States use ChexSystems to verify new accounts. Similar to a credit bureau, ChexSystems is a consumer reporting agency that is governed by the federal Fair Credit Reporting Act (FCRA) and other laws. However, unlike a credit report, a CheckSystems' consumer report does not include detailed information on credit accounts, such as payment histories, loan amounts, and credit card balances. More information on credit reports is coming up in Lesson 4!

BECOMING FAMILIAR WITH CHECKS

Checkwriting practice. Fill out the sample check on the next page using this information:

Payee: Twila Leader Charge   Amount: $56.95
Date: April 1st, 2018   Memo: Groceries

You're here, but have you really arrived into adulthood until you have officially written a check? Checks might be old school and relics from a previous era, but at some point in your life you will need to write a check. Here's what you need to know:

STEP 1: Enter the date on the Date line. Include the month, the day, and the year. You can write out the date, August 1, 2019, or you can use all numbers, 08/01/19.

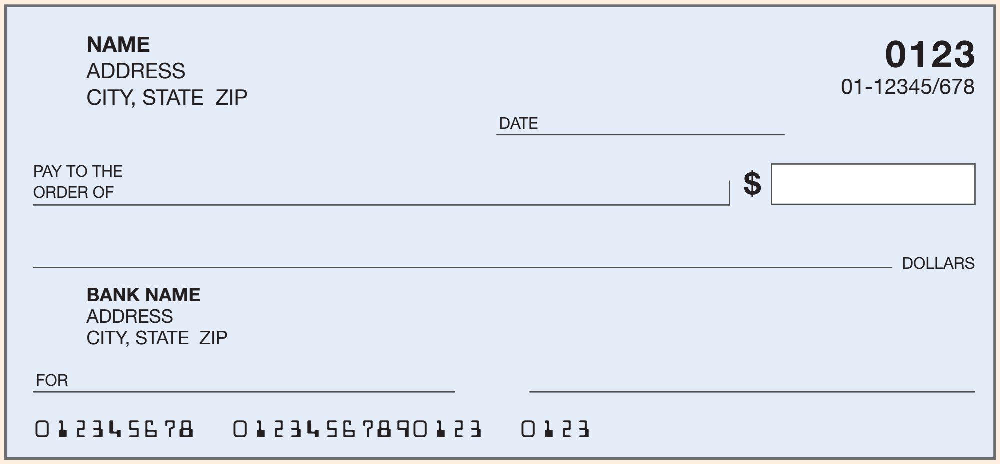
Step 2: Write the name of the person or the company you are paying on the Pay To The Order Of line. Make sure the person or company's name is spelled correctly.

Step 3: To the right of the Pay To The Order Of line is a blank box with a dollar sign. Using numbers, write the amount in dollars and cents. Be sure to clearly place the decimal point between the dollar numerals and the cents numerals. For our example: $56.95.

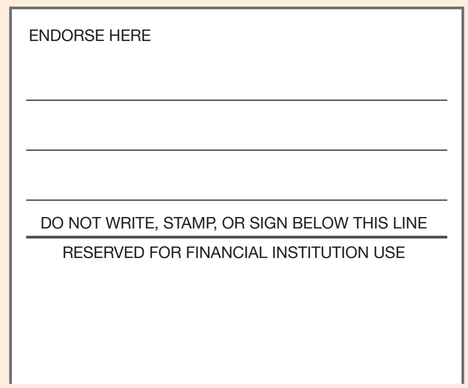
Step 4: The next line is used to confirm the amount of the check, just in case your handwriting is hard to read in the dollar-sign blank box. In clear handwriting, write out the amount using words. Write out the dollar and cents amount. For example: Fifty-six dollars and ninety-five cents. If you have any room left, draw a line to the end of the space provided so no one can add to what you've written on that line.

Step 5: The Memo line in the lower left-hand corner is a reminder line. You can write "jeans" on this line, for example. If you write several checks to the same place, like a department store, this line helps you identify which check paid for jeans, which check paid for shoes, and which one bought socks and a hoodie. Memo lines help you stay organized.

Step 6: The signature line – the line in the lower right-hand corner of the check – is where you write, not print, your name. Decide how you are going to sign your name and then sign the same way on all your checks. This is a formal document, so you probably want to sign it with your formal name (Thomas or Amanda, rather than Tom or Mandy). Your bank will keep your signature on file to verify your signature on checks and other documents.



Endorsing a check. When you deposit a check, you need to let the bank know that you have personally approved the transaction by endorsing the check. On the back of the check near the top, you'll write "For deposit only," your signature, and the number of the account to which you want the check deposited.



Balancing Your Checking Account

Balancing, or "reconciling," your checking account requires comparing your check register or online banking records with your account statement to make sure that all transactions have been properly recorded and processed by the bank. This is an important task so that you do not overdraw your account. It also helps you verify that various purchases and payments are debited for the correct amount. In today's fast-paced financial world, it's very easy for a merchant to overcharge a person, either by mistake or intentionally, so it is a good idea to always check your bank statement. Carefully check your bank statements each month (either online or when you receive them in the mail), and check the statement against what you have recorded in your check register. After all financial transactions have been recorded in both your check register (or your online banking) and your account statement, the balances should be the same.

In this day and age where information is quick to find right at our fingertips, the humble check register is often ignored. But, if you take a little bit of time to balance your checking account, you'll stay on top of your budget at avoid bounced checks and overdraft fees.

Using a Check Register

A check register is a tool for keeping track of the daily balance in your checking account. Handwritten check registers are not as common as they once were back in the day. With the evolution of online and mobile banking, personal accounting software, and many budgeting apps, the hands-on tasks necessary to properly manage an account have been reduced. However, knowing how to use a check register is still a handy skill, regardless of whether or not you choose to manage your checking account by hand or electronically. Whichever method you choose, it is VERY important that you keep track of how much money is in your account. You NEVER want to make a purchase for more money than you have in your account. Otherwise, you'll pay overdraft fees that could have been avoided.

Use a check register to record ALL account transactions, such as debit-card purchases, check payments, deposits, fees, and ATM withdrawals. Your check register could be a paper document or an electronic system on your phone or computer. It is your responsibility to keep track of all the payments you make. This way, you will know how much money is in your account at all times. Your financial institution does not know what checks you have written until they are applied to your account. When you check your account, it may show a balance that does not reflect several outstanding checks that have not been processed yet.

Lucy's Checking Account

This is an example of Lucy's check register. Her checking account has been open for one month, and she has recorded the following transactions in her check register:

LUCY'S CHECK REGISTER					
Check #	Date	Description	Debit (-)	Credit (+)	Balance
	6/5	Starting Balance			$175.25
	6/5	Walmart (debit card)	$50.25		$125.00
	6/6	Nonbank ATM (cash)	$20.00		$105.00
	6/6	ATM Fee	$1.50		$103.50
301	6/10	Lucky Mart Groceries	$12.65		$90.85
302	6/12	Acme Gas	$15.00		$75.85
303	6/15	Lucky Mart Groceries	$11.75		$64.10
	6/15	Deposit - paycheck		$400.00	$464.10
	6/16	ATM (cash)	$30.00		$434.10
	6/16	ATM (cash/regalia repair)	$100.00		$334.10

Steps to Balancing Your Checkbook

Use the following steps to balance (or reconcile) your check register with your account statement:

STEP 1	In your check register, place a check mark next to items that match your account statement (ONE ITEM AT A TIME).
STEP 2	Circle the date, description, and amount for items listed in your account statement but NOT in your check register (e.g., ATM fees, monthly account fees, automatic bill payments, etc.).
STEP 3	Then insert the circled items, one item at a time, into your check register and adjust the balance. (Hint: Don't worry if dates for the inserted items are not in chronological order with dates for existing items in your register.)
STEP 4	Now review your check register for debits (-) or credits (+) not listed in your account statement and note those items. Then revise your account statement balance.

When you're finished, don't forget to file your account statement, along with deposit slips and receipts, for safekeeping.

Steps to Balancing Your Checkbook provided courtesy of Arnold Blum, Financial Literacy Instructor, Gallup Central High School in Gallup, New Mexico.

MONEY MATH: ANNUAL FEES

Ben is trying to track the expenses in his checking account. He signed up for a gym last year that takes $30 directly out of his checking account each month. There is also an annual fee for membership of $49.99. How much does a year of gym membership cost?

$ ________________

Meet Rebecca Raven

Rebecca is a member of the Fond du Lac Band of Lake Superior Chippewa. She works at Fond du Lac Tribal College, where she takes classes. She also weaves sweetgrass baskets for the Black Bear Casino Gift Shop with her grandmother.

BALANCING REBECCA'S CHECKBOOK

Rebecca prefers to balance her checking account using a handwritten register along with an account statement that she views online. Using the four-step process explained in "Steps to Balancing Your Checkbook," reconcile Rebecca's checkbook with her account statement.

STEP 1

In Rebecca's check register, place a check mark next to items that match her account statement found on the next page (ONE ITEM AT A TIME).

TIP: Place check register and account statement side by side along with any deposit slips, debit card receipts, and ATM receipts.

REBECCA'S CHECK REGISTER

Date	Code/ Check #	Description	Debit (-)	✓	Credit (+)	Balance
1/1		Opening Deposit			500.00	500.00
1/3	DC	Super One Foods	75.00			425.00
1/3	DC	Redbox	1.05			423.95
1/4	101	Sam Raven-birthday	35.00			388.95
1/7	AD	Paycheck-direct deposit			450.00	838.95
1/12	DC	Hong Kong Restaurant	48.00			790.95
1/20	102	VOID - writing error				
1/25		Deposit-craft sales			150.00	940.95
1/26	ATM	Cash withdrawal	40.00			900.95
1/30	103	Woodgate Apartments - rent	650.00			250.95
2/1		Deposit - craft sales			50.00	300.95
2/2	BP	Electric Bill	30.00			270.95

STEP 2

Circle the date, description, and amount for items listed in Rebecca's account statement below that are NOT listed in her check register (e.g., ATM fees, monthly account fees, automatic bill payments, etc.).

TIP: Determine if all figures are accurate. Check receipts if necessary.

ACCOUNT STATEMENT

Rebecca Raven
Happiness Lane
Cloquet, MN 55720
Statement Period 1/1/16 to 1/31/16

ABC Bank
Zhooniyaa Lane
Cloquet, MN 55720
1-800-000-000

Beginning Balance: $0.00
Total Deposits: $1,150.00

Total Withdrawals: $256.60
Ending Balance: $843.40

Date	Description	Debits	Credits	Balance
1/1/16	BALANCE LAST STATEMENT			0.00
1/1/16	DEPOSIT		500.00	500.00
1/3/16	POINT OF SALE (POS) SUPER ONE	75.00		425.00
1/3/16	POINT OF SALE (POS) REDBOX	1.05		423.95
1/5/16	CHECK #101	35.00		388.95
1/5/16	PURCHASE AUTHORIZED REDBOX	1.05		387.90
1/7/16	AUTO DEPOSIT		450.00	837.90
1/11/16	AUTOPAY INSURANCE	50.00		787.90
1/13/16	POINT OF SALE (POS) HONG KONG	48.00		739.90
1/25/16	DEPOSIT		150.00	889.90
1/26/16	ATM WITHDRAWAL	40.00		849.90
1/26/16	NON-BANK ATM FEE	1.50		848.40
1/31/16	MONTHLY ACCOUNT FEE	5.00		843.40
1/31/16	ENDING BALANCE THIS STATEMENT			843.40

STEP 3

Then insert the circled items, on Rebecca's account statement, one item at a time into her check register and adjust the balance.

TIP: Make sure to include dates and descriptions for all new items inserted in the check register (items do not need to be in chronological order).

STEP 4

Now review Rebecca's check register for debits (-) or credits (+) not listed on her account statement and note those items in the charts below. Then revise her account statement balance.

TIP: Make separate lists for outstanding credits and debits, and total each category.

OUTSTANDING CREDITS

Date	Amount
	$
	$
	$
TOTAL	$

OUTSTANDING DEBITS

Check # or Code	Amount
	$
	$
	$
TOTAL	$

ACCOUNT STATEMENT ENDING BALANCE	+	TOTAL OUTSTANDING CREDITS	-	TOTAL OUTSTANDING DEBITS	=	REVISED ACCOUNT STATEMENT BALANCE
$	+	$	-	$	=	$

Both balances in the account statement and the check register should now match. If figures do not match, go back and check your calculations.

QUESTIONS

Rebecca's account statement lists a second Redbox charge for $1.05 on January 5th.

1. Why do you think this transaction was missing from Rebecca's check register?

2. What can Rebecca do if she thinks this charge from Redbox or any other charges listed on her account statement are incorrect?

3. What would be a good way for Rebecca to file and store her account statements, debit card and ATM receipts, deposit slips, and any other important account materials?

Tips for Using Mobile Banking

With mobile banking, checking your balance can be as simple as opening an app on your smartphone. Depositing your money can be as easy as snapping a picture of your check and sending it to your bank. But there's a price to pay for the convenience of depositing checks with a simple click of a smartphone camera while relaxing at a powwow. That price is the increased risk that your private data and access to your accounts could fall into the wrong hands.

Here are some tips to help you make the most of mobile banking while reducing some of the risks associated with technology and money.

Mobile Banking Security Measures

1. **WIRELESS NETWORKS ARE HACKER-FRIENDLY.**

   Unlike websites, mobile apps don't always properly encrypt information, which means it's not wise to access your bank account via a mobile app when you're on a public or otherwise unsecured Wi-Fi network. If you plan to use a mobile app to complete a financial transaction, use a secure wireless network or your phone's data network. This will help reduce the risk of your private information being intercepted by a hacker or some other third party.

2. **POOR RECEPTION MEANS POOR SECURITY.**

   Even if you're diligent in accessing your mobile banking app on your phone's data network rather than a wireless network, the security of your financial information could still be at risk if your 4G or 3G data drops into a lower service range. Poor reception increases the chance that data contained in your banking transaction can misfire and be intercepted by an unauthorized third party.

3. **SAFEGUARD YOUR PHONE.**

   Studies reveal that nearly 40% of smartphone users don't password-protect their devices. That means that if these people were to lose their phone, anyone could pick it up, log into their banking app, and access their money. Even if you do password protect your phone, you could still be putting yourself at risk by auto-saving your password. For optimal security, select "no" when any of your apps ask to remember your username and password. You can further help protect yourself from fraudsters who gain access to your phone by installing a remote-wiping application that allows you to erase your phone's data even when the device isn't physically in your possession.

4. **YOU MAY HAVE TO WAIT TO ACCESS NEWLY DEPOSITED FUNDS.**

   Although you can deposit checks into your account instantly via a mobile banking app, there may be a longer lag than normal until you can access those funds. This is because banks will often protect themselves against fraud by increasing the amount of time they take to deposit the funds so they can confirm that the checks are not fraudulent.

5. **FRAUDULENT APPS MAY DECEIVE YOU.**

   Mobile apps can cost you – even the free ones. Fraudulent apps posing as your official financial institution are lurking throughout your favorite app store, and if you unknowingly start using one, the app creators can access – and abuse – your private information. Download your app directly from your bank's website to avoid this scam. And if you use Android, set your security settings to abort installations from sources other than Google Play.

"Tips for Using Mobile Banking" provided courtesy of Brittany Lyte and www.wisebread.com.

ONLINE BENEFITS AND CHALLENGES

What are some benefits and challenges in using online or mobile banking services?

ADVANTAGES	DISADVANTAGES
Available 24/7	*Susceptible to fraud*

Automated Teller Machines (ATMs)

The best way to avoid ATM fees is to use a machine that is owned by the financial institution that holds your account. Sometimes when you use another bank's ATM, you'll be charged a fee by that bank and possibly another fee by your own bank as well.

For example, Sarah has a debit card from her local credit union. One day she needs some cash to buy lunch, and the only ATM nearby is owned by a large national bank. Sarah withdraws $20 and is charged $1.50 by the large bank. On her next credit union account statement, there is also a $1.50 charge from the credit union for the same transaction. It just cost Sarah $3 to withdraw $20 from her account. That's a whopping 15%. Ouch!

ATM CARD SAFETY TIPS

Using an ATM can be a very convenient way to access financial services, however, take precautions to ensure your personal safety and account security. What are some measures you can take to ensure your safety and the integrity of your account when using an ATM card?

DECREASE YOUR LIABILITY

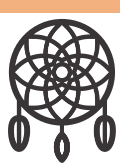
Your personal liability can actually be higher if you are a victim of debit-card fraud as opposed to credit-card fraud. The maximum liability you face if someone steals your credit card is $50. Your liability for a stolen debit card can be much greater.

Debit Cards

A debit card is sometimes called a "check card." It can withdraw money straight from your checking account, so it can function like a check – but with less writing! Each time you use your debit card, you should immediately enter the transaction into your check register.

When paying for something, do you ever get asked how you want to run your purchase – as "debit" or "credit"? It may seem like an odd question. It's simply a choice of which "point of sale" (POS) network, "debit" or "credit," you want your purchase to go through. In most cases, when you use the "debit" option, the money is immediately withdrawn from your account. If you use the "credit" option, it might take a day or two for the withdrawal.

On another note, it is good to know how the amount authorized on your card can be different from the amount ultimately taken out of your account. For example, if you use your debit card to buy gas, your card will usually preauthorize an amount, usually between $1 and $50. What that means is the amount will be removed from your available funds for a period of time. The actual amount that you spend on gas will be taken out when the gas station closes and reconciles their records, usually daily. But for a period of time, you may have a hold on the authorized amount in your checking account. Another common transaction to be cautious about is using your debit card to secure a rental car or hotel room. That business may place an authorization hold on the funds that it expects you to pay for the car or hotel. This could cause you to not have access to that money for a period of time. Your financial institution would have to agree to release those funds before they can be used. These businesses will usually tell you if they plan to place an authorization hold on your account.



PRECAUTIONS FOR DEBIT CARDS

Debit cards can be used in many more locations than old-fashioned ATM cards. POS transactions often don't require a PIN. This can make debit cards more susceptible to fraud. Also, just because you don't have money in your account doesn't mean your bank will deny transactions. It is important to know your bank's policies regarding denied transactions.

Timing on Funds

Timing is very important. Many people get confused about the timing of checking-account deposits and withdrawals. Each financial institution has its own rules as to when it will allow you to access the funds after you deposit a check. Federal laws set the time limits for "holds" on funds and your access to them. You will want to check with your financial institution to understand its policies on availability of funds.

Mobile Payments

Mobile-payment apps are another exciting technological innovation that only a few decades ago would have seemed unbelievable. These apps allow users to send and receive payments quickly and easily. For example, it used to be that in order to accept credit and debit card payments, a merchant or vendor needed a costly point of sale (POS) terminal, like what you see in stores and restaurants. However, now an artist, tradeshow vendor, or other self-employed person can accept card payments by downloading a mobile payment app to a smartphone. A plug-in device allows him or her to scan the customer's credit or debit card and payment is processed. Other mobile payment apps enable peer-to-peer money transfers as an alternative to the old Western Union-style wire transfers, and there are even apps that allow a person to use a smartphone to make purchases without ever presenting an actual credit card, debit card, or cash. Bear in mind there are fees involved with many of these mobile-payment apps. Moreover, consumer protection laws designed to safeguard traditional financial products and services might not apply when using a mobile-payment app. The lesson here is to be an informed and responsible consumer when using new financial tools as well as older ones.

Identify Theft, Fraud, and Forgery

The modern age has brought the Internet, wireless communications, and numerous other technological advances that our ancestors probably never dreamed possible. Many of these innovations make common tasks easier, faster, and more efficient, especially in regard to our finances. However, technology combined with larger financial networks has also made our society vulnerable to a new kind of crime: identity theft. Identity theft occurs when someone fraudulently uses your name, personal information, or reputation for financial gain.

Common types of identity theft include:

- Someone stealing your Social Security number to file taxes.
- Someone using your name and Social Security number to apply for a credit card without your permission.
- Someone using your name and Social Security number to open a bank account without your permission.
- Someone using your Social Security card or medical card to access medical care.

How can a person get your information?

- Someone could steal your Social Security number.
- Your credit card information may have been stolen from an online database as part of a hacker attack.

How can you protect your information?

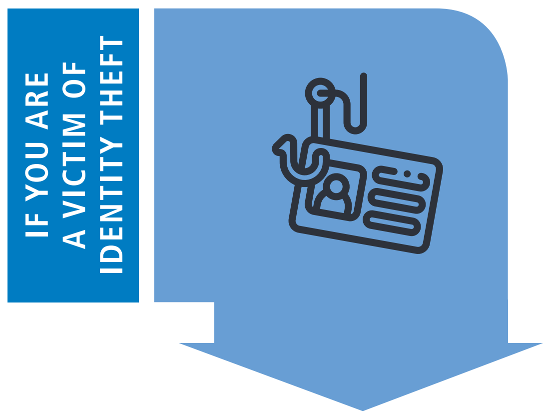
- Don't give your Social Security number to anyone, especially not a stranger who calls you on the phone.
- Shred all financial documents, like bank statements and credit-card statements, that have sensitive information on them.
- Keep your passwords, PIN numbers, and other account information private.
- Be careful when purchasing things online. Don't enter your Social Security number or credit-card number unless you are confident the site has good security and will protect your data.
- Never give personal or financial information to strangers.
- Shred old credit cards.
- Don't lend your checkbook or ATM card to anyone.

Criminals can rob unsuspecting victims without them even knowing it and can destroy their reputations and peace of mind. Some victims of identity theft spend years working to restore their lives, correcting their personal data, and paying for legal services all because someone used their good names to commit fraud. Try to take precautions now to avoid being a victim of identity theft. If someone does steal your identity however, there are steps to take to get back on track.

Steps to Take if You Become a Victim of Identity Theft

The Federal Trade Commission has a website that provides a step-by-step overview of how to deal with identity theft. Visit https://www.identitytheft.gov/ for more information.

The Federal Trade Commission recommends that you take the following actions immediately:



1. **CALL THE COMPANIES WHERE YOU KNOW FRAUD OCCURRED.**
Ask to speak to the fraud department. Explain that someone stole your identity. Ask them to freeze or close your accounts so no one can add new charges unless you agree. Then change logins, passwords, and PINs for your accounts.

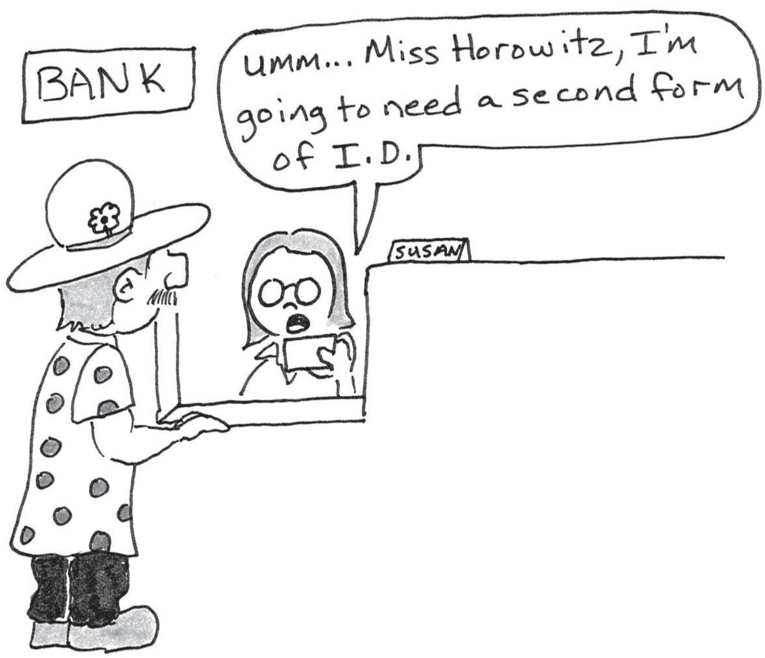
2. **PLACE A FRAUD ALERT ON YOUR CREDIT REPORTS AND REVIEW THEM.**
Placing a free, one-year fraud alert on your credit report can help stop an identity thief from opening any more accounts in your name. Also, by placing an alert with any one of the three credit bureaus, the other two will be notified automatically.

3. **REPORT THE IDENTITY THEFT TO THE FTC (FEDERAL TRADE COMMISSION).**
You can file a complaint at https://www.identitytheft.gov/ or call 1-877-438-4338. Include as many details as possible.

4. **FILE A REPORT WITH YOUR LOCAL POLICE OR THE POLICE IN THE COMMUNITY WHERE THE IDENTITY THEFT TOOK PLACE.**
Go to your local police with: a copy of your FTC Identity Theft Report, a government-issued ID with a photo, proof of your address (mortgage or rental agreement or utility bill) and any other proof that you have of the theft (bills, IRS notices, etc.). Ask for a copy of the police report. You may need this to complete other steps.

It is also important to remember to reach out and:

- **Report it to your bank or credit union (or any other financial institution that you are working with).** If you have provided someone with your account information, contact your financial institution immediately. Let your financial institution know that you have been a victim of fraud, and work with them to determine the best way to protect your money.
- **Get a free copy of your credit reports.** Just to be safe, request a current credit report from all three credit bureaus. See Lesson 4 for how to do this. If your identity was stolen, they're required to provide this to you for free. (Source: Consumer Financial Protection Bureau [CFPB])
- **Understand identity theft protection services.** Read the CFPB's information on "Identity Theft Protection" services. These services may not be for everyone but can be useful to consider if you have been a victim of identity theft or fraud.
- **Know the resources that exist to help you recover from identity theft or fraud.** The Federal Trade Commission offers useful information on what to do after you've been the victim of fraud.



WHAT TO DO ABOUT IDENTITY THEFT

1. While driving home one night from the basketball game, Franklin realizes he has lost his wallet somewhere at the game. His wallet contained a debit card, two credit cards, his driver's license, his Social Security card, and his tribal ID. What should Franklin do?

2. Dan and Vickie are planning a road trip to go to a concert. They will need to make travel arrangements, purchase tickets, and fill up the car with gas. What can they do to protect themselves from identity theft?

3. While opening her mail Donna notices a credit-card statement for an account she never opened. The account has been open for nearly four months, has a large outstanding balance, and is over 90 days overdue. What should Donna do?

4. Thomas receives an email informing him that he recently won a large sum of money in an online lottery he never entered. The email informs him that in order to claim his prize money, he must immediately provide his bank account information so they can transfer $500. The email instructs him to reply with his bank account number so the funds can be transferred quickly. Should Thomas follow through with this request?

5. What other steps can you take to prevent identity theft?

Forgery

Forgery is a type of identity theft where a person purposefully tries to withdraw money from your account by pretending to be you. An example is when someone else writes your signature on the back of a check to cash it. If for any reason you think that someone has taken one of your checks, call your financial institution immediately. Explain the situation and request that they cancel the check before anyone has an opportunity to cash it. This is called a “stop payment.” There may be a fee for placing a stop payment on a check, but it is better than having someone rob you of your savings.

TAKE STEPS NOW TO SAVE TROUBLE LATER

Prevention will save you time and money. On average, a person spends 600 hours working to repair damage from identity theft (e.g., calling creditors, filing a police report, and providing documentation). Protect your passwords, shred your bank and credit-card statements, and take precautions to protect your Social Security number!

LESSON 3 SUMMARY

Lessons Learned

In Lesson 3, we learned a whole lot about financial institutions, including how to evaluate which financial institution will be best for your needs. We learned that you can open a checking and/or savings account at a depository institution (either online or traditional bank). We learned how to open and manage an account and balance a checkbook. We also learned the importance of protecting yourself against, and recovering from, identity theft. There was a lot to cover in this lesson, and now you have the information you need to make sure a banking account meets your unique needs.

Discussion Questions

1. What are the advantages of opening a checking account? Disadvantages?
2. What are the advantages of opening a savings account? Disadvantages?
3. What are some bank account features?
4. What are the different types of financial institutions?
5. What is ChexSystems?
6. What are some common types of identity theft?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action..

Resource #1 – www.identitytheft.gov

Resource #2 – www.mint.com

Resource #3 – www.findabetterbank.com

HOMEWORK: EVALUATING BANKING SERVICES – YOUR GOAL, FREE CHECKING

Where do you stash your cash or paycheck? There are lots of ways to keep your money safe, but knowing which option is best for you means researching your choices.

	FINANCIAL INSTITUTION A
NAME OF FINANCIAL INSTITUTION:	
Do you offer free checking?	
What are my options to waive the monthly fee?	
What is the minimum balance I need in my account to qualify for free checking?	
How much do you charge to cover an overdraft?	
How much do you charge to send paper statements?	
Do you offer a free savings account? Or options to waive the fee on a linked savings account?	
What is the minimum balance I need for free savings?	
Will this savings account pay interest? If so, how much?	

The battle is on. You have $500 to deposit into a checking account and it's up to you and your team to use the Internet to find the best "bargain" bank – the one that offers the most services for the lowest associated fees. The winning team will present its findings to the class. Time to get moving … the race to riches begins now.

FINANCIAL INSTITUTION B	FINANCIAL INSTITUTION C

Based on your research, which bank would you deposit your $500 in and why?

HONORING OUR ELDERS: RECOMMENDATIONS FOR SAVING MONEY

Talk to your elders in the home or community and come to class with one recommendation from them on how to save money.

1. ______________________________

Lesson 4

CREDIT JOURNEY – THRIVING NOT SURVIVING

Objectives

In this lesson, we will discuss:

- The purpose and importance of credit
- Understanding credit and your credit report
- Addressing credit issues
- Building, maintaining, and rebuilding your credit

BEFORE WE BEGIN LESSON 4

Walking with Grandfather

The Lakota consider fortitude, generosity, bravery, and wisdom to be the four greatest virtues. In any discussion or mention of these virtues, wisdom is invariably the last to be named. However intentional or unintentional that may be, it is entirely appropriate because wisdom is not only the greatest of the four greatest, it is also the most difficult to achieve. Furthermore, wisdom is associated with old age, and that, too, is entirely appropriate because wisdom cannot be had in 10 easy lessons. One has to live a long life to gain wisdom, and it is regarded as life's gift by some who finally achieve it. It is, many also realize, a gift they cannot keep to themselves. It must be given back to life. What then is wisdom? Just as knowledge is derived from information, wisdom begins with knowledge, grows with experience, and is empowered by discernment.

Life is a circle. The end of one journey is the beginning of the next.

> **— *Walking with Grandfather: The Wisdom of Lakota Elders* by Joseph M. Marshall III**

Who in your life embodies true wisdom? What virtues do they convey to those around them?

Building from Scratch

Growing up, my parents didn't have good credit. My dad lost his good-paying job, and they could no longer afford to pay back their credit-card debt. Their credit scores hit rock bottom. I watched them struggle to finance a car when our old one broke down. It was even harder for them to find homes to rent.

I didn't want to follow in their footsteps, so I took the initiative to pull my own credit. I was shocked to discover that I didn't have a score at all because I had no credit history. Although my parents warned me of the dangers of credit, a friend advised me to apply for a secured credit card. I needed to bring a "deposit" of $300, which would be my credit limit. I used it for minor purchases and paid it off every month in full. This first step into the credit world allowed me to finance a used car to get back and forth to my tribal college and part-time job in town. After a year of making on-time payments on my credit card and car loan, my credit score is now a 721.

– Brian Means, Hunkpapa Lakota

In this lesson, we will be walking you down the path of credit and explaining why this journey is so important. Credit is part of your financial power. It helps you get the things you need now, like a car, based on your promise to pay later. Building a strong credit foundation ensures that you'll qualify for loans when you need them. We'll formally define credit soon enough, but for now, think of credit as trust. Are there people in your life who you trust completely, and who trust you completely? Maybe you are able tell each other the truth even when it is hard. It's great to have that level of trust in a relationship. In this lesson, we will see how building, maintaining, and rebuilding your credit is similar to establishing trust.

Traditional Migration Patterns

For generations, Native communities migrated throughout the year to be near natural resources that supported the community. Our people lived in a subsistence economy where the community was able to provide for its own needs.

History has forced Native communities to transition from people who could provide for their own needs (subsistence economy) to a situation where the majority of goods and services must be purchased from others (market economy). The raw materials used to make most of the things we consume no longer come from places that are within walking distance. This means we need financial resources to purchase the goods that we use.

Importance of Credit

Credit is the concept of borrowing funds with the intent to repay them. Any time a bank, a family member, or a business lends you money and you agree to pay it back later, you're using credit. In most cases, there's a charge for borrowing the money. The charge can be in the form of both fees and interest.

In the present market economy, credit helps a community to develop. It is one of the best ways for a community to grow without having to accumulate tremendous savings in advance. Credit is used to start businesses, build or buy houses, and conduct daily commerce. Credit helps a community to grow if the net gain of borrowing is greater than the cost of debt.

NET GAIN (BORROWING) - **COST OF DEBT** = **GROWTH**

Our ancestors were constantly evaluating the consequences of their actions. They weighed the costs and benefits of their decisions before they took action. Similarly, credit has both costs and benefits. The costs include interest payments and fees. The benefits include leveraging credit as a tool to make purchases. **Before you use credit, always determine if the benefits are greater than the costs!**

ADVANTAGES AND DISADVANTAGES OF USING CREDIT

Have you or someone you know used credit before to make a purchase? What are some advantages and disadvantages of using credit that you have seen?

ADVANTAGES	DISADVANTAGES
List some reasons why you might use credit.	List some reasons why you might not use credit.

Advantages

Some advantages of using credit:

- **Afford it now.** Credit helps you pay for large purchases over time that you might not otherwise be able to afford right away (like a car or a house).
- **Convenient.** Using credit is convenient – you don't have to carry cash with you all the time.
- **Show you're trustworthy.** Using credit helps you build your credit score – you build a record of paying back a loan, which shows you can be trusted with larger loans and other forms of credit. Good credit can help you get a job, better insurance rates, and even a cell phone!
- **Required.** Some companies, like car-rental companies, require that you have a credit card.
- **Get access to utilities and rental houses.** Utility providers and landlords may now pull credit. Depending on your credit score, they may require an additional deposit or decide not to rent to you.
- **Points and other rewards.** Some credit card companies will reward you for using their cards by giving you "points" you can redeem for rewards or cash back.

Disadvantages

Some disadvantages of using credit:

- **Expensive.** If you fail to pay back your loan in a timely fashion, or miss payments, this can negatively affect your credit score and your ability to use credit in the future. If you don't have good credit, you may pay higher interest rates, which can be expensive. Also, if you don't make your minimum payment, you'll owe more and more. It's a domino effect!
- **Oops!** Some types of credit, like credit cards, can encourage impulse buying. You might see something and "charge it" without thinking about whether or not you can really afford it.

Using Credit

In the circle of life, traditional resource management teaches us that our actions today affect the resources that we will have available in the future.

Historically, Native communities did not hunt deer in the spring when the does were giving birth to new fawns. Native communities worked within the natural cycle so that future generations could enjoy the deer and their gifts. In the fall, our people hunted what they needed to support the community. Hunting practices demonstrated an understanding of the costs and benefits of working within the natural cycle. The benefit of fresh meat year round did not justify the cost.

Before you make a purchase, ask yourself if the item is a want or a need. Usually a need is something you need to have to survive, like food, a home, and medical care. A want is something you would like to have, but it is not necessary to survive. An example might be a new car, a new iPad, or a new smartphone. Using credit to buy something usually adds to the cost of the item because you are paying interest, in addition to the cost of the item itself. Therefore, it is best to weigh your options and be sure it is a wise financial decision before you use credit for a purchase.

Determining Wants vs. Needs

Try asking yourself the following questions before using credit for a purchase:

- Is this purchase a need or a want?
- Will the item last longer than the payments to purchase it?
- How much do I have to pay to borrow this money?
- How will the credit payment affect my household budget every month?
- Can I afford this?
- What other options do I have?
- Do I really need the item now or can I wait until I have the cash?

USING CREDIT

Review the following situations. Based on what we have discussed, determine if you would use credit for any of these purchases and mark your answer. List your reason in the space provided. There are no right or wrong answers, but remember to ask yourself the questions on the previous page before you make a decision!

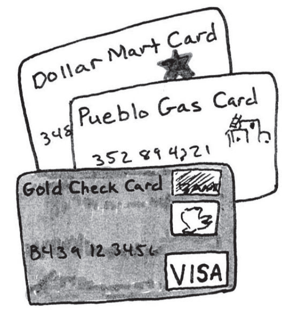
ITEM/SITUATION	NEED/ WANT	WOULD YOU USE CREDIT?	REASON
Concert tickets		❑ Yes ❑ No ❑ Maybe	
College education		❑ Yes ❑ No ❑ Maybe	
Furniture for your new place		❑ Yes ❑ No ❑ Maybe	
Friend’s birthday present		❑ Yes ❑ No ❑ Maybe	
Weekly groceries		❑ Yes ❑ No ❑ Maybe	
Overdue bills		❑ Yes ❑ No ❑ Maybe	
Vehicle repairs		❑ Yes ❑ No ❑ Maybe	
Surgery for your beloved puppy		❑ Yes ❑ No ❑ Maybe	
Clothes and shoes		❑ Yes ❑ No ❑ Maybe	
Books for classes		❑ Yes ❑ No ❑ Maybe	
Spring break trip		❑ Yes ❑ No ❑ Maybe	
Traveling to basketball tournaments or powwows		❑ Yes ❑ No ❑ Maybe	

Types of Credit

When used wisely, credit can be an effective tool to make purchases. There are a number of different types of credit. The most common types of credit are:

Revolving Credit

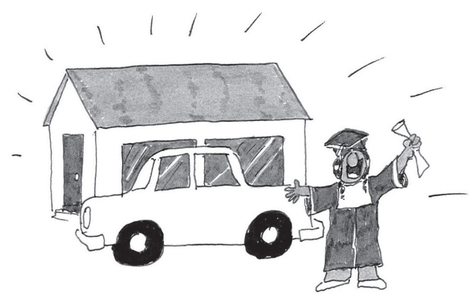
Revolving credit allows you to borrow money at any time, up to a set limit. As you pay back the borrowed money, it becomes available to borrow again. The lender allows you to pay back the money in a lump sum or over an extended period of time. If you pay back the debt over time, you are charged a fee each month on the amount that you owe. This fee is called interest.



The most common types of revolving credit are credit cards, such as VISA or Mastercard, department store cards, and gasoline cards.

Installment Credit

Installment credit allows you to borrow a specific amount of money at one time for a defined purpose. You establish a payment plan with your lender to repay the loan on a regular basis over a set period of time. The amount of interest that you will pay during this time is determined in advance and calculated (also referred to as "amortized") into your set monthly payments.



This type of credit is common for larger purchases, such as a home, car, or education.

Non-installment or Service Credit

Some businesses and utility companies offer this type of credit. It allows you to pay for a used service at a later date. Often, if you pay the complete sum within a specified period of time, usually 30 to 60 days, you do not have to pay fees or interest. If you are unable to make the payment within the specified time, there is usually a penalty charge that will be added to your debt. Service credit has a long history in Native communities. For example, at some feed stores, trading posts, and small grocers, customers can purchase necessities on account and pay for them at a later date.

Secured and Unsecured Credit

Most types of credit can be obtained in two forms – secured or unsecured credit.

Secured Credit

This is when you are asked to provide something of value as a guarantee that you will repay your debt. If you fail to repay, the lender takes your item as repayment. Personal valuables, known as "collateral," such as cash or a car, are used to secure loans.

A secured credit card is an example of secured credit and is one method for a person who cannot obtain a conventional credit card to make purchases. For example, the cardholder would deposit a sum of money (the collateral) into a savings account specifically opened for the secured card. That deposited money would be equivalent to the amount of credit available to the cardholder. The savings account is not accessible and cannot be used to pay back the charges on the secured card, but will earn interest!

The cardholder can use the secured card just like a conventional credit card, and it is often considered a good option for those who are new to credit. The cardholder must pay off or make payments for what is charged on the card. After a certain period of on-time payments or proper usage of the secured credit card, the savings account money may be released, and the card converts to a conventional credit card (unsecured).

Unsecured Credit

Unsecured credit is when a guarantee is not required. A credit card is the most widely-used form of unsecured credit because no collateral is required. Other examples of unsecured credit include student loans, personal loans, and lines of credit.

TYPES OF CREDIT

1. **Candace is going to buy her first car so that she can stop bugging her older sister for rides to work.**

   What type of credit will this require? ______________________

   Will this type of credit be secured? ______________________

   If so, what will Candace most likely offer as collateral for her loan? __________

2. **Dan needs to borrow $300 to purchase gifts during the holiday season and pay for small expenses in the year to follow.**

   What type of credit will suit his needs well? ______________________

   Where can Dan obtain this type of credit? ______________________

   Will the credit cost less if he pays it off in full or spreads it out over several months?

   ____

MONEY MATH: AUTO LOANS

Jody wants to buy a car that costs $10,000. Her mom said she will help her with a down payment for the car and gives her $3,000. If Jody provides a $3,000 down payment for the car, how much will she have to borrow to purchase the car (not including loan fees)?

$ ______________

UNDERAGE CREDIT

Young adults under 18 are generally not legally old enough to enter into a contract and therefore should not have a credit file. The existence of a credit report for someone who is under 18 could be a red flag that someone has stolen their identity.

Your Credit Report

Your credit report is like a report card that shows how well you manage your finances. When you obtain credit, this information is kept by organizations call credit bureaus. Credit bureaus gather information from a variety of sources, such as banks, department stores, medical providers, and credit-card companies. This record indicates whether you have repaid your bills on time. It is called a credit report.

It's important to manage your credit (pay your bills on time and not exceed your limit), because it affects these areas:

- Loans
- Landlords
- Employers
- Insurance companies
- Phone companies

A poor credit history can mean higher premiums or even rejection of insurance coverage altogether. In fact, recent studies suggest that a person's credit history is a better indicator of their likelihood to file an auto claim than their driving record.

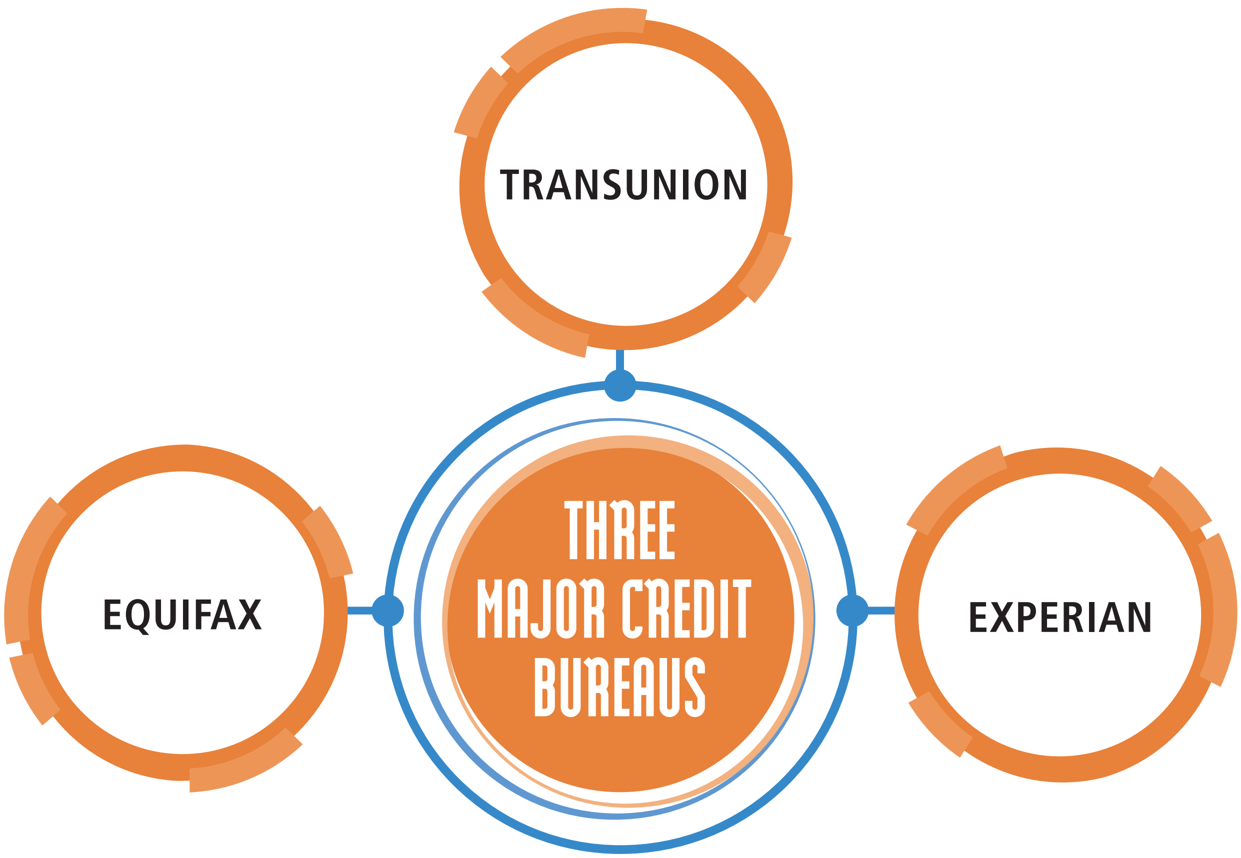
Therefore, it is very important that you maintain a good credit history and that it is accurately reflected on your credit report. Moreover, it is crucial that you understand the personal and private nature of the information contained in your credit report, and be very selective about who you authorize to access and view your credit report.

GOOD CREDIT VS. BAD CREDIT

BENEFITS OF GOOD CREDIT	COST OF BAD CREDIT	BUILDING GREAT CREDIT
▪ Easier to get a job (many employers check credit history) ▪ Qualify for lower interest rates on all kinds of loans ▪ Lower car insurance premiums ▪ Lower home insurance premiums	▪ Harder to get a job ▪ Hard to get credit when you need it ▪ Credit will cost you more – higher car insurance premiums ▪ Higher home insurance premiums ▪ Higher deposits to establish new services	▪ ALWAYS pay your bills on time ▪ Borrow as little as possible ▪ Keep your oldest card open forever (if no annual fee) ▪ Don't apply for new credit too often

Accessing Your Credit Report

Because mistakes do happen, you should review a copy of your credit report every year, starting at age 18. There are three major credit bureaus – TransUnion, Equifax, and Experian – and you should order a free copy of your credit report from each one once a year. Credit bureaus are required by law to provide a report to you, and to investigate any errors you identify.



There are a number of websites that offer free credit reports; however, only www.annualcreditreport.com is authorized by the Federal Trade Commission under the Fair Credit Reporting Act (FCRA) to provide full credit reports to consumers. Beware of other websites advertising free credit reports. They may have hidden fees, such as a free trial period that automatically converts to monthly billing unless the membership is canceled before the trial ends.

Note that only the credit report on annualcreditreport.com is free. If you want to obtain a copy of your credit score at annualcreditreport.com, you will have to purchase it. There are ideas about free places to get your credit score in the credit score section to come.

ACCESSING YOUR CREDIT REPORT ONLINE

1 **GO TO WWW.ANNUALCREDITREPORT.COM AND COMPLETE AN APPLICATION.**
When you visit annualcreditreport.com you will first need to complete an online application form.

2 **SELECT WHICH REPORTS YOU WANT.**
Choose which credit report you'd like to access – TransUnion, Equifax, or Experian. We do not recommend pulling your free credit report from all three bureaus at the same time. Instead, you can view your report from one of the three bureaus every four months. Staggering reports in this way will provide free up-to-date credit reports throughout the year, rather than pulling all three at once and waiting a whole year until qualifying for a new free report.

3 **ANSWER THE SECURITY QUESTIONS.**
Requests made online require users to answer security questions. You'll have to answer a series of multiple choice questions to confirm your identity (e.g., Your credit file indicates you may have a retail card. Who is the credit provider for this account? Or, what is the total monthly payment of your auto loan/lease?). These questions can be difficult for many people to answer, and you may have to look at your records to find the answer.

4 **PRINT AND SAVE YOUR REPORT.**
Once downloaded, immediately print or save a copy of your credit report, as it might only be available for viewing during the session or for 30 days thereafter. Furthermore, each bureau's report contains a specific report, file, or confirmation number. Make note of this number, because you will need it if you later choose to dispute any information listed in the report.

5 **IF YOU CAN'T ACCESS YOUR REPORT ONLINE, TRY THIS.**
If you cannot access your report online, you can call 1-877-322-8228 to request a copy by mail.

Reading Your Credit Report

While reports from each credit bureau may look different and, in some cases, different information may show up on different reports, each contains the same general categories of information.

Sample Credit Report

Credit Report Prepared For
JOHN Q CONSUMER
Report Number
1562064065
Report Date
04/24/2019

REPORT NUMBER

You will need your report number to contact the credit bureau online, by phone, or by mail.

Potentially Negative Items

Public Records

MAIN COUNTY CLERK

Address:	**Identification Number:**	**Plaintiff:**
123 Main Street Buffalo, NY 10000	1	County Commissioner

Status:	**Status Details:**
Civil claim paid	This item was verified and updated in Apr 2

Date Filed: 10/15/2017 **Date Resolved:** 03/04/2018	**Responsibility:** INDIVIDUAL	**Claim Amount:** $200 **Liability Amount:** N/A

POTENTIALLY NEGATIVE ITEMS

These are items that creditors may view less favorably. These items are reported to the credit bureaus by your creditors, and also include any bankruptcy, lien, or judgment information from the courts.

Credit Items

ABC BANK

Address:	**Account Number:**
100 Finance Boulevard Buffalo, NY 10000	10000000000

Status:
Paid/past due 60 days

Date Opened: 10/2016	**Type:** Installment	**Credit Limit/Original Amount:** $523
Reported Since: 11/2016	**Terms:** 12 Months	**High Balance:** N/A
Date of Status: 04/2019	**Monthly Payment:** $0	**Recent Balance:** $0 as of 04/2019
Last Reported: 04/2019	**Responsibility:** Individual	**Recent Payment:** $0

Account History:
60 days as of 12/2018
30 days as of 11/2018

SYNERGY COLLECTION AGENCY GROUP

Address:
100 Any Street
Any Town, VA 10000

Account Number:
224455668899000

Original Creditor:
Rural Cable Communications

Status:
Collection account. $125 past due as of 04/2019.

Date Opened: 06/2010	**Type:** Installment	**Credit Limit/Original Amount:** $125
Reported Since: 04/2019	**Terms:** N/A	**High Balance:** N/A
Date of Status: 04/2019	**Monthly Payment:** $0	**Recent Balance:** $125 as of 04/2019
Last Reported: 04/2019	**Responsibility:** Individual	**Recent Payment:** $0

Your Statement:
ITEM DISPUTED BY CONSUMER

Account History:
Collection as of 04/2019

Accounts in Good Standing

ACCOUNTS IN GOOD STANDING

This section lists accounts that have a positive status and may be viewed more favorably by creditors.

GENERAL AUTO FINANCE

Address:
123 Auto Row
Buffalo, NY 10000
(555) 222-1515

Account Number:
555555555555555

Status:
Open/Never late

Date Opened: 08/2016	**Type:** Installment	**Credit Limit/Original Amount:** $11,205
Reported Since: 08/2016	**Terms:** 60 Months	**High Balance:** N/A
Date of Status: 04/2019	**Monthly Payment:** $273	**Recent Balance:** $7,945 as of 04/2019
Last Reported: 04/2019	**Responsibility:** Individual	**Recent Payment:** $0

MAIN BANK

Address:
777 Street Name
Buffalo, NY 10000
(555) 224-6000

Account Number:
1234444466666

Status:
Closed/Never late

Date Opened: 03/2012	**Type:** Revolving	**Credit Limit/Original Amount:** N/A
Reported Since: 04/2012	**Terms:** 1 Month	**High Balance:** $3,678
Date of Status: 04/2019	**Monthly Payment:** $0	**Recent Balance:** $0/paid as of 08/2018
Last Reported: 04/2019	**Responsibility:** Individual	**Recent Payment:** $0

Your Statement:
Account closed at consumer's request

Requests for Your Credit History

Requests Viewed by Others

HOMESTEAD MORTGAGE FINANCE

Address:	**Date of Request:**
2000 Center Avenue New York, NY 10000 (555) 344-7777	02/22/2019

Comments:
Real estate loan. This inquiry is scheduled to continue on record until 02/2021.

S & T BANK

Address:	**Date of Request:**
5500 Any Street Buffalo, NY 10000 (555) 333-0000	11/15/2018

Comments:
Permissable purpose. This inquiry is scheduled to continue on record until 11/2020.

Requests Viewed Only by You

MYTOWN DATA CENTER

Address:	**Date of Request:**
123 1st Street My Town, NY 10000 (555) 555-1234	08/10/2017

Personal Information

Names:
JOHN Q CONSUMER
Name Identification Number: 15621

JONATHAN Q CONSUMER
Name Identification Number: 15622

JQ CONSUMER
Name Identification number: 15623

Social Security Number Variations:
999999999

Year of Birth:
1995

Spouse or co-applicant:
N/A

Employers:
MYTOWN DATA CENTER

Telephone Numbers:
(555) 555-2222 Residential

Address:
123 SAGE AVENUE
BUFFALO, NY 10000
Address Identification Number:
0277741504
Type of Residence:
Multifamily

Address:
555 SIMPLE PLACE
BUFFALO, NY 10000
Address Identification Number:
0170008650
Type of Residence:
Single Family

Your Personal Statement

No general personal statements appear on your report.

REQUESTS FOR YOUR CREDIT HISTORY

Also called "inquiries," this is a list of entities that have accessed your credit information. These can include creditors that are evaluating your creditworthiness, or other entities, such as employers. Requests viewed only by you do not have an impact on your credit score.

PERSONAL INFORMATION

Your name, current and previous addresses, and employer information reported by your creditors.

PERSONAL STATEMENT

Any personal statement that you added to your report is included. Statements remain a part of your report for two years and are seen by anyone who has permission to access your report.

READING YOUR CREDIT REPORT

Answer the following questions using the sample credit report on the previous pages.

1. Whose credit report is this? ______________________________

2. What is his address? ______________________________

3. What is the date of this report? ______________________________

4. Who is his employer? ______________________________

5. What is his monthly auto-loan payment? ______________________________

6. Does he have any public record items that might be of interest to a potential lender? If yes, what are they?

____

____

____

7. Based on the information in this credit report, would you feel comfortable loaning this person $20,000 for a pickup truck? Why or why not?

____

____

____

____

Common Credit Report Errors

Here are some common errors to look out for:

Duplicate Information

Sometimes accounts will appear more than once on your credit report. If this happens, take the proper steps to correct the error.

Uninvited Inquiries

Every time someone looks at your credit report, it's judged as either a "hard" or "soft" inquiry. Soft inquiries – those you don't request (e.g., unsolicited credit card offers) – don't hurt your score. Hard inquiries – when you authorize someone to view your report because you want credit – lower your score for a brief period. Requesting a credit-limit increase can count as a hard inquiry, too.

Everyone who has looked at your credit report over the past two years is listed in the inquiry section of your report. A lender will look at the number of inquiries that were made for the purpose of acquiring additional credit. Too many inquiries for this purpose can work against you when you apply for a loan, so resist frivolous applications for credit or pushy sales tactics, like when you are offered a 5% discount at a department store for opening an account. Knowledge of the credit process combined with sound spending practices can help you avoid this pitfall. If someone has looked at your report without your permission, take the proper steps to correct the problem.

Items That Should No Longer Be Listed

Items stay on your credit report for a specific period of time.

- Inquiries stay on your credit report for two years.
- Delinquencies, collections, garnishments, repossessions, some court orders, evictions, and unpaid child support stay on your credit report for seven years.
- Certain bankruptcies (Chapter 7) stay on your credit report for 10 years and others (Chapter 13) stay on your report for 7 years. Make sure items don't stay on your report longer than necessary.

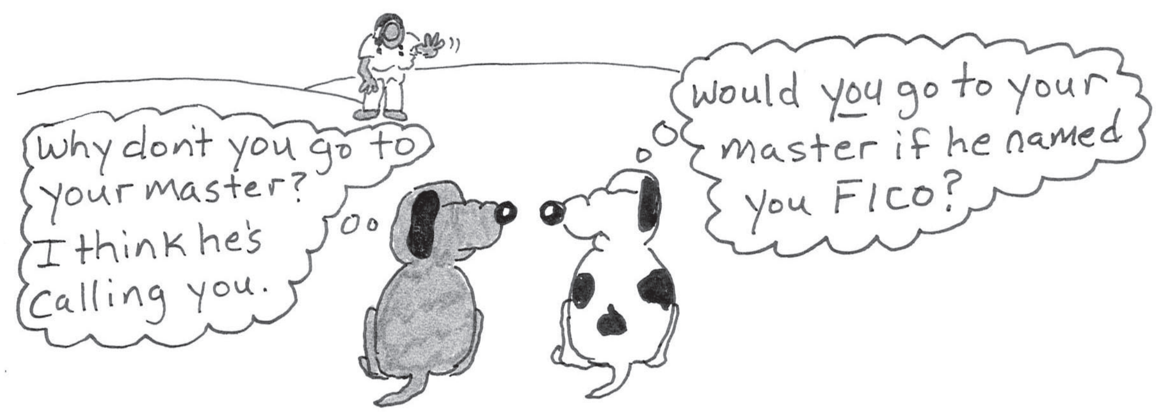
MISTAKES HAPPEN MORE OFTEN THAN YOU THINK

Did you know that according to a 2013 Federal Trade Commission (FTC) study, one in four consumer credit reports contain errors?

What Does My Credit Score Mean?

A number of years ago, banks and other lending institutions developed a simple, centralized system to rate consumers based on their individual creditworthiness. The credit score is a three-digit number, representing risk generated from credit history information, provided in a credit report. A credit score constantly changes as new information is updated in your credit file, so your credit score is only a snapshot in time.

Today, lenders and some other businesses use credit scores to help determine whether or not they will extend credit, making it a major piece of information they consider when reviewing your credit application. As a result, a person's credit score is a critical measure of their financial health and a crucial component of their credit history. A person with a low score may pay a higher interest rate or fee on a loan, be required to provide a larger down payment, or be denied credit altogether.



While we commonly talk about FICO (Fair Isaac Corporation) credit scores, there are actually many different types of credit scores, some of which are generated specifically for the purposes of consumer education. For example, credit score information sites like Credit Karma, Nerd Wallet, Wallet Hub, and others offer free VantageScore credit scores, along with summarized credit report information, personalized recommendations for improving your scores, and in some cases, recommendations for different types of credit products. Watch out, as some of these product recommendations are just unneccessary marketing and might not actually improve your credit score!

While these sites can be useful for tracking general credit progress, it is important to understand that the credit score you receive on a free site may not be the same score a creditor or other business will see when reviewing your application for credit or another service. Through FICO's Open Access Program, many financial institutions (including your bank, credit union, or credit card company) now also offer access to free FICO credit scores, including through credit card apps.

How Is a Credit Score Calculated?

The two most common credit score models in the market are FICO and VantageScore. Both range from 300 to 850. A good score is generally considered anything over 670, while a poor score generally falls below 620.

While the two score models weigh consumer actions slightly differently, the breakdown of a FICO score is representative of how your financial actions would impact both.

PAYMENT HISTORY (35%)	CURRENT DEBT (30%)	LENGTH OF HISTORY (15%)	TYPES OF CREDIT (10%)	APPLICA-TIONS (10%)

35% Payment History
Your track record paying bills is the biggest factor determining your score.

30% Current Debt
How much total debt you carry comes next.

15% Length of History
How long you've been borrowing is important.

10% Types of Credit
Revolving or installment, auto loan, or mortgage – all types of credit matter.

10% Applications
How recently and how often you apply for credit is another consideration.

Recent Changes to Credit Scores

An important thing to remember is that credit reports and credit scores are not always perfect indicators of creditworthiness and personal character. Now the newest versions of FICO (FICO 9) and VantageScore (VantageScores 3 and 4) weigh certain types of delinquencies, especially medical debts, less severely than in years past. This is good news to some borrowers who may have damaged credit reports due to factors beyond their control. Furthermore, these latest scores no longer weigh collections accounts that have a "0" balance altogether. However, it will take time for these particular score versions to become adopted widely by many creditors and businesses, so even though these changes are great, you may not be benefiting from their more consumer-friendly attributes yet.

IMPROVING CREDIT SCORES

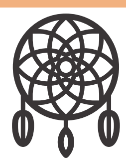
Tamara has a 600 FICO score. She has three different credit cards. Two are maxed out, and another is 60 days late. She also has a small personal loan that is in good standing. She wants to buy a new TV and thinks it is smart to purchase it from a large electronics store that will give her a 15% discount when she applies for in-store credit. What are some ways Tamara can improve her FICO score?

Orville has a 715 FICO score. He has one credit card, and he pays the balance in full every month. He has two student loans, both in good standing. However, the company he works for is struggling, and he was recently laid off. What can Orville do to maintain his favorable credit score?

Credit Counseling Agencies

What if you get into credit card debt over your head?

Credit counseling agencies help people who are overextended and need help paying their debts. Many people fall into this category today, because they do not have the discipline or confidence to fix their situations. Credit counseling assists people so they can deal with financial stress, develop workable budgets, bring credit accounts up to date, resolve specific credit problems, and make plans to get out of debt. Not-for-profit credit counseling organizations provide counseling and debt management services at low fees and are focused on helping their clients get out of debt. Many of these organizations work over the phone so that the client can be at home but is still able to access all of the financial paperwork needed, by scanning and emailing over all of this information.



REBUILDING YOUR CREDIT IS WELL WORTH IT

A negative credit history can take time to heal. And, although rebuilding your credit may appear as a daunting or even hopeless task, do not get discouraged. A positive attitude, combined with a resourceful approach, is your best route to success.

Understanding Collections

One of the worst things that can wind up on your credit report is a collection account. Collections usually occur when an unpaid bill, such as a credit card, utility account, or medical bill, remains outstanding for longer than six months. At this point, the debt will either be transferred to a special collections department or sold to a third-party collection agency that will then attempt, often very aggressively, to collect payment. Collections are bad news not only because they look horrible on your credit report, but also because of the stress and anxiety of dealing with bill collectors who have notoriously hard-nosed reputations.

The Fair Debt Collection Practices Act (FDCPA) has clear rules for debt collectors who work for collection agencies. Illegal debt-collection practices and activities can include:

- Harassing you repeatedly by telephone or other means.
- Calling you before 8 a.m. or after 9 p.m.
- Calling you without identifying themselves as bill collectors.
- Contacting you at work even if your employer prohibits it.
- Using obscene or profane language.
- Threatening you either verbally or physically.
- Claiming that you'll be imprisoned or your property will be seized.
- Adding unauthorized interest or fees to existing debt.

If you feel you are being victimized by illegal debt-collection practices, there are a number of steps you can take. Start by submitting a complaint to the U.S. Consumer Financial Protection Bureau (CFPB) either by phone at 855-411-2372 or online at www.consumerfinance.gov. It's also a good idea to contact your state attorney general's office. Moreover, remember to keep detailed records of any conversations or correspondence with bill collectors to document illegal behavior.

MONEY MATH: LATE FEES

Gabe's landlord charges him a $30 late fee if he pays his rent after the due date. His cable company charges a $15 late fee. During the course of one year, Gabe is late-paying rent five times and late-paying cable four times. Over time, this ruined his credit score, meaning that he paid a lot more in interest when he went to buy a car. But, how much did he pay in total late fees in just that year?

$ ______________

Tips for Thriving on Your Credit Journey

No matter where you go on your credit journey, there are a number of steps that can help you develop, maintain, or repair your credit. Here are some suggestions. Can you think of others?

TIP #1	**PAY YOUR BILLS ON TIME.** Paying accounts that are reported to the credit bureaus is one of the best steps to achieve and sustain a good credit record. If you have no credit history at this time, open one account that you know is reported to the credit bureaus and make sure you use it carefully but regularly, and pay your bill on time, every time.	**What can you do to make sure your bills get paid on time?**
TIP #2	**CONTACT LENDERS IMMEDIATELY IF YOU EXPECT TO HAVE A PROBLEM PAYING ON TIME.** Sometimes there are circumstances that make it very difficult or impossible to pay your bills on time. If you find yourself in this situation, it is important that you immediately contact the organization to which you owe money. You may be able to set up an adjusted payment schedule that will work for you and your lender. Working with the organization can help you avoid additional fees and having your overdue bills turned over to a collection agency.	**What would you do if you found you couldn't pay a bill?**
TIP #3	**BORROW NO MORE THAN YOU CAN COMFORTABLY PAY BACK.** When you are opening a line of credit or taking out a loan, refer back to your monthly spending plan. Be sure that you don't overextend yourself financially with additional monthly debt repayments. If you borrow more than you are comfortable paying back, this can have an adverse effect on your credit. Don't max out your credit cards. To achieve and maintain a good score, you should try not to utilize more than 30% of your available credit at any given time. Use your credit card to purchase needs like gas or groceries once a month and pay off the balance in full when it is due.	**What actions can you take to make sure you borrow only what you can comfortably pay back?**

TIP #4

STAY CLEAR OF CONSUMER FINANCE COMPANIES.

More commonly known as "payday lenders," consumer finance companies are considered lenders of last resort by the credit bureaus. This means payday loans, even when paid off on time, generally don't look good on a credit report.

What actions can you take to avoid consumer finance companies for your borrowing needs?

TIP #5

STAY CLEAR OF CREDIT "REPAIR" COMPANIES.

Avoid any business that claims that they can "fix" or "repair" your credit for a fee. There is no way to remove legitimate negative information from your credit history – you must rebuild your credit history through on-time payment on active accounts. There are many legitimate credit counseling agencies that offer debt-management plans, or nonprofit, community-based organizations that may offer credit coaching. For more information, Google the National Foundation for Credit Counseling (NFCC).

What actions can you take to rebuild your credit history if you experience negative circumstances?

TIP #6

READ AND UNDERSTAND LOAN TERMS AND AGREEMENTS BEFORE YOU SIGN ANYTHING.

It's important that you understand the fine print to avoid committing to payments you can't afford. If you are unable to repay a loan, it hurts your credit report and your future access to credit.

What actions can you take to make sure you understand your loan terms and agreements?

TIP #7

BE CAUTIOUS ABOUT CO-SIGNING OR GUARANTEEING LOANS FOR OTHERS.

Always consider a person's intention, commitment, and ability to repay a debt before you agree to co-sign or guarantee a loan. When you co-sign or guarantee a loan, you agree to take responsibility for repaying that person's debt if he or she is unable to do so. Additional debt can significantly affect your budget, and if you can't make the payment, the debt negatively affects your credit report. Also, co-signing can affect your ability to secure additional credit in the future. Many creditors consider co-signing as an actual debt when evaluating your credit.

What actions should you take before you co-sign or guarantee loans for others?

TIP #8

APPLY FOR A CREDIT-BUILDER LOAN.

A credit builder is an installment loan most commonly offered by credit unions and nonprofit financial institutions like Native Community Development Financial Institutions (CDFIs) with the sole purpose of helping people build credit. These are usually small loans with six- to 12-month terms. Instead of receiving all of the money at the time the loan is made, borrower's loan funds are held ("secured") in a savings account until they make their payments. Borrowers' payments are reported to at least one credit bureau.

What actions can you take to start creating a positive credit history using this product?

TIP #9

AVOID EXCESSIVE INQUIRIES INTO YOUR CREDIT REPORT.

Too many inquiries on your credit report regarding applications for credit can work against you. Be aware of situations, such as shopping for a car, where a business may check your credit without you realizing it. Be particular about who you give permission to check your credit report.

What actions can you take to avoid excessive inquiries into your credit report?

TIP #10

REVIEW YOUR CREDIT REPORT AT LEAST ONCE A YEAR AND DISPUTE ANY INACCURATE INFORMATION IT MAY CONTAIN.

Sometimes credit reports contain errors. Make sure that your credit report accurately reflects your credit history. If you know that you are going to apply for a loan, review your credit report at least three months in advance. Remember to check all three credit bureaus, because their reports may differ.

What actions can you take to ensure that your credit report accurately reflects your credit history?

TIP #11

CREATE A NON-TRADITIONAL CREDIT HISTORY.

Since not all of the on-time payments that you make are reported to the credit bureaus, you might have plenty of experience paying your bills on time, but no established credit history. Although not often used, you can sometimes create a non-traditional credit history to apply for credit in the future. This is what you need:

- Copies of bills and receipts
- Copies or computer files of canceled checks used to pay bills
- Letters of recommendation from people/ organizations with whom you have maintained a strong payment history

What steps can you take to create a non-traditional credit history?

TIP #12

THINK LONG TERM.

Establishing or rebuilding your credit takes time. While it varies based on the severity and age of the negative data, it takes around six to12 months on average to rebuild a strong enough credit history to qualify for a car loan, maybe even longer to qualify for a mortgage. If you are fixing poor credit, it may take several years of consistent bill payment before a lender will give you another chance. Stick with it. A good credit history is worth working for!

What actions can you take to remind yourself that establishing, re-establishing, or maintaining credit is a long-term process?

How Do I Get Started Building a Strong Credit History?

By establishing credit and learning to use it wisely when you are young, you can make the path to adulthood much easier and give yourself a head start to developing a strong credit history. When it comes to building credit, some people start at a disadvantage, but that doesn't have to be your situation if you know some tips and tricks to get started. You need credit to build credit, and with no credit it can be frustrating to know where to even begin. Here are some ways to get the credit ball rolling in a positive way:

1. Start early.
   The younger you are when you establish credit, the longer your history, which lenders will look at. Just make sure you are ready for the extra responsibility of managing your credit.

2. Get and hold down a job.
   It can be difficult to find a job in some rural communities, but earning income and holding down a job proves you're responsible. Income is a key factor when qualifying for credit. The more work experience that you have, the better your chances of getting a higher paying job in the future, so get started early (without hurting your academics and studies, of course). Because of the Credit Card Accountability Responsibility and Disclosure Act (or Credit CARD Act) that was passed by the United States Congress in 2009 (enacted in 2010), students and other young adults must demonstrate their ability to repay debt before they can open a credit-card account. Having a job will help you strengthen your qualifications for getting a credit card when you're ready!

3. Open a checking & savings account.
   Knowledge is power, and not every checking account is the same, so it's good to shop around for an account that is convenient, free, and offers financial-management tools like online and mobile banking. Teen checking accounts are typically for 13 to 17 year olds. When the account holder becomes 18, it is common for the account to automatically roll into a regular checking account.

4. Secure your future with a secured credit card.
   If you are already 18, another option for establishing a credit history from scratch is getting a secured credit card. Secured credit cards require a security deposit that dictates your line of credit – for instance, a security deposit of $300 would get you a $300 credit limit. Even though your card is tied to hard cash, you still use it for purchases and make monthly payments just like a normal credit card. It's much easier to qualify for a secured credit card, and responsible use will still help you build credit. Card providers may even raise your credit limit or offer you an unsecured credit card after a period of responsible use.

5. Get added as an authorized user.
   When you are under 18, one of your options is to get an adult to add you as an authorized user on one of their credit cards. As an authorized user, you can hold and/or use the adult's credit card, but you won't be the primary cardholder. Basically, as an authorized user, permission is given to the young person to use the credit card to make purchases, but they are not responsible for the debt. The primary account holder is still responsible for the debt. If the primary card user is financially responsible and has great financial health, especially with the use of the account you're being added to, it can help boost your credit. This is only a good idea if you and the cardholder both trust each other to use or pay on the card responsibly. You'll also want to make sure the card in question reports authorized users to the three major credit bureaus to take advantage and build off of the primary card holder's good credit usage and payment history.

6. Practice good credit habits.
   When you do land a credit card, long-term responsible use is necessary to build and maintain your good credit. That includes paying your bills on time, carrying a low balance, and paying your balance in full. As you build your credit, it is a good idea to monitor your credit reports and credit scores for errors and signs of fraud, which will also help you maintain your hard-earned credit standing. You can get your yearly free credit reports through www.annualcreditreport.com. Last tip: be wary of pre-approved offers for credit, as they may start to come frequently once you have begun to establish a credit history. These offers often include sign-up incentives or initially favorable terms that expire after six to 12 months. In general, a good rule of thumb is to seek out credit (from companies you trust) versus letting creditors seek you out. Furthermore, pre-approval is not guaranteed, and an application could ultimately result in denial and a ding to the credit report. Consumers can visit www.optoutprescreen.com to opt out (or in) of pre-screened offers for credit or insurance for five years or permanently. It is a great way to avoid unwanted pre-approval letters and reduce junk mail and the amount of personal information circulating in the mail that could lead to identity theft.

CREDIT-BUILDING ACTION PLAN

What three next steps do you need to do to build, maintain, or rebuild your credit? List the most important next steps you will take here and include a completion date. Just like in class, a due date helps you to do the work!

ACTION	DUE DATE
1.	
2.	
3.	

Pauline Continues Building Credit

In Lesson 2, we learned that Pauline Running Horse wants to build her credit so that she can buy a home in the next five years. We also learned that she wants to stay out of debt. After adjusting her spending habits so that she has a positive cash flow at the end of most months, Pauline has been able to put $500 into an emergency fund that she keeps in her savings account. But occasionally, unexpected bills come up, like needing a new muffler for her car.

ACCESSING CREDIT

Do you think getting a secured credit card would help Pauline? Why or why not?

LESSON 4 SUMMARY

Lessons Learned

Now that you've learned so much about credit, can you see why credit is similar to trust? We learned the importance of building good credit so that you can do things like rent a home, start a business, pay for your college books, and one day buy a home. We learned how to access and read a credit report and how to address any credit issues so that we can have the best credit score possible. A good credit score will help us get a loan and will save us money with lower interest rates. We read and discussed a number of tips for establishing, maintaining, and rebuilding credit. Keep these tips as a resource throughout your credit journey.

Discussion Questions

1. What does trust have to do with credit?
2. What are the advantages of having good credit?
3. What are the advantages of using credit? Disadvantages?
4. What are the different types of credit?
5. What is an example of secured credit?
6. What is an example of unsecured credit?
7. What are the names of the three credit bureaus?
8. On which website are you legally entitled to one free credit report, once a year, from each of the three bureaus?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – www.creditkarma.com

Resource #2 – www.myfico.com

Resource #3 – www.consumer.ftc.gov

HOMEWORK: AMANDA'S CREDIT HISTORY

Amanda is in her early 20s and has never checked her credit history. She recently took a personal finance class and learned all about credit and credit history, and she went to annualcreditreport.com to download her credit reports. She was shocked to see that she is more than five years delinquent on a medical bill that Indian Health Services (IHS) didn't pay and she had no idea. IHS told her they were going to pay the balance, but it is showing as unpaid on her credit report. What should she do?

___

___

___

___

TAKING ACTION

Write out an I.O.U. to yourself for $1,000. Write five ways that you can save this money in one year and become your own bank. Lending to yourself means NO INTEREST payments.

1. ___
2. ___
3. ___
4. ___
5. ___

What are you saving for? Can you save the amount you need in less than one year?

___

HONORING OUR ELDERS: THE TRADITION OF CREDIT

Talk to three elders in your community and ask them to share ways your ancestors used to acquire goods and services. Did they have a credit system that they used?

Did they buy, trade, or make things like food and clothing?

What are some advantages of purchasing goods and services from others as opposed to providing them for ourselves?

What are some disadvantages?

Lesson 5

CREDIT & LOANS – UNDERSTANDING, APPLYING, AND MANAGING – OH MY!

Objectives

In this lesson, we will discuss:

- Understanding the lending process
- Applying for a loan
- Understanding the cost of credit
- Managing credit

BEFORE WE BEGIN LESSON 5

Credit at the Hubbell Trading Post

In 1876, the Hubbell Trading Post was created in Ganado, New Mexico, on the Navajo Nation. The oldest (and still operating) trading post in the United States, Hubbell Trading Post is an important thread in the fabric of Navajo history. This mercantile came to be the lifeline of supplies for Navajos looking to re-establish themselves following the “Long Walk” of 1864. Selling anything from daily use commodities to Navajo rugs, handmade pottery, and art, trading posts were a place to trade, barter, buy things on credit, and even a place to get together. The Navajo people learned how to establish trust, use credit as a tool, and understood how to manage it wisely to help meet their needs. Credit has been used for a very long time, and even our ancestors used it.

Can you think of goods and/or services that people from your community may have purchased on credit? How does that differ from the way that we use credit today?

Driving Into Adulthood

Buying a car is almost a rite of passage into adulthood. At a young age, my father and uncles taught me how to work. I used to have to tag along with them on their different job sites. If I helped work a job site with them, they would pay me a small amount of money. I saved every dollar of that money so I could buy a car. After saving for over three years, I had enough to put down on the truck that I wanted. Since I didn't have enough to buy it outright, I had to finance the remaining amount, but I didn't have enough credit established to get a loan with a decent interest rate. My father decided to co-sign for me. He told me the only reason he would is because he knew that I was a hard worker and would make my truck payments on time. In fact, if I didn't make on-time payments, it wouldn't help me a build a good credit history, and could pull my father's credit way down. It took me three years, but I eventually paid off my truck, which is my prized and most valuable asset. My credit is pretty good now and my father is so proud.

– Jason Cornelius, Oneida Nation

Wow! You're already to Lesson 5 where we will explore how to access and manage credit (think loans and credit cards). Before we jump into this lesson, let's celebrate how far you've come. In Lessons 1through 4, you have learned from others and shared your family's stories about ancestors and how they managed resources in ways that benefited their whole community. You've learned about ways you can help grow your community's economy. You have thought about what financial goals you have for your future, like maybe saving for a car, college, or one day owning a home, and how to create a spending plan to achieve your goals. You've explored using a checking and/or savings account and the importance of creating positive personal credit.

EMPOWERING KNOWLEDGE

Sometimes financial education isn't the most exciting topic, but what is exciting is feeling knowledgeable and empowered to make positive financial decisions that will better your, your family's, and your community's well-being.

Looking back on what you have learned so far, take a few minutes to draw a picture or write about what you now know.

Adopting Old Ideas to Benefit the Community

Years ago, Navajo families did most of their business at trading posts located on or near their vast reservation across parts of present-day New Mexico, Arizona, Colorado, and Utah. They bought and sold goods, bartered for supplies, and often purchased necessities on credit. Supporting a family then, like now, was not easy, and cash was not always on-hand. Ancestors learned to use credit as a tool and understood how to manage it wisely to help meet their needs. Did you think credit was a new concept in Native communities? It's not!

USING CREDIT

Can you think of any goods and services people from your community purchase on credit?

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________

CREDIT CONCEPTS

- Credit is the act of borrowing money with the intent to repay it.
- It costs money to borrow money (fees and interest).
- Used responsibly, credit promotes community and economic growth.

Kendall's Catering Business

Kendall is almost finished with her last year of college and is a part-time secretary for the tribal administration. Every month the tribal administration places a number of catering orders at an off-reservation restaurant. She realizes that the tribe is spending hundreds of dollars to cater its meetings. To top it off, she knows she cooks better than the restaurant!

Kendall talks to a few members of the Tribal Council, and they agree that her cooking is better than the restaurant's. She wonders if she could start a part-time catering business when she finishes school. She's pretty sure the Tribal Council will hire her to cater their meetings. All Kendall will need is a few hundred dollars to purchase some supplies to get started.

One afternoon in the community library, a story in the tribal newspaper catches Kendall's attention. It is about an Oneida woman who took out a small loan to start her own restaurant. The restaurant specialized in Native foods, such as frybread, huckleberry jam, wild rice, corn, beans, squash, fish, and maple syrup. The restaurant was successful and employed three people, including youth and elders who share an interest in preserving their culture and eating good food. This really got Kendall thinking!

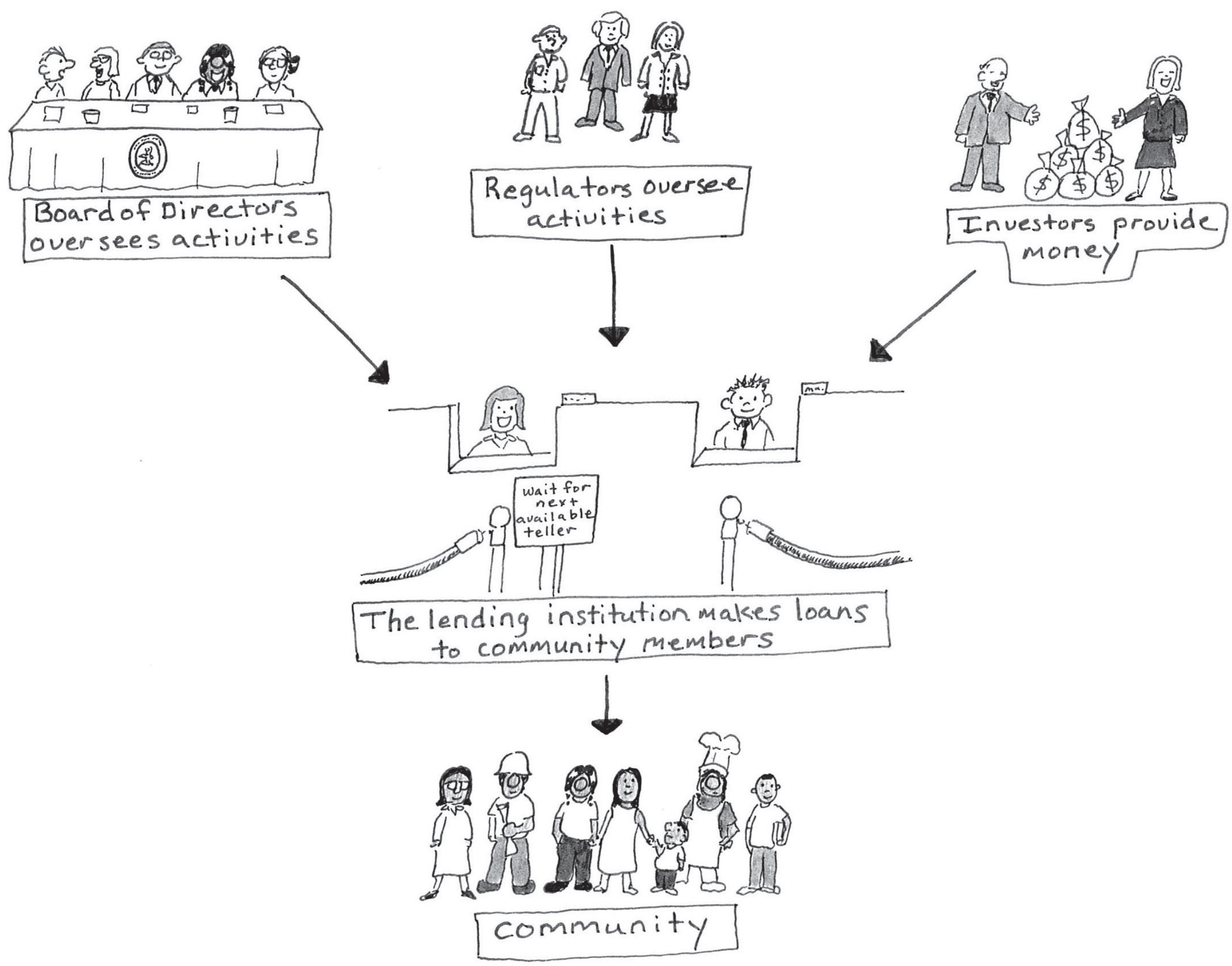
The article inspired Kendall to learn about the lending process. A small loan could help her open a catering business. After catering a few events, she could have enough money to pay back the loan, make a profit, and even apply for another loan to purchase more equipment and supplies, possibly hire staff, and keep growing. As long as Kendall repays the loan and manages her new company's expenses wisely, the business has the potential to support her family and positively affect other people in the community.

CREDIT AND ENTREPRENEURSHIP

What business ideas have you or your friends had that might be possible if you had access to a small amount of money?

The Credit System

Today, people gain access to credit from many sources, such as banks, loan funds, credit unions, and pawnshops. Working with a bank, loan fund, or credit union provides you with more consumer protections than a pawnshop, a payday lender, or other type of finance company. This is because bank, credit union, and loan fund activities are monitored by outside entities to ensure fair lending practices. The following diagram describes how lending institutions work. No matter where you borrow money, however, it is important to research what type of credit they offer and on what terms.

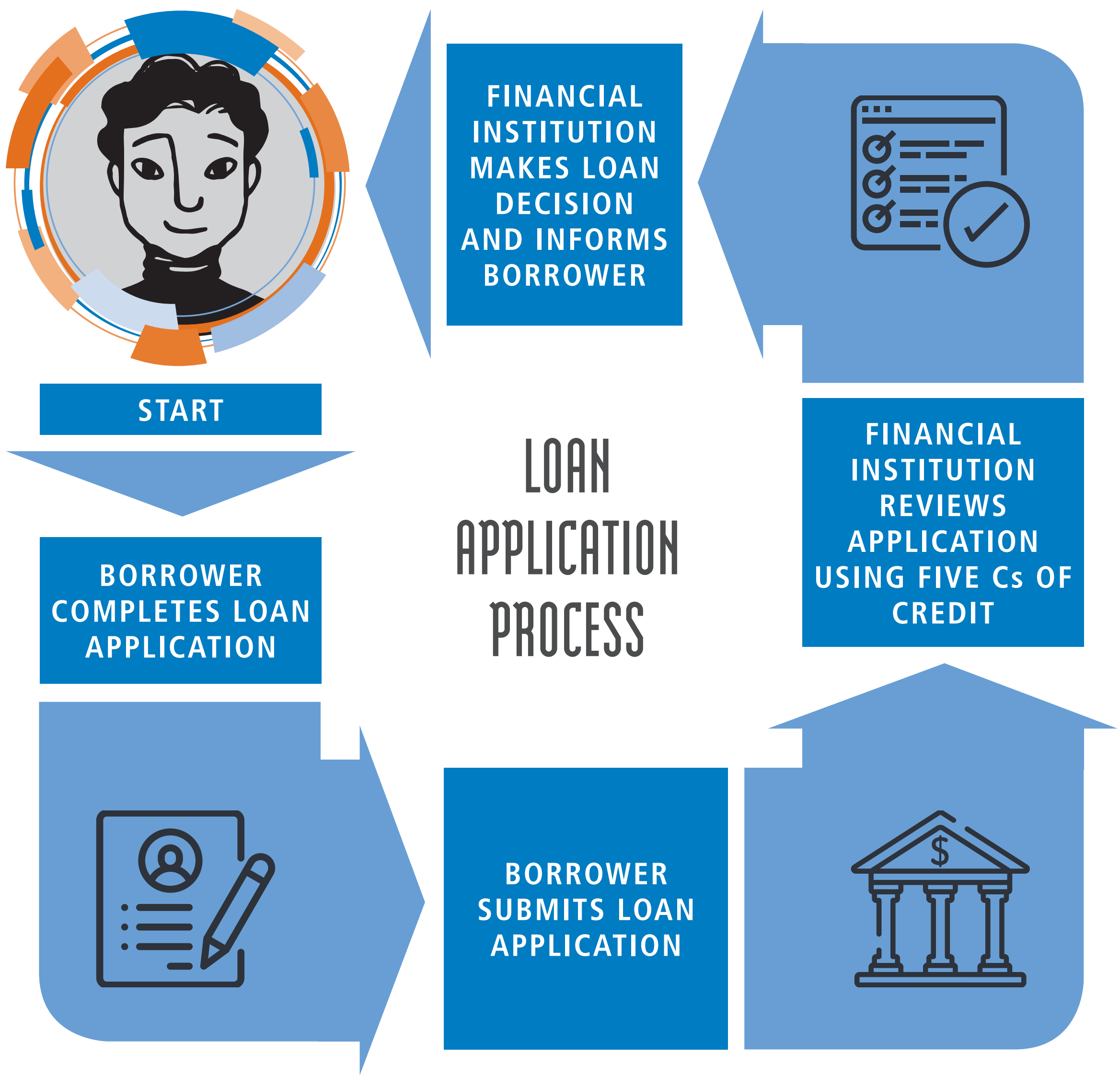


While different banks, credit unions, and loan funds offer different types of products and services, they also have some things in common. They are:

- Accountable for their activities, especially when it comes to creating loan terms that are fair and ensure you can pay the loan back within your means.
- Dependent on borrowers' loan repayment to stay in business. Lending organizations must be repaid in order to have money to lend other borrowers, as well as repay debts to their own investors.

Applying for a Loan

There are a number of steps in the loan-application process.



Completing a Loan Application

To get a loan, you must complete a loan application, either in writing or online. The sample loan application on the next page is a good example of the information lenders will use to evaluate your application using the 5 Cs of Credit. In addition to the application, lenders might also ask for:

- Pay stubs covering the past 30 days.
- Copies of income tax returns for the last two years.
- Paperwork showing the cost of what you are buying, if you are borrowing to make a purchase.
- Recent bank statements, investment statements, utility bills, and other types of service account statements.

HOW LENDING DECISIONS ARE MADE

Whether you seek credit from a bank, a community loan fund, a credit union, or a car dealer or online lender, the important thing to remember is that lending decisions are made based on an applicant's ability to repay the loan.

The following is an example of a loan application.

Consumer Loan Application

Purpose: ☐ Auto Loan   Make ________ Model ________ Year ____ Amount Requested: $ ________

☐ Boat Loan   Insurance Co. ________

☐ Other________   Term Requested: ☐ 1 yr. ☐ 2 yrs. ☐ 3 yrs. ☐ 4 yrs. ☐ 5 yrs. Other: ________

APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST		DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE	ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
PREVIOUS ADDRESS (IF ABOVE IS LESS THAN TWO YEARS)					HOW LONG THERE YRS. MOS.
HOME ☐ OWN ☐ RENT OTHER ________	MORTGAGE/RENTAL PAYMENT (INCLUDE PITI AND CONDO FEES) $	MTG. HOLDER OR LANDLORD			
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU					
NAME AND ADDRESS OF CURRENT EMPLOYER					
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $	
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION		HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.					
OTHER INCOME $ PER	SOURCES OF OTHER INCOME				
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION		

JOINT APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST		DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE	ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU					
NAME AND ADDRESS OF CURRENT EMPLOYER					
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $	
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION		HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.					
OTHER INCOME $ PER	SOURCES OF OTHER INCOME				
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION		

CREDIT REFERENCES

AUTO(S) (YR., MAKE, MODEL)	FINANCED BY (NAME AND ADDRESS)	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT

CREDIT REFERENCES: list all debts currently outstanding and/or paid off. (Include credit cards, home mortgages and amount due other banks, finance companies, credit unions, alimony, child support, separate maintenance payments, etc. Attach **extra** sheets if necessary.) **Please list separately any credit references you may have in a name other than the one above.**

CREDITORS NAME AND ADDRESS	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT
		$	$
		$	$
		$	$
		$	$

APPLICANT'S SIGNATURE ________ DATE ________ CO-APPLICANT'S SIGNATURE ________ DATE ________

CREDIT INSURANCE INFORMATION

☐ I (we) would like Credit Life Insurance
☐ I (we) would like Credit Life Insurance and Disability Insurance

Credit Life Insurance or Disability Insurance is optional and is not a condition for approval of your application. The insurance premium will vary based on the amount of the loan for which you apply and the state in which you live. If insurance is elected, the premium will be included in your monthly payments. Disability Insurance is not available jointly.

APPLICANT'S SIGNATURE ________ CO-APPLICANT'S SIGNATURE ________

7105-0199

The 5 Cs of Credit: Evaluating a Loan Application

When a financial institution evaluates a loan application, it's assessing an applicant's ability to repay a loan. This process is often referred to as evaluating the 5 Cs of Credit: character, capacity, capital, collateral, and conditions.

Illustration by student of Arnold Blum, Financial Literacy Instructor, Gallup Central High School in Gallup, New Mexico.

Character - Trustworthiness

Lenders look at a person's credit report as well as their checking and savings accounts to assess how well they handle financial obligations. An applicant's credit history is one of the most important factors in establishing his or her ability to repay a loan. If a person has multiple late payments or collections accounts on their credit report, this can be a red flag that they are not a good candidate for the loan, or can lead to the lender charging them a much higher interest rate and fees for the loan. If a person does not have any established credit, lenders might consider a non-traditional or alternative credit history as a substitute.

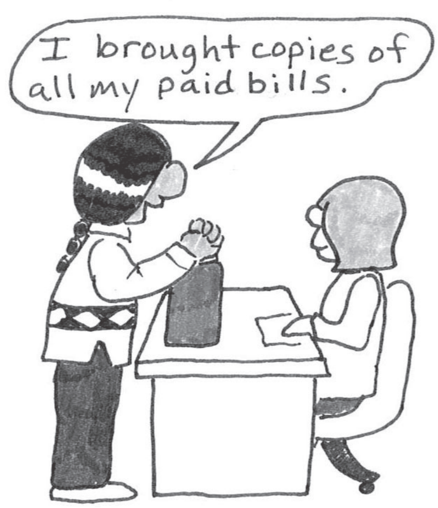
Lenders also consider the length of time someone has lived at his or her current residence as part of character. Lenders often feel most comfortable lending to people who have demonstrated stability in their residence.

Special note: Know your rights regarding fair lending! A lender cannot discriminate against you based on your race, color, gender, marital status, sources of income, etc. How they determine your character must be based on objective, not subjective, information.

CHARACTER		
	Good Character	Always pays bills on time.
	Bad Character	Never opens bills and pays them late, if ever.

Non-Traditional Credit History

We discussed how to build a non-traditional credit history in page 128 in part of the exercise, "Thriving on Your Credit Journey." As the credit industry changes, lenders and consumers have access to new scores and other tools to increase credit visibility. This is particularly important for those who have not engaged with the credit system or have experienced negative credit events. If this has been your experience, ask your lender what options might be good for you.



Capacity – Income & Affordability

Lenders look at the amount a potential borrower can afford to pay. This aspect of the evaluation will assess your current income and expenses. Lenders will consider all verifiable sources of income, including wages from a job, self-employment income, per capita distributions, Social Security, some forms of government assistance, and alimony. Expenses primarily include current loan payments (for example, car and student loans), credit card payments, rent, child support payments, and certain other regular payments.

CAPACITY		
	High Capacity	Executive making $150,000 a year with no debt.
	Low Capacity	Person who has been unemployed for three years. No income = no capacity to repay.

A lender assesses an applicant's capacity by calculating the relationship between the applicant's debt and income. The loan officer will divide the applicant's total monthly debt by his or her total monthly income to come up with a DTI (Debt-to-Income) Ratio.

Formula for Debt-to-Income Ratio

TOTAL DEBT ÷ **TOTAL INCOME** = **DTI RATIO**

Keith's Debt-to-Income Ratio

Keith earns $400 a month at his after-school job. He lives on tribal land in his family's home. He has a car payment that is $175 a month and a phone payment of $80 a month. He also has a credit card that he pays the minimum payment of $35 a month.

Follow these steps to calculate Keith's DTI Ratio:

1. **Total Monthly Debt** – $175+$80+35=$290
2. **Total Monthly Income** – $400
3. **DTI Ratio** – $290÷$400=72.5%

Keith's DTI is too high for most lenders to feel comfortable offering him loan. A lender may not want to place any added financial burden on Keith's monthly income. He will likely need to pay down some of his existing debt or increase his income before a lender is willing to extend him more credit.

Note: Different types of loans often factor different types of expenses into the Debt-to-Income Ratio (e.g., a rent payment generally will not factor into the DTI Ratio for a home loan; however, a mortgage payment will).

CALCULATING DEBT-TO-INCOME RATIOS

Kelly earns $1,500 a month. She pays $350 a month on her home loan. She pays her entire credit card bill every month and does not owe any money. She pays $50 a month for her car payment and $50 a month to repay a student loan. Calculate Kelly's Debt-to-Income Ratio.

1. Determine Kelly's monthly debt.

$	+	$	+	$	=	$
HOME LOAN	+	CAR PAYMENT	+	STUDENT LOAN	=	TOTAL DEBT

2. Determine Kelly's monthly income.

$
TOTAL INCOME

3. Calculate Kelly's Debt-to-Income Ratio.

$	÷	$	=	%
TOTAL DEBT	÷	TOTAL INCOME	=	DTI RATIO

Based on Kelly's debt-to-income ratio, do you think a lender will feel comfortable making Kelly a loan?

HOW YOUR DTI RATIO AFFECTS LENDING DECISIONS

The allowable Debt-to-Income Ratio depends on the type of lending institution and the type of loan. While a generally acceptable DTI Ratio for most lenders is **45%**, it is recommended to keep your DTI under **36%** to enjoy more financial freedom.

MONEY MATH: DEBT-TO-INCOME RATIOS

Let's try this Debt-to-Income Ratio calculation again. Sherry earns $2,000 a month. She pays $300 a month on her home loan. She has no credit card debt but has a $200-a-month car payment. She also has a student loan payment of $250 per month. What is her DTI Ratio?

$ ______________

Capital – Cash on Hand

Depending on the type of loan, lenders are interested in how much of your own money you plan to invest in a purchase. In addition, lenders consider all items of value owned by the loan applicant. They're interested in the applicant's resources in case there is a problem repaying the loan. From the lender's perspective, someone who owns property or items of value can sell them to repay a loan.

CAPITAL		
	Sufficient Capital	Person who has money in the bank and items of value.
	Insufficient Capital	Person with no emergency fund and large debts.

Collateral – Secures the Loan

Remember this term from Lesson 4? Lenders often ask a borrower to commit something of value to guarantee repayment of a loan. If a borrower is unable to repay a loan, the lender accepts ownership of the item as repayment. When evaluating a loan application, lenders look at the value of the borrower's collateral. Often borrowers use their home, car, or savings account as collateral for a loan. Ideally, a lender never wants to repossess a borrower's collateral. Worse yet, if the lender deems that the collateral is worth less than the outstanding balance on the loan, the borrower might still have to pay the difference! Repossession is the last resort.

COLLATERAL		
	Sufficient Collateral	A car or home that you are borrowing on.
	Insufficient Collateral	No assets.

DEFINING VALUE IN NATIVE CULTURE

People assess value differently in different communities. It's important to educate lenders about items that are valuable in a Native context. It is also crucial to understand what lenders consider as capital and collateral. Lending institutions have requirements that define the items they can accept. Talk with your lenders to come to a mutual understanding.

Conditions – Ability to Repay

Lenders are interested in any conditions that may affect the applicant's ability to repay the loan (e.g., stormy economy, job loss, emergency medical bills). The consistency of an applicant's employment is important in this part of the evaluation. If you have been at a job for less than two years, you may be asked to furnish additional information about your work history.

EVALUATING LOAN APPLICATIONS

As a loan officer for the Sitting Bear Loan Fund, you make recommendations to the loan committee about who should receive a loan. This month, the following applications are on your desk and it is time for you to make your recommendations. Use the **5 Cs of Credit** to assess the following applicants.

5 Cs OF CREDIT	
▪ Character - Trustworthiness	▪ Collateral - Secures the Loan
▪ Capacity - Income & Affordability	▪ Conditions - Ability to Repay
▪ Capital - Cash on Hand	

JESSICA HIGH EAGLE is 23 years old. She has worked for three years as a fitness instructor at the tribal wellness center and makes $20,000 a year. She also owns a small beadwork and crafts business from which she makes an annual profit of $5,000. For the past two years, she has reported her profits as self-employment income for tax purposes. She has managed to save $3,500, which she keeps in a savings account at her local bank. She currently rents an apartment and has a car loan with a $225 monthly payment. She also has several student loans with combined monthly payments of $300. Lastly, she has one credit card that she opened in college four years ago. The card currently has a balance of $2,500, on which she makes minimum monthly payments of $25. She has had no late payments on any of her accounts in over three years.

Jessica would like to borrow $100,000 to purchase a new home. She will use the money in her savings account as a down payment. **Using the 5 Cs of Credit, what observations can you make about Jessica's ability to repay a loan?**

EVALUATING JESSICA'S LOAN APPLICATION	
5 Cs of Credit	
Character	
Capacity	
Capital	
Collateral	
Conditions	

What questions would you like to ask Jessica?

Given what you know, would you recommend a loan for Jessica?

HAROLD HILL is a 20-year-old single man. He makes $24,000 a year waiting tables at a local restaurant. He has been at this job for one year. He has no savings. He pays $500 for rent each month. He owes $3,000 on a credit card and pays the minimum $30 payment each month. His credit report reveals that, during the past year, he has been 45 days late paying his credit card one time. It also lists two collection accounts, a $150 charge off* for cable service he had two years ago and a $600 charge off for dental work he received at a private clinic last year.

Harold would like to borrow $10,000 to purchase a food truck so he can start his own business. There are no food trucks on Harold's reservation, and he makes great tasting hamburgers. He plans to keep his current job and use the food truck to earn additional income. **Using the 5 Cs of Credit, what observations can you make about Harold's ability to repay a loan?**

EVALUATING HAROLD'S LOAN APPLICATION	
5 Cs of Credit	
Character	
Capacity	
Capital	
Collateral	
Conditions	
What questions would you like to ask Harold?	
Given what you know, would you recommend a loan for Harold?	

*A charge off means a creditor has written a debt off as uncollectible and has ceased trying to get payment. Charge offs usually remain on a credit report for a period of seven years from the date they are charged off.

JORDAN YOUNG is a single mother of a 6-month-old son. She holds down three different part-time jobs, but her rez car keeps breaking down, making it very difficult to get to work. She spends about $500 fixing the car every time it falls apart, and it's happened three times already. Currently, she is making the minimum wage of $7.50 an hour at all three of her part-time jobs, working a combined total of 40 hours per week. She lives in tribal housing with her young son and pays $150 per month for rent. Jordan has no long-term debt, but she does spend about $300 per month to maintain their home – electricity, natural gas, water, trash, and Internet. She also receives $350 per month from the Supplemental Nutrition Assistance Program (SNAP). Her monthly income, not including benefits, is around $1,250. In the past six months, she has overdrawn her checking account four times and paid $34 per overdraft fee. She's also taken out four payday loans in the past six months. She still owes on two of the payday loans and has had two late payments.

Jordan would like to borrow $4,000 to purchase a used, newer car and trade in her rez car. She feels a more reliable car will help her find a steady, full-time job closer to her home and get her finances under control. **Using the 5 Cs of Credit, what observations can you make about Jordan's ability to repay a loan?**

EVALUATING JORDAN'S LOAN APPLICATION	
5 Cs of Credit	
Character	
Capacity	
Capital	
Collateral	
Conditions	
What questions would you like to ask Jordan?	
Given what you know, would you recommend a loan for Jordan?	

BRIAN AND JENNY BRAVE recently got married and moved closer to town so that Jenny can attend college and Brian can work at a car-repair shop. They would like to borrow $2,000 so that they can furnish the home they are renting and buy themselves a queen-sized bed. They have some debt they are paying off, with monthly payments of $200, and they pay about $400 in monthly living expenses. Their monthly income is $2,200.

Using the 5 Cs of Credit, what observations can you make about Brian and Jenny's ability to repay a loan?

EVALUATING BRIAN & JENNY'S LOAN APPLICATION	
5 Cs of Credit	
Character	
Capacity	
Capital	
Collateral	
Conditions	
What questions would you like to ask Brian and Jenny?	
Given what you know, would you recommend a loan for Brian and Jenny?	

STEVE BEGAY is an 18-year-old college student at Southwest Indian Polytechnic Institute in Albuquerque, New Mexico. His tuition, lodging, meals, and related fees amount to $600 per semester. He receives financial aid from both a federal Pell Grant, which covers the educational expenses listed above, and a tribal scholarship that provides a $250 monthly stipend. He supplements this with 10 hours of part-time work each week at $8 an hour. He has never had a loan or credit card, or applied for any type of credit. He recently received $9,000 from the sale of land interests he holds on the reservation. In addition to the proceeds from the sale, he has an additional $1,500 he saved while working as a seasonal firefighter last summer. He currently spends most of his disposable income on video games, clothes, and eating out with his girlfriend.

Steve does not own a vehicle and wants to travel home to Arizona on weekends to help his family with their livestock. He would like to purchase a brand-new pickup truck for $35,000 and plans to use his settlement a money as down payment. **Using the 5 Cs of Credit, what observations can you make about Steve's ability to repay a loan?**

EVALUATING STEVE'S LOAN APPLICATION	
5 Cs of Credit	
Character	
Capacity	
Capital	
Collateral	
Conditions	
What questions would you like to ask Steve?	
Given what you know, would you recommend a loan for Steve?	

NOW THAT YOU'VE EVALUATED other people's loan applications, how can you prepare a strong application for yourself?

Under each of the 5 Cs of Credit, list some actions that will help you develop a strong loan application.

PREPARING MY LOAN APPLICATION	
5 Cs of Credit	**Action**
Character	
Capacity	
Capital	
Collateral	
Conditions	

How Much Does a Loan Cost? Adding It All Up

When you borrow money, the lender will usually charge you for using their money. They will usually charge you interest, which is often expressed as a percent of the total loan amount (this is often called the interest rate). The higher the interest rate, the greater the cost of the credit. This is why having good credit history is important, because a lender will usually offer a better interest rate for those with good credit.

The lender may also charge you a range of fees to cover their expenses related to drawing up legal paperwork for the loan (among other things). The original loan amount, without adding in the cost of interest and fees, is called the loan principal. In order to understand the true cost of your loan, you should add the interest and fees to the loan principal to help you understand how much money, in total, you will be paying back. It costs money to borrow money!

LOAN PRINCIPAL + **INTEREST** + **FEES** = **TOTAL LOAN AMOUNT**

Watch Out for Fees!

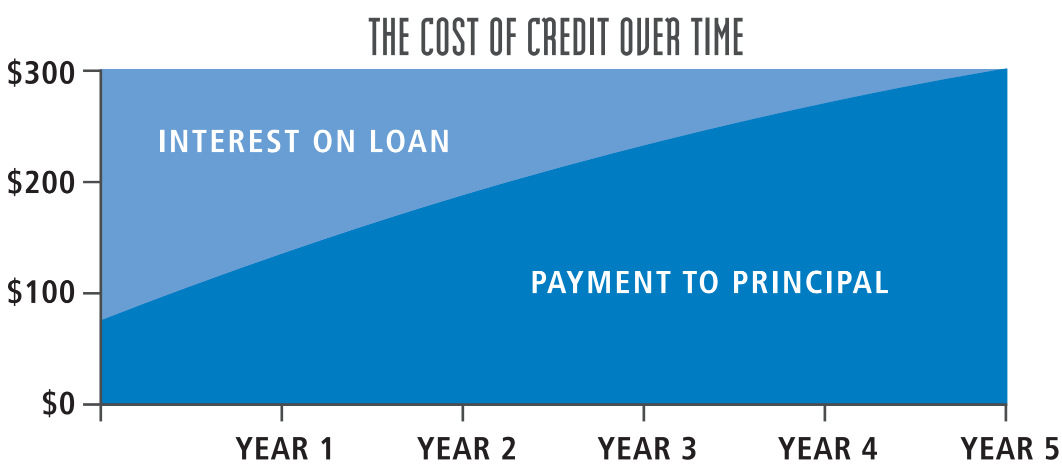
Lenders often charge fees when you take out a loan. These fees can be for a range of things, including legal research, filing costs, and paperwork costs. But keep an eye on those fees! They can really add up, and sometimes an unethical lender can charge too many fees and really increase the total cost of your loan. If you think it would be helpful, take an experienced friend or family member with you when you take out your first loan so you have someone with you who can help you negotiate to get the best deal.

Understanding the Cost of Interest

When you take out a loan, the lender will usually ask you to pay it back over a period of time. You will usually make monthly payments to pay for both the interest and the loan principal. Each loan payment includes repayment of some of the borrowed amount (principal) and some of the cost of borrowing the money (interest).

LOAN PRINCIPAL + INTEREST = MONTHLY PAYMENT

When you start to repay a loan, your monthly payments are mostly the interest and a small amount of the principal, because interest is repaid first. Throughout the life of the loan, your monthly payments become a greater portion of the principal.



Loan Term

When you borrow money, most loans specify the period of time in which you have to pay it back. This is referred to as the loan term. The length of time you borrow money for can affect the total cost of your loan. This is discussed in detail on the next page.

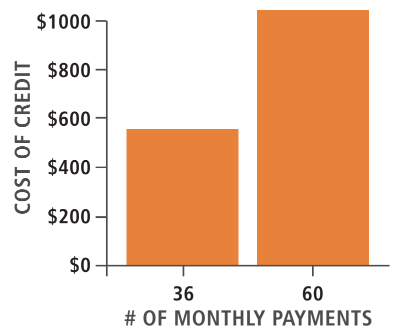
There are several factors that affect the cost of credit and the monthly payment on a loan. These include interest rates, loan terms (how long it will take you to pay the money back), and fees. Let's look at the examples on the next page to see how the cost of credit can change.

The higher the interest rate, the greater the cost of the credit.

	INTEREST RATE	
Loan Terms	**8%**	**14%**
Loan amount	$3,000.00	$3,000.00
Number of monthly payments	48	48
Monthly payment amount	$73.24	$81.98
Total amount of payments	$3,515.46	$3,935.01
COST OF CREDIT	**$515.46**	**$935.46**

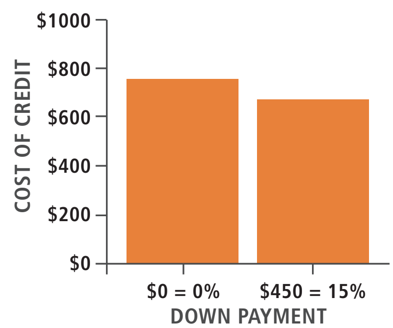
The longer the term of the loan, the lower the monthly payment but the greater the cost of the credit.

	# OF MONTHLY PAYMENTS	
Loan Terms	**36**	**60**
Loan amount	$3,000.00	$3,000.00
Interest Rate	12%	12%
Monthly payment amount	$99.64	$66.73
Total amount of payments	$3,587.15	$4,004.00
COST OF CREDIT	**$587.15**	**$1,004.00**



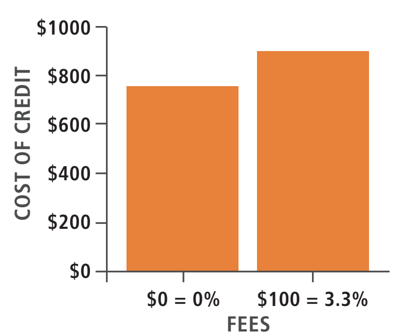
The higher the down payment, the lower the loan amount and the cost of the credit.

	DOWN PAYMENT	
Loan Terms	**$0 = 0%**	**$450 = 15%**
Purchase Price	$3,000.00	$3,000.00
Loan amount	$3,000.00	$2,550.00
Interest Rate	12%	12%
Number of monthly payments	48	48
Monthly payment amount	$79.00	$67.15
Total amount of payments	$3,792.07	$3,223.26
COST OF CREDIT	**$792.07**	**$673.26**



The higher the loan fees, the higher the cost of the credit.

	LOAN FEES	
Loan Terms	**$0 = 0%**	**$100 = 3.3%**
Loan Amount	$3,000.00	$3,000.00
Net Loan Proceeds	$3,000.00	$2,900.00
Interest Rate	12%	12%
Number of monthly payments	48	48
Monthly payment amount	$79.00	$79.00
Total amount of payments	$3,792.07	$3,223.26
COST OF CREDIT	**$792.07**	**$892.07**



INTEREST RATES, LOAN TERMS, AND FEES

Answer the following questions.

1. Sammy wants to buy a chainsaw that is $150. The store offers him a payment plan of $20 a month for 15 months.

If Sammy uses the payment plan to purchase the chainsaw, how much will he pay?

$ ____________

2. Lenora wants to buy a $5,000 car. She has saved $500 towards this purchase. The interest rate for her loan is 8%.

How much will she need to borrow to purchase the car? $ ____________

Will Lenora's cost for credit go down if she uses her $500 as a down payment?

____

3. Kala has a credit card with a 26% interest rate. If she pays the total amount due within 30 days of receiving her bill, she is not charged any interest. One day Kala charges $120 on her credit card. The next day she sends the credit card company a check for the full amount.

What percent of interest did Kala pay for her purchase? ____________ %

Asking the Right Questions

If you decide to apply for a loan, ask the lender the following questions:

- What is the total amount I am borrowing, including fees and interest?
- What do I have to pay in fees?
- What is the interest rate?
- If the interest rate will change, when, how often, by how much, and how high can it go?
- What is the total monthly payment?
- How many years do I have to repay the loan?
- Are there any prepayment penalties? If so, what are they?
- Will the interest rate go up or I be charged an additional fee if I am late on a loan payment or miss a payment?

- What happens if I cannot make a monthly payment one month? Is there an option to waive a late fee for a good reason?
- Could I refinance the loan for a lesser amount if my credit history improves?
- Is this loan reported to one of the credit bureaus?

Credit Denials

Loan applications are not always approved. This is called an adverse action. Here are some common reasons why:

- Poor credit history.
- Too many open credit cards. (Credit cards are an opportunity to assume more debt, so it might make sense to close accounts you don't need.)
- Too much debt.
- Lack of employment history. (The longer and more stable, the better.)
- Loan request is too high. (Remember, you generally can't borrow more money than your DTI Ratio allows.)
- Too many credit inquiries. (A request to view your credit report is noted as an inquiry, and if the lender sees too many inquiries made, they might be concerned that you are in bad financial need. There are exceptions for rate shopping in the case of mortgages and car loans.)

If you are denied credit, a lender must provide you with a reason through an adverse action notice within 30 days, and if the reason includes anything having to do with your credit report, you have the right to request a free credit report from the credit bureau that provided the report that the lender used. If the reason is unclear, ask for clarification.

REASONS FOR DENIALS

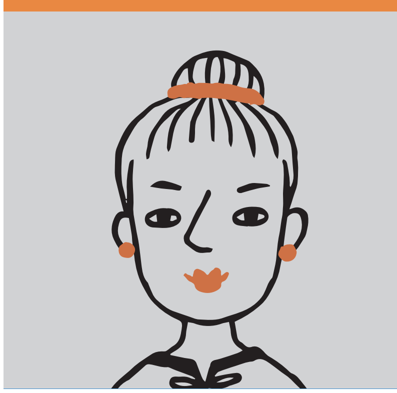
Can you think of some additional reasons why a loan application might be denied?

Getting to YES

Applying for credit can be a frustrating process. Remember that denials and requests for more information may not be acts of bias or discrimination. Lenders are in the business of making loans that will be repaid. Knowledge of the credit process and specific lending criteria are your best tools to help you achieve your dreams.

If you or someone you care about has a loan application denied, start by going back to the 5 Cs of Credit to see where you can make improvements. You might also take another look at your needs versus your wants to make sure the thing you want to buy with a loan is necessary in your life right now. Another thing to do is re-evaluate your budget. Are there ways you can cut costs or save extra money so that you can offer a larger down payment? If you don't know where to start or just want some help, consider talking with a reliable credit counselor.

Two examples below demonstrate how an individual can overcome barriers and still work within the credit system to meet their goals.



Cindy's Car Loan

Cindy applied for a $20,000 car loan. Her credit application was denied. When she spoke with her lender, he explained that she didn't make enough money to pay back the loan. Cindy and her lender then discussed how much money she could afford to borrow. Ultimately, Cindy was approved for a $10,000 car loan, and she bought an older, used model of the car she wanted.

Dan's Business Loan

Dan applied for a $7,000 business loan. His credit application was denied. He asked the lender why and was told that his credit report listed:

- A number of late payments
- Too many open credit cards
- A marginal credit score

Dan explained that his son had been hurt in a car accident, and the insurance money did not come on time to pay the hospital. Everything had been dealt with, and there were no other late payments on his report. At the lender's suggestion, Dan closed three of the credit card accounts he didn't use (starting with the newest ones first). After a few months, Dan was able to borrow the $7,000 he requested.

TIPS FOR STRENGTHENING YOUR LOAN APPLICATION

1. Use collateral to secure your loan.
2. Put a substantial down payment on your purchase. For instance, if you want to buy an $8,000 car, a $4,000 down payment may improve your chances of getting a loan.
3. Consider a co-signer. Just make sure you can repay the loan before asking a relative or friend to put their own credit at risk on your behalf.
4. Work on cleaning up your credit history or establish a non-traditional credit history. Be patient. Reestablishing your credit takes time.

Pauline Continues Her Credit Journey

One of Pauline Running Horse's long-term goals is to buy a home for her and her grandmother, as they are living in tribal housing right now. She was able to routinely deposit into her savings accounts over the years and saved close to $10,000. Her grandmother isn't sure Pauline has the right credit score to eventually buy, but her grandmother doesn't really understand how credit works.

GETTING PAULINE TO "YES"

From what you learned in this lesson, what steps should Pauline take to ensure that she'll get approved for a home loan in the next five years?

How to Use Credit Wisely

Credit-card debt can spiral out of control if it is not managed properly. Here are some tips and best practices to protect you from getting in over your head and hurting your credit and your financial well-being.

- **Make your credit-card payments on time.** Try to pay early and pay on time. Avoid late payment charges and penalty rates. Problems get worse fast when you have late fees and higher interest rates to pay. It's always worth calling your credit-card company to ask for a fee to be waived if you were accidentally late or have a good explanation that they might be willing to make an exception for.
- **Credit isn't a substitute for income.** Credit cards can be a helpful tool, but not at the expense of going into unsustainable debt. If you are unable to pay the credit-card bill every month, look at your wants versus needs and your spending plan to see how to lower the amount of credit you are using every month to cover your expenses.
- **Avoid using credit cards if you are already in financial trouble.** Finance charges and other fees will only add to your debt burden. However, using your credit card in a time of financial difficulty may be better than taking out a higher-cost payday loan.
- **Don't get hooked on minimum payments.** Some credit-card issuers have set their minimum payments as low as 2% of the balance. Others may set it to 4%. If you pay only the minimum, it will take a long time to pay off your debt and will cost a lot more in the long run. For example, if you owe $5,000 on an account with 18% APR (Annual Percentage Rate), making 2% payments will take you over 44 years to pay off the debt. Also, you will have paid $12,431 in interest – over two times the cost of the original debt!
- **Don't run up the balance because of a temporary "teaser" interest rate.** Money borrowed during a temporary or promotional rate is likely to be paid back at a much-higher permanent rate.
- **Avoid the special services, programs, and goods that credit-card lenders offer to bill to their cards.** Most of these extras – fraud-protection plans, credit-record protection, travel clubs, life insurance, etc. – are not necessary.
- **Beware of unsolicited increases to your credit limit.** Don't assume that this means that your lender thinks you can afford more credit. Lenders generally increase limits for consumers who they think will carry a bigger balance and pay more interest.
- **Don't max out your cards.** It's easy to get hit with over-limit fees. Also, a credit-card account close to its limit can cause a big drop in your credit score. Be aware of whether or not your account allows you to spend over your limit, as this is optional.

ONCE YOU HAVE A LOAN, MANAGE IT WELL!

1. Pay on time, every time.
2. Make more than the minimum payment if possible.

LESSON 5 SUMMARY

Lessons Learned

In this lesson, we looked at the process of applying for and receiving a loan. We learned there are costs to borrowing money, including fees and interest. Most importantly, we learned how to use credit wisely, and if you do not use credit wisely, it can really cost you a lot more in the long term. Building a good credit score takes time, so don't try to rush it, and if you use credit responsibly, a great credit score will follow. If you start out with good credit habits, you won't have the difficult task of repairing your credit score later. Knowledge is power, and we hope you're feeling empowered to make smart choices about using credit and staying financially fit.

Discussion Questions

1. What are the advantages of using credit? Disadvantages?
2. What do you need to complete a loan application?
3. What are the 5 Cs of Credit?
4. What is the formula for the Debt-to-Income Ratio?
5. What are some reasons that loan applications are denied?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – www.creditkarma.com/calculators/loan/

Resource #2 – www.experian.com/consumer-products/score-boost.html

HOMEWORK: AVOIDING CREDIT PITFALLS – PROTECT YOUR "REP"

Did you know that when you agree to co-sign on a loan, you are agreeing to make the payment on the loan as if it was YOUR LOAN. If you are not financially prepared to 100% take over the payments, DO NOT co-sign on a loan. Many good people with great intentions have ruined their credit histories by co-signing for irresponsible people. Don't become one of them. Protect your rep by keeping your credit to yourself.

Read the letter below. Then put yourself in the financial advisor's shoes and answer the questions.

> Dearest Financial Advisor,
>
> I'm 22 years old and I need some help. When I was 19, I co-signed on my boyfriend's truck. He really needed help, and my credit was good. Unfortunately, he didn't keep up with the monthly payment, and the car was repossessed. The bank is now sending me notices that I owe $8,000. I am barely getting by as it is. There is no way I can pay this. I can't believe I'm in this situation. What should I do?
>
> Please help,
> Autumn
>
> P.S. No surprise, but we are no longer together.

What advice do you have for Autumn as her financial advisor?

___

___

___

___

What do you think will happen to Autumn's credit as a result of this situation?

___

___

___

Where did she go wrong?

What should she do now?

COMPARISON-SHOPPING CHALLENGE

Use research to find the lowest-cost fridge with an ice dispenser.

Use the Internet, smartphone, or shopping ads to get a great deal on an 18-cubic-foot refrigerator.

STORE #1	STORE #2
STORE #3	STORE #4

What did you find the most interesting about this comparison-shopping challenge?

HONORING OUR ELDERS: DEVELOPING A POSITIVE FINANCIAL ATTITUDE

Find an elder in the community who appears to manage money well. Ask them to be your financial mentor, and ask them what the key to creating a positive financial attitude is. Remain open to learning and putting new behaviors into action.

The following are some ideas and simple steps that you can take to get started:

1. Have an open discussion with a family member about what you have learned in class.
2. Balance your checkbook.
3. Have lunch with a friend and discuss a financial product such as savings accounts.
4. Watch a financial show on TV or YouTube.

By taking action, you will develop a better understanding of finances.

Lesson 6

HOME IS WHERE THE HEART IS – ULTIMATE ADULTING

Objectives

In this lesson, we will discuss:

- Learning about assets
- The importance of insurance
- Pros and cons of renting
- Preparing for homeownership

BEFORE WE BEGIN LESSON 6

Silence

We Indians know about silence. We aren't afraid of it. In fact, to us it is more powerful than words. Our elders were schooled in the ways of silence, and they passed that along to us. Watch, listen, and then act, they told us. This is the way to live. Watch the animals to see how they care for their young. Watch the elders to see how they behave. Always watch first, with a still heart and mind, then you will learn.

> **— *Lakota Narratives of Ella Deloria* from firstpeoplesvoices.com/wayoflife.htm**

Spend a few minutes in silence and observe what you notice. Do you notice your breath, your own heartbeat? Do you notice anything in nature or from the people around you? How does it feel to sit in silence?

My First Home – I Did It!

After college, I came home to work for the tribe, and I was renting from a family member. My mom helped me with a game plan to start saving up for a house. Then I heard about the home finance assistance program and the home buyers education class, so that was my next step. Then I started searching for houses online and found THE ONE with everything I wanted.

I went on and tried to find a loan that would accept the finance assistance from tribal housing, which was probably the hardest part of the whole process, because I tried to do it on my own and it almost got to the point where I was just going to give up. Then I emailed my tribal housing authority, and after months of trying on my own, they helped me through the loan process. Closing day was exciting!!! It was the day where everything felt real, and I was finally going to get my keys. Today, a couple months later, I am super proud of myself! I stuck with it, and I am super happy with my decision.

– Sierra High Eagle, Nez Perce

In this lesson, we dive into the world of assets – the things we have that are of value. As you build assets, you may also consider protecting your assets with insurance, including home, renters, car, and life insurance. Before diving into all of this, though, let's look at the concept of accumulating wealth and possessions from the value standpoint of our ancestors.

Multiple tribes practiced honor giving, sometimes called potlatch, which is a Chinook word. Charles Eastman Ohiyesa states in *The Soul of an Indian*, "Families give away much of their treasured possessions in honoring weddings and funerals." These families considered it an honor to give to their community on special occasions.

It is our goal throughout this curriculum to help you become economically self-sufficient while upholding your Native cultural values.

Who and What Is an Asset?

Assets are things of value, but they can also be people of value! Have you ever heard the phrase, "You're a great asset to our team"? That means you are valuable to the team. Things, besides you, that might be considered assets include your car, house, electronics, jewelry, equipment, animals, collectibles, possessions, savings, retirement accounts – and the list goes on. There are many personal assets that are material and easy to measure. These include your personal financial assets like savings accounts, checking accounts, and retirement accounts. Assets that have a value that cannot be easily accessed are also included in the personal assets' category. These include life insurance policies and annuities that have cash values. **A true asset is something that holds or increases its value over time.**

LOOKING AT ASSETS THROUGH A CULTURAL LENS

How might we understand the value of building assets while also honoring the wisdom of Native elders who gave much of their possessions to the community?

List here who might consider you an asset.

List here what things you own that you consider an asset.

Building your assets, such as buying a home, helps to build your personal wealth. This is because wealth isn't just the amount of money you have in the bank, it also includes the amount of valuable things you own.

The things you listed as assets may benefit from the protection of insurance, which we will discuss next.

Insurance

Now that you've purchased your first big asset, it's time to protect it! When you borrow money to purchase an item, most lenders will require that you insure the purchase (e.g., a car or home). Insurance can best be understood as a backup plan to protect your family or community if something goes wrong. It's simply another tool used to benefit and strengthen the community.

What Are My Insurance Needs?

Insurance tends to be the last and most misunderstood resource a family or individual considers. Most people do not realize how important insurance is until they experience an emergency.

THE IMPORTANCE OF INSURANCE

Why is insurance important?

____

____

____

What are some reasons that people might delay getting insurance?

____

____

____

Use Insurance to Protect the Things and People You Love

Health Insurance	Homeowner's Insurance	Car Insurance
Renter's Insurance	Life Insurance	Disability Insurance

Types of Insurance

Insurance can be purchased for almost anything. Here is a brief overview of some types of insurance:

Health Insurance

Health insurance can help pay for medical bills for things like primary care, visits to specialists, preventative screenings, surgeries, prescription medications, and other health-related costs.

The Indian Health Service (IHS), an agency within the Department of Health and Human Services, is responsible for providing federal health services to American Indians and Alaska Natives. For more information about Direct Care or Contract Health Services offered by IHS, visit its website at www.ihs.gov.

If you are an enrolled tribal member, you may be eligible to receive services at your local tribal health clinic. You will need to inquire by contacting your tribe's health department or by checking with a local tribal health clinic where you currently live. Some communities also have private, nonprofit urban health clinics specifically intended for off-reservation Native people to seek care.

If your employer offers health insurance, consider using it, because by doing so, you make more resources available for other people who need IHS assistance. The same holds true if you are self-employed and purchase an individual insurance plan. Moreover, if your community does not offer adequate services or does not cover everyone in your family, you should consider purchasing health insurance.

Automobile Insurance

Automobile insurance is very important and, in many states, mandatory. It is essential to have enough coverage to fully cover any costs in the event that you cause harm to a person or property. If you do not have adequate insurance, an injured party can gain access to your assets, such as savings or property. Everyone who drives a car should have the following types of insurance:

- Bodily injury liability covers injuries suffered by others hurt in an accident while you are driving.
- Property damage liability covers damage done by your car to the property of others.
- Collision coverage pays for damage done to your car in an accident. You will want enough coverage to fully replace your car.
- Comprehensive coverage pays for damage done to your car in an event other than an accident, such as theft or fire.
- Uninsured or underinsured motorist insurance covers your expenses in the event that you are in an accident with someone who either does not have automobile insurance or is underinsured to cover the damages.

Homeowner's Insurance

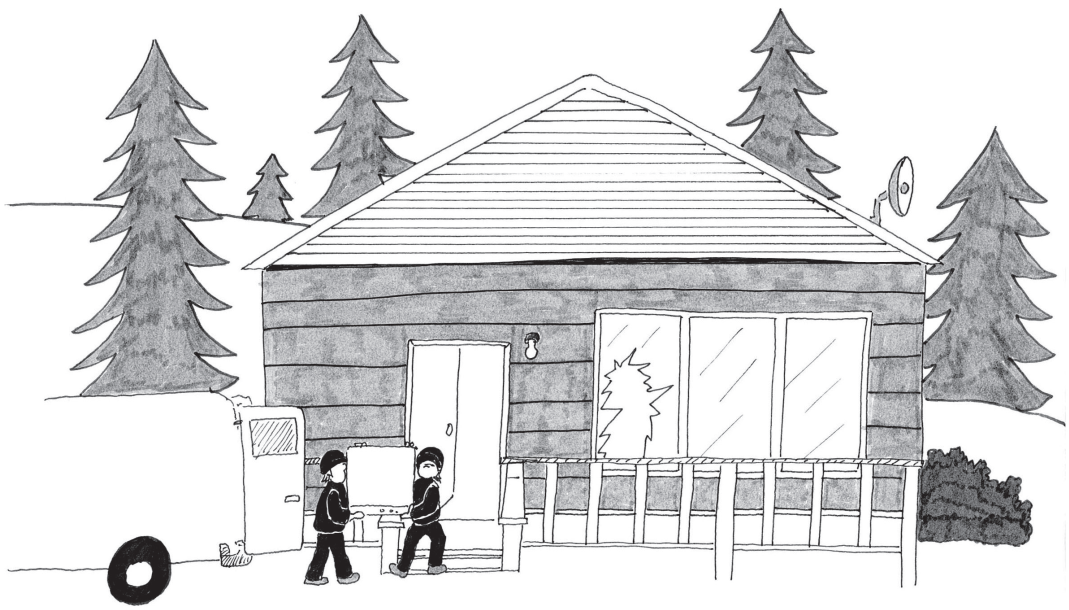
Homeowner's insurance protects your housing investment. To receive a traditional mortgage, you will likely need the following:

- Property damage coverage reimburses you for damage or loss to your house and belongings. It usually covers natural disasters (e.g., fire) and man-made disasters (e.g., theft, electric fire). Areas that are prone to certain types of weather may offer policies that exclude common circumstances in that area. In these cases, you will need to purchase a separate policy to cover the possibility of property damage.
- Liability insurance protects you from people who might sue you for injuries or property damage. For example, if a dead tree on your property falls and damages the neighbor's property, you may be liable. This type of insurance would help cover the costs of repairing the damage to your neighbor's property.

Renter’s Insurance

This covers your personal property (clothing, jewelry, computer hardware/software, electronics, furniture, and other valuables) if you rent a room or an apartment. Typically, it also covers against personal liability (up to some specified amount) for those who are injured in your rental unit.

Renter’s insurance typically covers the possibility of damage from things like fire, smoke, lightning, wind, hail, explosions, and water damage from burst pipes, theft, and vandalism. It may also cover any costs associated with living somewhere else while your unit is being repaired.



Disability Insurance

Disability insurance protects you against a loss of income if you are unable to work for a long time because of injury or illness. Before you purchase this type of insurance, be sure to investigate the coverage you already have, such as employer-provided sick leave, worker’s compensation, Medicare/Medicaid, and Social Security.

How Life Insurance Works

A life insurance policy is a contract with an insurance company. You will probably pay monthly premium payments for your policy. As long as you are paying your monthly payments, the life insurance company agrees to pay out a certain amount, also known as a death benefit, in the event of someone passing away unexpectedly. The insurance company will usually provide a lump-sum payment to the designated beneficiaries upon the insured's death. A beneficiary is whomever you have selected to receive payment upon your passing, and it is usually a member of your family.

Life Insurance

A life insurance policy provides money to your beneficiaries if you die. Life insurance costs are based on many factors, including age, health, occupation, and sometimes gender. The younger you are when you obtain life insurance, the less expensive it is. The two basic types are term insurance and cash value insurance.

TYPES OF LIFE INSURANCE

TERM INSURANCE

Term insurance is the least expensive type of life insurance. Term insurance provides a specific amount of coverage for a specific amount of time. For example, 10-year, level-term insurance offers 10 years of life insurance coverage at a level price. After the 10 years, you can renew the coverage, but the cost increases since you're now 10 years older. It may be better to lock in a rate for a longer period of time. Most companies offer level-term rates from one to 30 years.

CASH-VALUE INSURANCE

Cash-value insurance has a savings component. Cash-value life insurance may be one of several types: whole life, universal life and variable life are all types of cash-value insurance. The premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways. You may borrow against a policy's cash value by taking a policy loan. If you don't pay back the loan and the interest on it, the amount you owe will be subtracted from the benefits when you die or from the cash value if you stop paying premiums and take out the remaining cash value.

Life insurance is an important form of insurance. Loss can be difficult to talk about, especially in Native communities. But it is important to think about what might happen to loved ones if a parent or spouse passes away unexpectedly. These loved ones might be left without the financial resources to take care of their needs. Owning a good life insurance policy can be just as important as auto insurance, a checking account, and an emergency savings fund. But, unfortunately, many families don't buy life insurance. This places them at a huge risk. To help you understand this complicated topic, we have put together a list of things to think about when considering a life insurance policy.

LIFE INSURANCE COVERAGE

The dollar amount of the policy (the amount paid to beneficiaries upon the passing of a loved one) is sometimes referred to as coverage. A $100,000 policy has more coverage than a $50,000 policy.

Weighing Life Insurance Options

Do I Need It?

Whether you need life insurance or not depends on where you are in your life. It also depends on whether or not anyone is relying on you for your salary or your help around the house. Purchasing life insurance becomes necessary if you are married, have kids, or are caring for a family member. Your family probably depends on you for your paycheck or the help you provide at home. For example, think about the costs of raising a child, paying for rent or a mortgage, or caring for family members. If you own life insurance, some of these expenses would be taken care of in the event of your passing, and usually a cash payment would be paid to your family members or beneficiaries. If you are a young person starting out with no children, it might make sense to purchase life insurance later.

How Much?

How much life insurance do you need? A good rule of thumb is to purchase a policy that provides a coverage of between seven and ten times your annual income. So if you make $25,000 a year, a $250,000 policy might be adequate. But the coverage amount will be different for different people. Consider factors such as how many children you have and their ages, how much you owe on your home or pay in rent, and whether or not you have other family members or parents depending on you. This will help you identify how much coverage to get.

When to Buy?

Life insurance policies are quite inexpensive for young healthy people, but costs increase as a person ages or suffers a health setback. In fact, some health issues can actually make a person uninsurable, so it’s usually a good idea to purchase a life insurance policy sooner in life rather than later.

EMPLOYER-PROVIDED LIFE INSURANCE

Sometimes you will be offered life insurance through your employer as part of your benefits package. This often provides you with life insurance for as long as you work for the company (and the monthly payments are paid by your employer). You may have an option to increase your coverage amount if you pay a bit extra each month.

RACHEL'S LIFE INSURANCE

Rachel, a single parent, is in her mid-20s and is raising two children, ages 3 and 5. She earns $25,000 a year working for the local foodbank and recently borrowed $50,000 to purchase a mobile home. Rachel's parents are both disabled, but they live with her and help out with childcare. The children's father is not involved, and Rachel has minimal savings.

1. Does Rachel have a need for life insurance?

2. If so, what is an acceptable amount of coverage, and how long should she have life insurance?

3. Do you think her coverage might need to be adjusted in the future? If so, what types of events could require an increase or decrease in coverage?

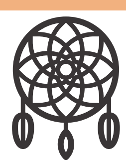
4. Would Rachel be wise to hold off purchasing life insurance until her children are older or she gets a raise and is better able to manage the monthly premiums? Why or why not?

5. What are the risks if Rachel doesn't purchase life insurance?

“Out-of-Pocket” Insurance Expenses

Some insurance plans, such as health insurance, have co-pays. Others, like car insurance, have deductibles. When choosing your insurance plan, you should keep these things in mind:

- A **co-pay** is a flat amount you might pay upfront; for example, at a doctor visit. Most health care plans require some amount of a co-pay when you visit a doctor, and then the insurance plan will pay the remainder of the costs. A co-pay is known as an out-of-pocket expense, because you pay it in addition to the benefits offered through your health care plan. Co-pays usually range from $25 to $50, depending on the type of visit.
- **Co-Insurance** is an out-of-pocket expense similar to a co-pay. However, instead of a flat fee, co-insurance is based on a percentage of the total cost of service.
- A **deductible** is an out-of-pocket expense you must pay before an insurance plan takes over paying the rest of the costs. A typical auto insurance policy or renter’s/homeowner’s policy may carry a $500 to $750 deductible. That means, for example, if you are in a car accident, you may be responsible for $500 of the repair expenses, and the insurance company will pay the rest.



INSURANCE DEDUCTIBLES

Anderson was recently working on his family’s ranch when a cow slammed into his truck. The body shop repair bill was $2,500. He carries a $500 deductible on his car insurance policy. Therefore, his insurance company paid $2,000 of the bill, but Anderson had to pay $500 out of pocket. **Ouch!** Pay attention to deductibles and co-pays. Most people don’t give them a second thought until they have to pay them.

Consider these examples:

The Sampsons

The Sampsons owned an older home for which the mortgage was completely paid off. One month, they experienced some financial hardships and made some major household budget cuts, including letting their homeowner’s insurance lapse. Three months later, their home caught on fire and burned down. The Sampsons’ lives completely changed. Five years later, they are living in a trailer, and their four children live with other relatives. The decision to let their insurance go cost them their home and their family.

The Yazzies

The Yazzies lived in a small town and then moved to the “big city.” After moving, they purchased renter’s insurance to protect their belongings. When they moved back to the small town, they wanted to save money, so they canceled their renter’s insurance; they felt a sense of safety living in a small town. A few months later, their house was robbed, and all of their valuables were stolen, including a television they had recently finished paying for. Without insurance, they had to purchase all new items on their own. Their idea of saving a few dollars a month on renter’s insurance ended up costing them hundreds of dollars instead.

Choosing Insurance Products

Here are some things to keep in mind when choosing insurance products:

1

RESEARCH

- Don’t forget to shop around! Research different insurance policies, agents, and companies, either in person, online, or over the phone.
- Ask your friends and relatives to share their experiences with different insurance companies. They may have some stories regarding the quality of coverage and the customer service they received from their insurance companies, and may have a recommendation for you.

2

CHECK

- With all types of insurance, make sure your insurance company is highly rated among its peers. You may wish to check using this website: www.consumerreports.org.
- When purchasing health insurance, remember that plans are designated as either bronze, silver, gold, or platinum. A good rule of thumb is that higher-level plans, such as gold and platinum, will charge higher premiums but less out-of-pocket expenses. Lower-level plans, bronze and silver, will charge lower premiums but higher out-of-pocket expenses. So the key takeaway is that your current health and anticipated yearly medical bills are important to consider when choosing an annual health insurance plan.

3

ASSESS

- Insurance needs change periodically. A change in income, marital status, birth of a child, and retirement are all good times to reassess your insurance needs.
- Don’t overinsure. Estimate your needs and select the coverage that meets your needs and your budget.

The amount and type of insurance needed will be different for everyone, as we all walk different paths. The six types listed are those that are the most important to you in your everyday lives. Buying the maximum amount of coverage in each of the four areas may be too expensive, so you have to look at your health and lifestyle, and make choices about how much insurance you really need.

Don’t Wait!

Many people hold off on insurance due to cost, time constraints, or confusion over terms and policies. Don’t wait to look into this important issue when addressing your family’s financial needs. Sometimes you have to pay a small amount now to make sure that you are protected against a big loss later!

LACK OF INSURANCE CAN LEAD TO BANKRUPTCY

Medical bills are the leading cause of bankruptcy in the U.S. Maintain accurate records of all your medical bills, insurance information, and your medical history. Review the organization and record-keeping tips from Lesson 2!

TOM'S INSURANCE NEEDS

Tom has a savings account with a $10,000 balance. He is single and just turned 27 years old. He is in perfect health, drives a 10-year-old car, and lives in an apartment.

AUTO	Tom is male and under 30, so his premiums are very high.	**How can he save money on his auto insurance premiums?**
RENTAL	Tom just moved into his first townhome and has a $600/month rental payment. He doesn't have anything of real value. In fact, his sofa is his bed.	**Should he purchase a renter's insurance policy?**
HEALTH	Tom is very healthy and does not have a need to visit a doctor on a regular basis.	**Should he purchase health insurance?**
LIFE	Tom is 27 and does not have a family. His best friend is trying to sell him life insurance.	**Should he buy a life insurance policy?**

BRIDGET'S INSURANCE NEEDS

Bridget is married with two kids and is 24 years old. She has high blood pressure and one of her children has asthma. She drives a new car and has lived in her house for the past two years. Her husband is an independent contractor and makes good money.

AUTO	Bridget's family has two cars, so they qualify for a multi-car discount. She still would like to pay less.	**What can she do?**
HOME	Bridget was required to get homeowner's insurance by the bank that holds her mortgage. She has never had to use her policy.	**Should she get rid of it?**
HEALTH	Bridget goes to a special doctor who is out of state.	**Which plan would be best for her?**
LIFE	Bridget has term life insurance on herself, and her husband has a term life policy. They shopped around to find the lowest rates.	**If they both have $50,000 in coverage, is this enough?**

Pros and Cons of Renting

Renting is a great way to feel grown-up, to build credit, and to have a safe space that feels like home. Are you thinking about renting a home for the first time? Let's look at eight things to consider when starting to look for a rental home.

1. Look for apartments for rent through online sites, ask friends and family, and see if the community lists apartments for rent in a local bulletin.
2. Consider living with roommates to help cover rent and increase safety.
3. Fill out the application and be prepared to show that you can pay the rent; possibly bring pay stubs and/or bank statements.
4. Get a reference letter from any former landlords, including if you lived in a college dorm.
5. Make sure the neighborhood feels safe.
6. Be ready to write a check for the deposit and first month's rent. If you have poor credit, you may consider saving up enough to offer even more of a deposit to show the landlord you are trustworthy and will be able to pay the rent.
7. Make sure you read the lease so you don't accidentally violate any clauses and to make sure everything in the lease is legal. The laws vary by state.
8. Find out which utilities need to be put in your name, and call these companies to set up service (you'll build credit!).

Information from www.thesimpledollar.com/guide-to-renting-your-first-grown-up-apartment.

Renting your first home is a great way to start your life outside of the home you grew up in, but there are a few downsides. Renting means adhering to the rules your landlord set out in your lease. It also means you are not building an asset because you don't own the property. Some people even think of renting as "throwing away" money because it isn't going toward a mortgage of a home you bought.

Depending on your long-term goals, owning a home at some point in your life may be a better option. Don't worry if you don't know the first thing about owning a home. We'll go over this in detail in the next lesson.

Building Your Foundation and Wealth through Homeownership

It has been an established financial principle that homeownership is key to wealth-building. In the *2017 Zillow Housing Aspiration Report*, roughly two-thirds of Americans reported that owning a home is essential to achieving the American dream. Of course, everybody's dream is different, and if you are looking to buy a house to build that foundation for your family, it will more than likely be one of the biggest purchases that you make.

While the economy has been in recovery and the housing industry is making a comeback, homeownership still proves to be a major factor in wealth-building for average Americans. Owning a home is the main way most people increase their net worth over time.
If you've been on the fence because of concern about the economy, or because of uncertainty about the future, it may be a good time to re-evaluate whether home ownership is the right choice for you.

For many people, owning a home makes more sense financially and from a lifestyle perspective than renting a home. Below are the top reasons people buy instead of rent.

1. ### You Have More Freedom to Make Changes to Your Property

   Owning your home means you can paint your living room any color you want, you can change your floors from carpet to wood, and you can put a new lighting fixture, even a chandelier, in the dining room without asking a landlord for permission. And sometimes, making these home improvements will increase the value of your property.

2. ### Appreciation Benefits, Including Down Payment Invested

   Owning a home is an investment many people can understand better than buying stocks, because they get the tangible daily lifestyle benefit of living in the home. We all have to live somewhere, and in most cases when owning a home, the financial benefits are also significant, and can be more substantial than stock investing. As a home appreciates, it accrues faster than a stock might because you get the appreciation on the entire home's value, not just the gain on your down payment cash invested. As a tribal member, if you use the Section 184 Indian Home Loan Guarantee Program, you can get into a home with less money down and flexible underwriting.

   For example, if you bought $10,000 in stock and it appreciated 3% per year for three years, you've gained $3,000 on top of your $10,000 invested – **and if you sold, you'd pay taxes on that money gained.**

   But if you buy a $100,000 primary residence with a $10,000 down payment (representing 10% down) and it appreciated 3% per year for three years, you've gained $9,000 on top of your $10,000 invested – **and if you sold, you'd be exempt from paying any taxes on that money gained.**

What is the Section 184 Indian Home Loan Guarantee Program?

The Section 184 Indian Home Loan Guarantee Program is a home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities. Congress established this program in 1992 to facilitate homeownership and increase access to capital in Native American communities. With Section 184 financing borrowers can get into a home with a low down payment and flexible underwriting. Section 184 loans can be used, both on and off Native lands, for new construction, rehabilitation, purchase of an existing home, or refinance.

Section 184 is synonymous with home ownership in Indian Country. For more information about this program, go to:

www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184

3. Tax Benefits – Let Uncle Sam Work for You

   Typically, homeowners are allowed to deduct mortgage interest and property taxes when they file tax returns each year. Using an example of a $300,000 home purchase with 10% down, a mortgage calculator shows a total monthly housing cost of about $1,731, with $1,231 in principal and interest (using a rate of 3.625%), $300 in property taxes, insurance of $67, and mortgage insurance (required when putting less than 20% down) of $133. The tax deductions homeowners get for mortgage interest and property taxes amount to a savings of $335 per month in taxes, so subtract this from the total monthly housing cost of $1,731 to get an after-tax housing cost of $1,396. This significant savings from tax benefits can often make owning the same as, or cheaper than, renting.

4. Mortgage Costs Can Remain Stable While Rents Can Rise

   If you get a fixed-rate mortgage on a home purchase, your mortgage payment can never change. Unless a renter is in a rent-controlled building or neighborhood, their rent is at risk of rising every year, and in urban areas, it usually does increase year after year. As for the other costs, both owners and renters have insurance (though insurance isn't always required for renters like it is for owners), and that fee can change very slightly year after year. And while owners have property taxes that renters don't, and property taxes can rise as the home appreciates, this fee is tax-deductible.

5. Subconscious Savings & Wealth-Building

   When a homeowner is making a mortgage payment, a portion of that payment is paying the loan down each month, giving the owner more equity in their home. Using the example of a $300,000 home purchase with 10% down, the average pay-down per month in the first year is $423, and the average in the second year is $438, and the average pay-down per month keeps rising each year. This loan pay-down each month is required as part of the mortgage payment, but it's the owner being required to invest in their own home, so it's like forced savings that benefits the owner – whereas the entire portion of a renter's monthly payment is going to a landlord.

Why Is Homeownership Important?

The Harvard housing study reveals the top five reasons why homeownership is a value to Americans.

- Home is a place to raise children and provide a good education.
- Home is a place of safety.
- Owning a home provides more space for your family.
- Owning a home provides control over your own living space.
- Homeownership is a good way to build wealth to pass on to your family.

Home-buying motivations for most Americans include having control and freedom to create the home they want: to paint the walls and choose the flooring, and to decorate to their heart's content. Parents want a yard for their children (including their "fur baby" children) or may want to choose a home in a desirable school district. Homeownership provides more control over the lifestyle they want to live and facilitates all of the above opportunities.

Wealth-building and building a solid foundation are values that cross over into all cultures, as having wealth to pass down to children or grandchildren or any family member makes sense to both the rational mind and the emotional heart. The number one way to build wealth for most Americans has been and continues to be homeownership, and this American dream is possible even in Native Country.

LESSON 6 SUMMARY

Lessons Learned

Wow, we covered a lot in this lesson! You learned about assets, how you are an asset to various people in your life, and how the assets that you own increase your personal wealth. We also discussed what it means to you personally to balance the wealth you accumulate with ways you honor your culture and give to your community. Next, you learned about the importance of insurance, the pros and cons of renting, and then you started to look at a pathway to owning a home. We hope you had fun looking at the things you value and how to protect them.

Discussion Questions

1. What is an asset?
2. What are some examples of assets?
3. Why is insurance important?
4. What are some of the pros of renting? Cons?
5. What is the first step that you should take to buy a home?
6. What is the Section 184 Indian Home Loan Guarantee Program?
7. Why is homeownership important?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – www.naic.org

Resource #2 – www.consumerfinance.gov/find-a-housing-counselor

Resource #3 – www.hud.gov/section184

Resource #4 – www.downpaymentresource.com

HOMEWORK: HOME IS WHERE THE HEART IS

"The ache for home lives in all of us, the safe place where we can go as we are and not be questioned."

– Maya Angelou

For some, owning a home is the American dream. It represents stability, independence, and an investment into the realm of ultimate adulting. List the reasons why you would like to buy a home.

1. ______________________________

2. ______________________________

3. ______________________________

SIMONE'S NEW HOME

Simone Smith just purchased a home for $100,000. Her mortgage is $90,000. After reviewing all of her personal items, she believes that she has $20,000 in furniture, appliances, clothing, jewelry, and electronics. She met with an insurance broker who quoted her $900/year for the following policy.

ABC CASUALTY INSURANCE COMPANY
HOMEOWNER'S POLICY DECLARATIONS

Simone Smith, 123 Any Street, Yuma, AZ

Dwelling: $120,000
Personal Property: $100,000
Loss of Use (up to 12 months): $6,000
Personal Liability (each occurrence): $50,000

Deductibles:
Wind and Hail: $100
All other Perils: $100

Based on her neighborhood and speaking to a local builder, it would cost around $80,000 to rebuild Simone's home if it were to burn down or be severely damaged by a storm. Simone maintains an emergency fund of $3,000. Additionally, it would cost about $1,000 per month to rent a similar-sized apartment in the same neighborhood.

What kinds of policy changes should Simone ask her agent for?

Is Simone overpaying in insurance for her dwelling?

Is Simone overpaying for personal property?

Loss of Use is the amount Simone would receive if she needed to rent for 12 months while her home is being rebuilt. Is $6,000 enough based on the information above?

Personal Liability should be enough to protect your assets in the event of a lawsuit. Is $50,000 enough for Simone?

What about the deductibles? Are they too high or too low?

HONORING OUR ELDERS: FAMILY ASSETS & THE SPIRIT OF GIVING

Talk to elders in your family and ask them about what assets are important to your family. This could be anything from a quilt that has been passed down through generations to your dad's prized truck. Ask your family what possessions they have that are important to them. You can also ask them about the concept of potlatch, honor giving. Have they given or received this kind of gift? What did it mean to them?

Lesson 7

CIRCLE OF LIFE – FINANCIAL MILESTONES

Objectives

In this lesson, we will discuss:

- What it means to live wholeheartedly
- Financial systems before European contact
- Benefiting from CDFIs
- Tips for being a savvy consumer
- Returning to the circle of life: financial goals now and in the future

BEFORE WE BEGIN LESSON 7

Wealth

For most Native American cultures, to be wealthy meant that one had lived well – carefully, with knowledge which had enabled the individual to hunt well, sew well, bring up children well, and if necessary, to fight well, depending on one's responsibilities. To be wealthy meant that one had much good, enough to give away, to gain respect as a generous person in the eyes of one's family, kin, and tribe. . . . Most important, to have wealth and power meant that one knew the source of these. One was aware of the equal balance of power and wealth in the things of the universe, and that wealth and power were gifts acquired in one's lifetime – a lifetime that is very short compared with a lifetime of the world, of a tree, of a river.

— From *The Sacred*, by Peggy Beck, Anna Lee Walters (Pawnee), and Nia Francisco (Navajo)

What does this passage from the book *The Sacred* mean to you?

Do you agree with the three authors' description of wealth? Why or why not?

Art Is My Passion and My Future

My name is Tranna Thunder Hawk and I am 16 years old. Born and raised in Porcupine, South Dakota, and proud member of the Oglala Sioux Tribe, which is located on the Pine Ridge Indian Reservation. I don't have a clear explanation of what type of art that I do. Before I used to use a pencil and lined paper because of financial problems. As I grew older, I've had opportunities to get the professional artist utensils that I wanted, with my goal being to get accepted into more art programs, so I can excel in this profession. I thrive off my creativity with new ideas that come to mind continuously.

I didn't know anything about Native Community Development Financial Institutions (CDFIs) in my area but will be looking into Lakota Funds' Building Native Art program, which was designed to help local artists with training and customized assistance, and possibly even applying for an Art Builder Loan.

– Tranna Thunder Hawk, Oglala Sioux

What does it mean to live wholeheartedly, and how does living this way have anything to do with finances? When you live from your heart, it means you are going after your dreams and giving your whole self to this life. It means living in the right relationship to your family and community. It means remembering the sacred in all things, including money. We feel in our hearts when things are not in balance. In these moments of imbalance, we have a choice to come back to harmony.

After learning the lessons from Lessons 1 through 6 in this text, are there new discoveries you've made that might help you come into balance with your finances? Are there wholehearted dreams that you are ready to pursue?

Financial Systems Before European Contact

Long before the modern banking and financial system, there was interaction and trade between Native communities across great distances. For example, the Columbia trade network was a prosperous trade route that included established trade networks and eventually linked Alaska to California and the Pacific Ocean to the Dakotas.

Ivory, furs, fish, stone, hides, meat, shells, edible seeds, and medicinal plant treasures were brought to the mouth of the Columbia River, where the Chinook Tribe maintained a busy exchange and trading post. Goods were left with the Chinook and traded with other Native people. Trade was conducted in a common tongue (Chinook Jargon) and used a regulated currency in the form of dentalium shell (harvest of the shell was restricted to prevent inflation). Value of the shells was determined by their size when grouped on a six-foot string. Our ancestors developed and participated in a complex economic system. As their decedents, we hold their wisdom within us and can now incorporate the tools and resources of the modern economy to benefit our communities.

TRADING TRADITIONS

With whom did your community trade? What was the economic system before European contact?

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What is a CDFI?

Community Development Financial Institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.

Lending on Our Terms

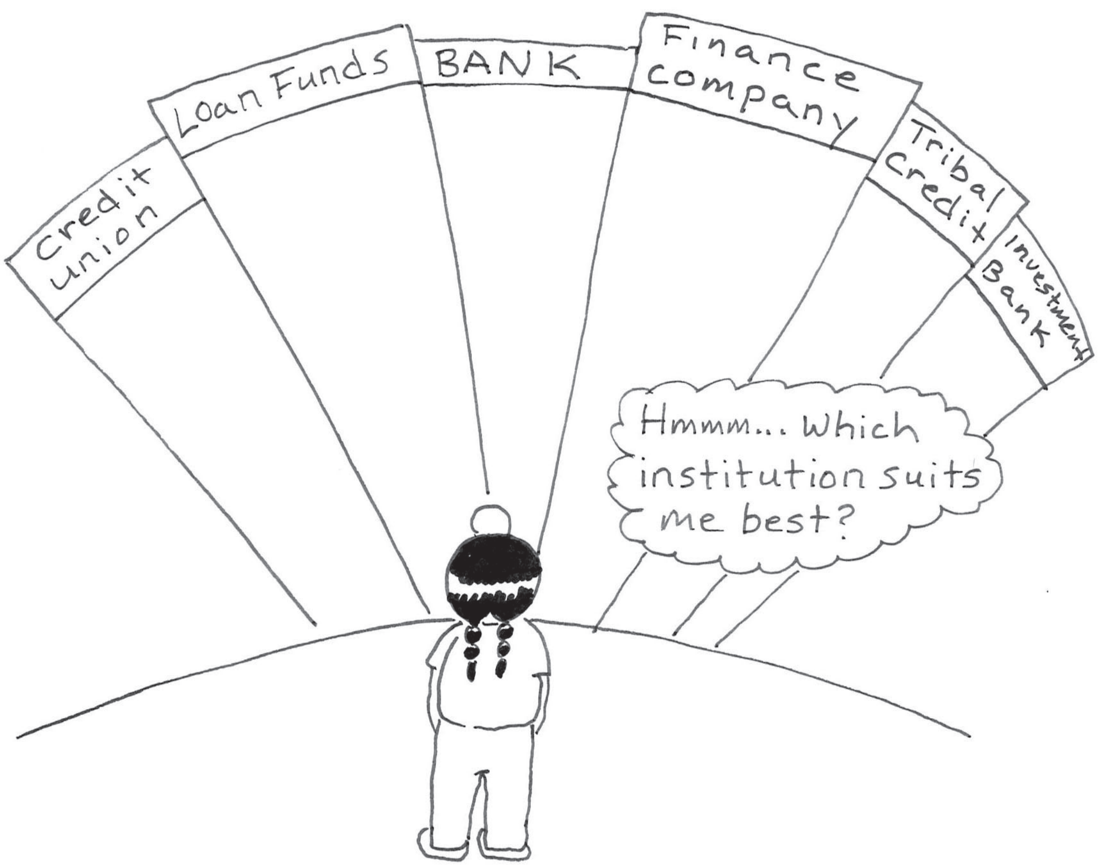
In 1994, Congress mandated, through the CDFI Fund's authorizing statute, a study on the lending and investment practices in Native communities across the country. The findings were hardly surprising and revealed that Native American, Alaska Native, and Native Hawaiian communities face unique challenges to economic growth. These barriers provided obstacles to accessing capital and basic financial services, as well as increased difficultly working and collaborating with private and public sector programs.

Armed with this information, the CDFI Fund created the Native Initiatives to further support the creation and expansion of Native CDFIs in Native communities across the country. Native CDFIs help Native communities thrive and grow by increasing their access to credit, capital, and financial services. The Native Initiatives program uses a combination of financial, technical assistance, and training to build the capacity of CDFIs serving Native communities.

How Can a CDFI Help Me in My Community?

By financing community businesses – including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing – CDFIs spark job growth and retention in hard-to-serve markets across the nation.

CDFIs are profitable but not profit-maximizing. They put community first, not the shareholder. For more than 30 years, they have had a proven track record of making an impact in those areas of America that need it most.



CDFI Products & Services

Every CDFI offers different programs, loans, and technical assistance. Some of them provide depository institutions, where community members can bank and receive financial and homeownership education, down payment assistance to buy a home, home mortgage loans, small business loans, credit repair loans, and even matched savings programs. Each business financed, each job created, and each home built creates that next critical step in the transformation of a life, a family, and a community. This is real and positive change!

FINANCIAL & HOMEBUYER EDUCATION	CDFIs provide classes tailored toward your specific needs, such as Homebuyer Education, Money Management, and Credit Counseling, and can also provide budgeting assistance on a one-on-one basis.
HOME MORTGAGE LOANS	Some CDFIs provide below-market rates to middle- and high-income families to build, purchase, or renovate a home on or off tribal lands. Some loans may be obtained to renovate homes in the communities.
DOWN PAYMENT ASSISTANCE	Some CDFIs provide closing costs and down payment assistance for eligible borrowers who are seeking loans from private banks, such as the Section 184 Indian Home Loan Guarantee Program.
SMALL BUSINESS LOANS	Some CDFIs provide small business loans to tribal members who desire to start a business or expand a business.
CREDIT REPAIR LOANS	Many CDFIs offer credit repair loans so that tribal members can consolidate debt and build a positive credit history.
MATCHED SAVINGS PROGRAMS	Matched savings programs use restricted savings accounts that are established for a very specific purpose. Some CDFIs offer matched savings programs for tribal members who wish to save funds for a specific purpose – such as down payment assistance or purchase of a vehicle – and match deposits by tribal members.

Not All Lenders Are the Same: Beware of Predatory Lenders

Borrowing money from a financial lender is part of the cycle of money. Sometimes making a big purchase, like paying for college tuition, requires you to borrow money, because you do not have enough in savings to pay upfront. If you are taking out a loan, you have many options to choose from. As described earlier, there are several types of financial institutions that give loans. The trick is to find the right one to suit your needs, and steer clear of financial institutions that may try to take advantage of you.

While many lenders conduct honest business, some do not! Excessively high interest rates, unnecessary fees, and hidden charges are a few of the things to watch out for. There are certain types of lenders who are referred to as "predatory lenders," because they take advantage of people. Predatory lenders share many traits. Here's how to recognize a predatory lender:

- They offer loans without taking into account a borrower's ability to repay the loan.
- They charge unusually high interest rates for a loan.
- They give loans with excessive or hidden fees.
- They tack on unnecessary costs, such as prepaid single-premium life insurance.
- They target their services at the elderly, people of color, or people with low- or moderate-income levels.
- They might place a lien on your vehicle, home, or other form of collateral that far exceeds the value of the loan.

Predatory lenders take many forms, but can often be found at payday lending stores, storefront finance companies, and title loan companies. Think twice about taking a loan from one of these businesses – make sure you understand the interest rate, fees, and loan terms before taking out a loan.

Glenda's Payday Loan Saga

Payday loans are short-term loans for small dollar amounts, often $500 or less. Interest is usually based on a percentage or fixed fee, such as $15 for every $100 borrowed. In theory, if a person pays the loan off in full on the scheduled due date, the fees are high but manageable. The problem is that after two weeks, the typical payday loan customer can't meet their payment, and this is when things can get ugly.

Let's look at this example: Glenda takes out two payday loans during the holiday season and struggles to pay them off. Each loan charges a $15 fee for every $100 borrowed (15%), with the full amount due on Glenda's next bi-weekly payday.

11/7	**Glenda takes out a loan.**	Loan #1: $300	Total Fees & Interest Paid To Date **$0.00**
11/20	**On payday, Glenda pays $50 towards the loan, instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.**	Fee: $45 Amount Due: $345 Payment: $50 Balance: $295	Total Fees & Interest Paid To Date **$45.00**
12/4	**On payday, Glenda pays $100 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.**	Fee: $44.25 Amount Due: $339.25 Payment: $100 Balance: $239.25	Total Fees & Interest Paid To Date **$89.25**
12/18	**On payday, Glenda not only fails to make a payment but must also take out a second loan to purchase holiday gifts. So she renews one loan (which carries fees) and takes out a new loan.**	Fee: $35.89 Loan #2: $200 Amount Due: $475.15 Payment: $0 Balance: $475.15	Total Fees & Interest Paid To Date **$125.14**
1/2	**On payday, Glenda pays $75 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.**	Fee: $71.27 Amount Due: $546.41 Payment: $75 Balance: $471.41	Total Fees & Interest Paid To Date **$196.41**

Date	Description	Details	Total Fees & Interest Paid To Date
1/15	On payday, Glenda pays $100 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $70.71 Amount Due: $542.12 Payment: $100 Balance: $442.12	$267.12
1/29	On payday, Glenda pays $125 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $66.32 Amount Due: $508.44 Payment: $125 Balance: $383.44	$333.44
2/12	On payday, Glenda pays $125 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $57.52 Amount Due: $440.95 Payment: $125 Balance: $315.95	$390.96
2/26	On payday, Glenda pays $125 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $47.39 Amount Due: $363.35 Payment: $125 Balance: $238.35	$438.35
3/11	On payday, Glenda pays $125 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $35.75 Amount Due: $274.10 Payment: $125 Balance: $149.10	$474.10
3/25	On payday, Glenda pays $125 instead of the full amount due. Interest and fees continue to accrue on her outstanding balance.	Fee: $22.36 Amount Due: $171.46 Payment: $125 Balance: $46.46	$496.46
4/8	On payday Glenda pays $53.43, the full amount due on her loans.	Fee: $6.97 Amount Due: $53.43 Payment: $53.43 Balance: $0	$503.43

Glenda took out two payday loans for a total amount borrowed of $500. But by making only partial payments every two weeks, she extended her loans to five months and paid a total of $503.43 in fees, in addition to the $500 she borrowed. Ultimately, Glenda paid back $1,003.43, and paid more in fees than her original principal. Ouch!

A great way to compare loans is to look at the Annual Percentage Rate (APR), or the amount of interest charged during the course of one year. Here's a chart with common APRs for different types of loans and lines of credit. Remember, various factors, such as credit history, loan amount, term, and type of purchase, influence the APR a borrower will pay.

TYPE OF LOAN OR CREDIT	TYPICAL ANNUAL PERCENTAGE RATE (APR)
Home loan	3% to 8%
Student loan	4% to 7%
Auto loan	4% to 14%
Consumer loan from bank, credit union, or CDFI	14% to 18%
Credit card	14% to 25%
Payday Loan	**400%**

How to Calculate APR for Payday Loans

When calculating the APR for a payday loan, you are going to need three pieces of information.

1. The principal loan amount, or how much money you are borrowing
2. The amount you're paying in interest on the loan, also referred to as the "finance charge."
3. The length of the repayment term, or how long the loan will be outstanding.

Calculating Glenda's Payday Loan APR

To make things a bit easier to understand, let's use Glenda's payday loan saga as an example. Here's the three pieces of information we need about Glenda's payday loan:

- Principal loan amount: $500
- Interest/finance charge: $75 (a rate of $15 per $100 borrowed)
- Length of repayment: 14 days

Now, we'll use these three pieces of information to figure out the APR for Glenda's payday loan. To do this, we'll follow these steps:

1. First, you'll want to divide the interest/finance charge by the loan principal.

   75 ÷ 500 = 0.15

   This tells you how much you are paying relative to how much you are borrowing. 0.15 translates to a rate of 15%, which means that you are paying 15 cents on every dollar that you borrow.

2. Next, you'll want to multiply that result by 365, for the number of days in a year.

   0.15 x 365 = 54.75

3. Next, you'll want to divide that result by the length of the repayment term.

   54.75 ÷ 14 days = 3.9107

   That final result basically states that, if your payday loan were to be outstanding for a full year, you would pay 3.9107 times – almost four times – the amount you originally borrowed in fees and/or interest.

4. To convert into APR, just move the decimal point two spaces to the right and add a percentage sign.

   391.07% APR

   Thanks to ConsumerFed.org for this formula.

How to Be a Savvy Consumer

As consumers, we are often tempted to buy goods and services. Over time, these purchases can add up, especially for big-ticket items like vehicles, appliances, TVs, and pricey electronics. The ability to make smart purchases is a vital skill in today's economy. You can make smart purchases if you are a savvy consumer. Here are four things to keep in mind when considering a large purchase.

Research

Whether you're in the market for a new truck or a new refrigerator, take the time to do your research and study up on all of your options. The Internet has many consumer websites filled with great information to help you make a smart purchase.

Affordability

It is important to figure out if you can afford the purchase. Review your budget to calculate how much you can afford to spend on an item. Make sure you understand all the hidden fees or additional costs that may be associated with your purchase. For example, if you are buying a car, make sure to include any additional costs you might incur, such as car insurance, gas, and maintenance. It can add up fast!

Payment Options

When you are planning to make a larger purchase, you need to decide how you will pay for it. Cash or credit is a major decision when making a big purchase. It is fine to use credit – if you have budgeted for it! And while credit might be cheaper in the beginning, it usually costs more over the long haul. Then again, sometimes credit is the only option, so review the information about loans, rates, and terms covered in Lesson 5 so you can choose an affordable loan and a lender that meets your needs. When financing, also check your credit report (Lesson 4) well in advance, so there are no surprises when you actually apply for credit.

Negotiating

Negotiation is the process by which two or more parties come to an agreement. Almost any time you purchase something through a salesperson, the deal will be finalized by a negotiation process. Negotiation might also be the most important part of a purchase because the steps listed above won't matter much if a smooth-talking salesperson gets you to stray from your game plan. See page 210 for tips to help you handle your next negotiation so you get a deal that works well for you – not the other way around!

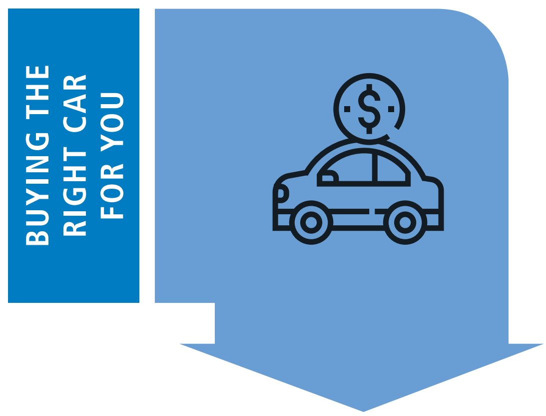
USED CARS

Buying a cheap used car for $500 may seem like a good idea at the time, but realistically, how long do you think that $500 car is going to last? Research has shown that a quality used car can be found for between $4,000 and $6,000. You'll want to find the newest year with the lowest miles in that price range.

Making the Right Choice When It Comes to Buying a Car

Buying a car is very exciting. We all want to impress our friends and family, but what can we really afford? Deciding on the right car can be one of the most important financial decisions we make. We often do not realize what a huge financial impact buying the right vehicle can have on our lives. If the monthly payments are too high, the car owns you instead of you owning the car. Then you have no money left for your other expenses. If the car constantly breaks down, no matter how good of a deal it was, it still does not get you to school or work. So, the key is to find a balance between reliability and your ability to make ends meet.

When buying a vehicle, you'll want to think about things like quality and durability, affordability, and cost of financing. The following steps will help guide you through the process.



1

ASSESS YOUR NEEDS

First, you'll need to do some thinking to determine what your "right car" is. Think about what kind of driving you do – highway, city streets, gravel roads. If you have a long commute, good gas mileage will be important. Will you need to carry passengers? Will you be doing any towing?

What are your vehicle needs?

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2

DETERMINE YOUR BUDGET

In determining your budget, you'll need to decide if you are paying cash or will need to get a loan. If you are going to finance your purchase, the most important question you can ask yourself is, "How much can I afford for a car payment each month?" A good rule of thumb is to make sure your monthly car payment is no more than 15% of your income. There are also some great affordability calculators online that can help you determine how much you should spend on a vehicle.

How will you purchase your vehicle?

❑ Cash ❑ Loan

If you are going to use a loan, how much can you reasonably afford each month for a car payment?

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3

DO YOUR RESEARCH

Websites like edmunds.com are great resources for researching vehicles. You can look at reviews of almost any make and model vehicle out there. You can use their findings as a starting point to find the right used car for your budget.

List a few types of vehicles that meet your needs and your budget.

4

GET PRE-APPROVED

If you will need to get a loan to purchase your vehicle, find a lender that can provide you with reasonable financing before you start to shop. Many people get caught up in the moment when purchasing a vehicle and make poor financial decisions that they regret later. Check with banks, credit unions, and CDFIs near you to find out what kind of rates and terms each institution offers for vehicle loans. Then go through the application and pre-approval process so you'll know exactly how much you can spend.

List some financial institutions that could possibly provide financing for you.

5

SHOP FOR VEHICLES

There are so many sites available to help you find vehicles for sale that meet your needs and are in your budget. Starting your vehicle search online is a great way to narrow down your options. Once you have identified a few, you can set up appointments to test drive them. When you test drive a vehicle, take it through as many situations as you can – up hills, in traffic, on the highway, over bumps, through tight corners.

List a vehicle for sale that you are interested in.

VEHICLE FOR SALE	
Make/Model:	
Year:	
Mileage:	
Price:	

6

PURCHASE YOUR VEHICLE

If you are paying cash, your purchase will be simple. If you are using a loan, then you'll need to go back to your financial institution to complete your transaction. They'll walk you through the process and let you know all of the information they will need. Beware of add-ons that can increase your purchase price – like extended warranties or cosmetic upgrades.

How can you make sure your vehicle purchase stays within your price range?

GAMES CAR DEALERSHIPS CAN PLAY

Let's say you need a new car. You go to the Smoky Joe's Car Emporium, because he has some awesome commercials on TV and a catchy jingle that you can't get out of your head. A salesman named Chuckie swoops in on you the second you step out of your old car. You tell Chuckie you are looking for a fair price on a good used car. Chuckie assures you, "EVERY car on the lot fits that description!"

You take a look around, and after listening to Chuckie ramble on and on, you negotiate what you think is a fair price for a gently used Honda Civic. The car will cost $15,000. Chuckie mentions, "We have the best financing in town, regardless of your credit. We don't even have to check your credit if you agree to pay by the week." You tell Chuckie that you monitor your credit regularly and you have heard that those "buy-here, pay-here" offers are a scam. Chuckie looks you up and down for a minute, then directs you to their finance company for a loan.

The loan officer asks you how much you can afford to pay each month for your Honda Civic and says he will "crunch the numbers" to give you a smokin' hot Smokey Joe's deal. You let him know that this isn't your first time at the rodeo, and you want to talk interest rates, terms, and fees. You also tell the loan officer, "If I see any garbage fees, I am walking away right now!" Sensing that you are an educated buyer, you are offered a loan at 6% interest, with no extra fees, which seems good to you.

Your loan officer tries to encourage you to take a loan term of 84 months and a monthly payment of $219. You have heard that if you make a higher monthly payment, you will save some money in interest. You ask him to run the numbers with a shorter loan term of 48 months. With that adjustment, your monthly payment would end up being $352. He says you must be crazy to want to pay MORE for your monthly payment. He shows you the two tables on the next page so you can compare the two options.

Based on what you see in these two tables, would you choose a higher monthly payment, or a lower one? Why or why not?

HIGHER MONTHLY PAYMENT - FIRST 6 MONTHS OF LOAN PAYMENTS					
Month	Monthly Payment	Principal	Interest Charge @ 6%	Loan Balance	Percent of Monthly Payment That Is Interest
1	$352	$277	$75	$14,723	21%
2	$352	$279	$74	$14,444	21%
3	$352	$280	$72	$14,164	20%
4	$352	$281	$71	$13,883	20%
5	$352	$283	$69	$13,600	20%
6	$352	$284	$68	$13,315	19%
TOTAL PAYMENTS	**$2,112**	**TOTAL INTEREST CHARGED**	**$429**		

LOWER MONTHLY PAYMENT - FIRST 6 MONTHS OF LOAN PAYMENTS					
Month	Monthly Payment	Principal	Interest Charge @ 6%	Loan Balance	Percent of Monthly Payment That Is Interest
1	$219	$144	$75	$14,856	34%
2	$219	$145	$74	$14,711	34%
3	$219	$146	$74	$14,565	34%
4	$219	$146	$73	$14,419	33%
5	$219	$147	$72	$14,272	33%
6	$219	$148	$71	$14,124	32%
TOTAL PAYMENTS	**$1,314**	**TOTAL INTEREST CHARGED**	**$439**		

DISCUSSION:

- What are the pros and cons of a "buy-here, pay-here" dealership? Do you think they could be predatory lenders?
- Do you think it's beneficial to check your credit score before heading to the dealer? Why or why not?
- Why do you think the loan officer would encourage you to take a lower monthly payment?
- What are some examples of "garbage fees" that car dealers might try to charge you?

COMMISSION

Many salespeople work for commission. A sales commission is a fee paid to a salesperson for selling a certain amount of goods or services. Commissions are common in the sales industry and sometimes lead to aggressive or pushy sales tactics. A salesperson may push you to make a decision that benefits him or her, and doesn't benefit you, so they can "make their commission."

Handy Tips for Your Next Negotiation

Do your homework. Identify exactly what you want to purchase beforehand, not at the store or car dealership.

Plan ahead. Think about what kind of sales terms you will agree to. Are you willing to take out a loan? If so, for how much? Have this all in mind (or written down!) before you go shopping – and don't let a salesperson talk you out of it!

Less is more. Don't answer any questions you aren't comfortable with or don't have an answer for. Salespeople are trained to bombard you with questions to keep you under pressure.

No distractions. Try to leave the kids at home with a relative or sitter so you can devote your full attention to the business at hand.

Eat first. Negotiations can last a long time, so make sure you are well rested and eat lunch or dinner before you arrive.

Tag team. Bring along a trusted and assertive friend who can help you analyze the sale, ask questions on your behalf, and intervene if necessary. Sometimes it's easier for a third party to see what's going on.

Stand your ground. Salespeople are not your friends. Their job is to sell you something. Try to be firm and advocate for yourself if you don't like the direction things are headed.

Leave your emotions at home. Often people become emotionally attached to a product (like a cell phone), and salespeople are trained to exploit your emotions in order to close a deal. Try to resist sales pitches like: "It is the perfect cell phone for you!"

Use your feet. If you don't like what you're hearing, don't hesitate to get up and leave. And don't feel obligated to leave your contact info. Just ask the salesperson for a card, and tell them you'll be in touch with any questions.

CHASKA GOES TRUCK SHOPPING

One November afternoon, Chaska dropped by a local car dealership to check out the new model-year trucks that were just beginning to roll in. Chaska had no intention of purchasing a new vehicle that day. But after a test drive, he agreed to sit down with the salesman and "go over some numbers." One of the first questions the salesman asked Chaska was, "How's your credit?" Chaska agreed to let the salesman pull his credit report, and things escalated from there! Two hours later, Chaska drove off the lot in a brand new $43,000 truck. He had traded in his older truck, which ran well and was nearly paid off, for a $7,000 down payment. He also agreed to a loan from the dealer with a high interest rate. He had signed up for a six-year loan that resulted in a monthly payment that was $50 more than his old loan. In addition, his insurance payments for the newer vehicle increased by $80 each month. Unfortunately, four months later, Chaska fell behind on his payments when his hours were cut at work due to a slowdown.

1. Do you think Chaska made a smart decision by buying a new truck in the manner described above?

2. What advice would you have given Chaska if you had been tagging along that afternoon?

Feel Like You Need to File a Complaint?

Sometimes you have a bad experience as a consumer. Do you feel like you've gotten ripped off or treated unfairly by a store or business? First, give the business an honest chance to fix the situation. If that doesn't work, you have two other options. One is to file a complaint with your State Office of the Attorney General. A second option is to file a complaint with the Consumer Financial Protection Bureau (CFPB), a federal agency designed to assist consumers on a wide range of issues. You can reach the CFPB on the web at www.consumerfinance.gov or by phone at 855-411-2372.

YOUR CIRCLE OF LIFE

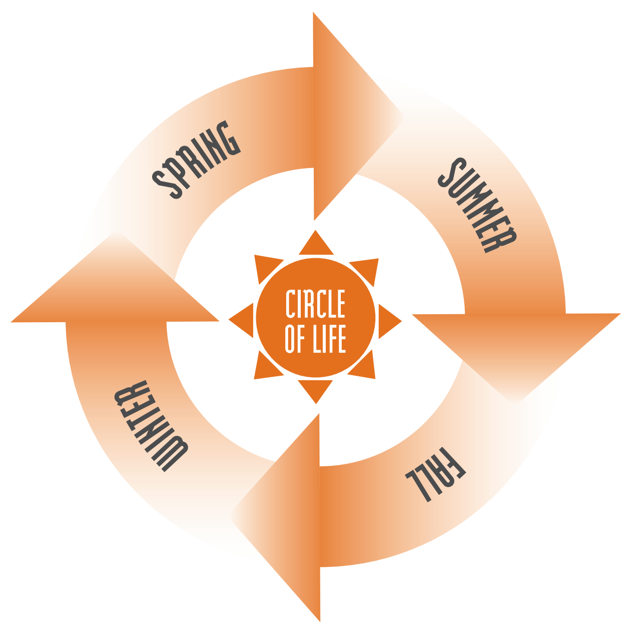
You've now learned about a range of topics related to your financial well-being. You've also discovered that finance overlaps with other aspects of your life, such as health, family, and education. And we also know that as Native people, we can draw from our tribal histories and culture to promote healthy financial lifestyles for ourselves, our families, and our communities.

Hopefully the ***Building Native Communities: Financial Empowerment for Teens & Young Adults*** workbook is useful for both your current and future financial needs. The challenge now is to apply this knowledge to create a personal strategy for achieving financial security. Reflecting on the Circle of Life exercise from Lesson 1, let's think about some financial milestones you might want to strive for at different phases of your life.

Use the checklist on the following page to think about your personal goals and to give yourself a road map to the future. It can help put you on the right path and address common questions, such as:

- When should I apply for my first credit card?
- At what age should I begin planning for my retirement?
- At what age should I be debt-free?

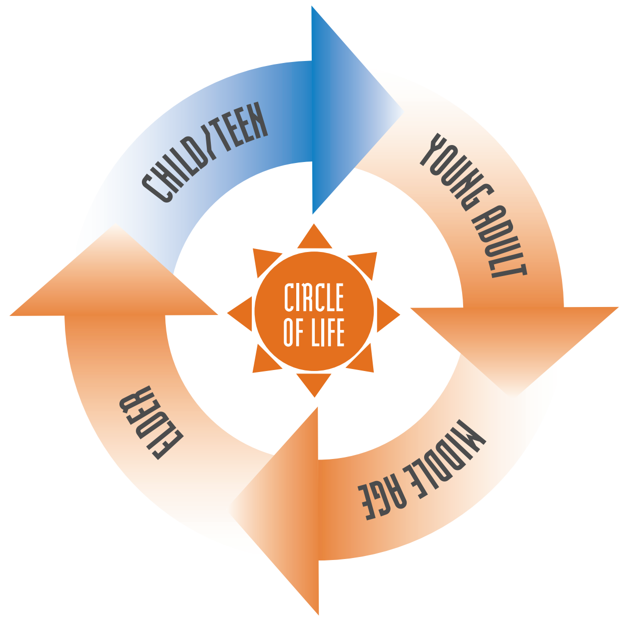
As with all other lessons and topics featured in this workbook, the following objectives are only guidelines. They may or may not apply to you or your family. In fact, the authors of the ***Building Native Communities: Financial Empowerment for Teens & Young Adults*** workbook strongly encourage you to define financial well-being for yourself, because no two individuals or families will share the same needs and goals. With that said, consider using the checklist to assist you in tracking and measuring your financial progress.



Circle of Life: Financial Checklist

Spring: Child/Teen (Child to 18)

Most young people don't have major financial responsibilities. At this stage, the focus is on developing good financial habits. You want to learn about money and learn to save. You also want to develop good organizational skills. There are ways you can assist your younger siblings or your own children with this – parents can open a savings account with a child and encourage money-related activities. Parents and older siblings can help kids start using a piggy bank, or start saving toward a goal. And parents and older siblings can help kids by talking about money and how to save and manage money.



Here are a few ways kids and teens can learn financial skills:

LEARN ABOUT MONEY.

- ❑ Earn an allowance.
- ❑ Gain work experience by getting a part-time job.
- ❑ Open a savings account and start saving money in it.

LEARN HOW TO MANAGE MONEY.

- ❑ Set and achieve a savings goal.
- ❑ Develop a simple budget or spending plan.
- ❑ Create and keep protected a personal filing system (that includes things like bank account information, birth certificate, school transcripts, and other important documents)
- ❑ File an annual tax return if you are working or receiving a minor's trust payment.

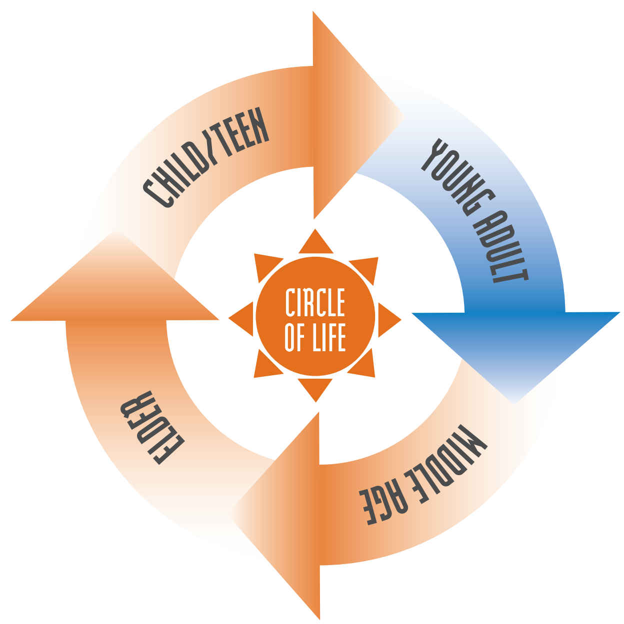
CHILD/TEEN FINANCIAL SKILLS

Can you think of other strategies to help yourself, a younger sibling, or a friend learn about managing money?

Summer: Young Adult (19 to 30)

Young adulthood is a time when many young people become saddled with debt, which can be a burden they carry throughout their lives.

The young adult years are critical years, because a person's long-term financial well-being is often determined by actions and decisions made during his or her 20s. But other young adults have already started saving for retirement. Many are employed, are paying rent, and have taken out their first loan. As a young adult, think about the following strategies that can help you lay a solid foundation for financial well-being in the future.



Consider taking the following steps:

DEVELOP YOUR EARNING POTENTIAL.

- ❑ Develop work and career skills by going to college, learning a valuable trade, or starting a business.
- ❑ Find a career that you enjoy.

MANAGE YOUR FINANCES.

- ❑ Open a checking account, if you don't have one already.
- ❑ Create and start using a budget/spending plan.
- ❑ Start using your organization and record-keeping skills to develop a personal filing system (create a file folder for your account statements, insurance policies, leases, receipts, etc.).
- ❑ File your annual tax returns.

USE CREDIT WISELY.

- ❑ Obtain your first credit card (but only if you can pay the balance in full every month and never charge more than 30% of your credit limit).
- ❑ Begin reviewing your credit report annually.
- ❑ Borrow cautiously (for example, be careful with auto loans, student loans, credit cards, etc.).

LAY A SECURE FOUNDATION FOR YOUR FUTURE.

- ❑ Consider purchasing a home.
- ❑ Review your risks and purchase insurance (including vehicle, renter's, or other insurance).
- ❑ Begin saving for retirement.
- ❑ Create an emergency savings fund to cover three months of expenses (this will be useful if you lose your job or have an unplanned expense).

YOUNG ADULT FINANCIAL SKILLS

Can you think of other goals that you want to accomplish as a young adult?

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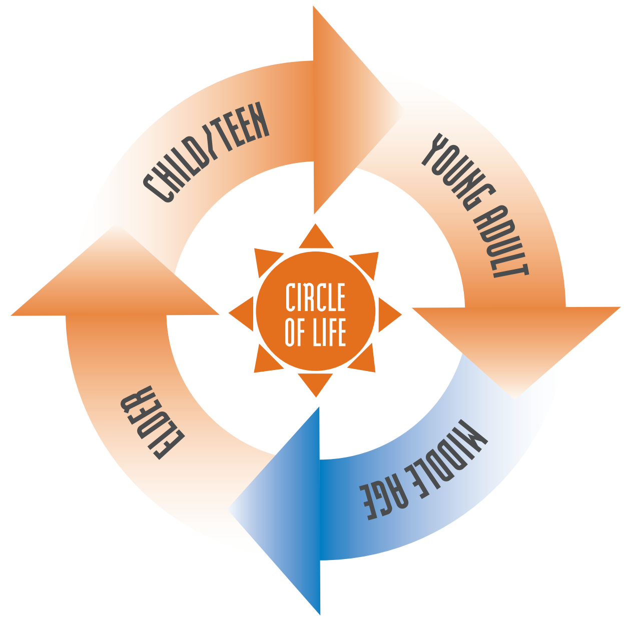
Fall: Middle Age (31 to 60)

When a person is in middle age, they often have a lot of obligations and responsibilities. Usually people have children they need to care for, and they may have purchased a home. These obligations mean that a person often shoulders the bulk of his or her lifetime financial responsibilities during this period. It's also a time when a person will experience his or her peak earning years, so managing debt while saving for retirement is critical.



Here are some goals and habits to keep in mind during middle age:

CONTINUE TO PRACTICE GOOD FINANCIAL HABITS.

- ❑ Maintain your budget/spending plan.
- ❑ Maintain your personal files and records.
- ❑ Review your credit report annually.
- ❑ File your annual tax returns.
- ❑ Establish or maintain your career or a good-paying job.

IF YOU HAVE THE RESOURCES, TAKE SOME IMPORTANT FINANCIAL STEPS.

- ❑ Consider purchasing a home, or work toward paying off your mortgage on your existing home.
- ❑ Pay off existing debts when you can (for example, pay down your student loans, credit cards, auto loans, etc.).
- ❑ Continue to borrow cautiously.

CONTINUE TO LAY A SECURE FOUNDATION FOR YOUR FUTURE.

- ❑ Maintain an emergency savings fund to cover at least three months of expenses.
- ❑ Create or continue building your retirement savings (aim for five times your annual income by age 55).
- ❑ Create or consider other types of investments or cash-flow sources (for example, non-retirement investment accounts, investment or rental property, small business investment, etc.).

TAKE CARE OF THE ONES YOU LOVE.

- ❑ Save for your children's education and other needs.
- ❑ Review your insurance needs (for example, review your auto, health, homeowner's, and life insurance policies).
- ❑ Write a will and address other estate-planning needs. Consider charitable donations to worthy causes.

MIDDLE AGE FINANCIAL SKILLS

Can you think of other goals that you might want to accomplish in middle age?

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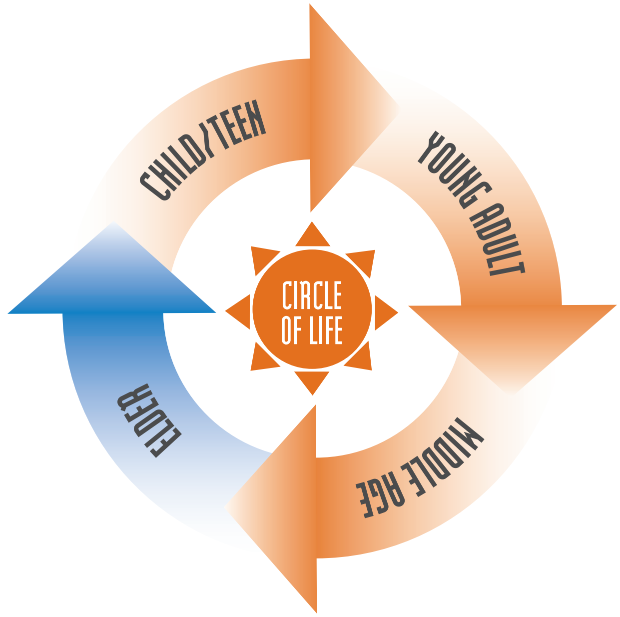
Winter: Elder (61 and Over)

The elder years can be a wonderful time to enjoy the fruits of a well-guided financial life. Hopefully, you will have laid a solid financial foundation for your golden years. Some people retire early and enjoy an active lifestyle that includes time with friends and family, travel, and volunteering. Others continue to work at an existing career or a start a new one. But all of this is easier for a person with a solid financial foundation on which to build.



Even as you age, there are financial habits that will keep you secure and help you continue to provide for your family.

Consider these steps as you enter your golden years:

CONTINUE TO PRACTICE GOOD FINANCIAL HABITS.

- ❑ Maintain your budget/spending plan.
- ❑ Review your credit report annually.
- ❑ Maintain an emergency savings fund to cover three months of expenses.
- ❑ File your annual tax returns.
- ❑ Continue to pay off existing debts, including your home mortgage.
- ❑ Continue building retirement savings as needed (aim for eight times your annual income at retirement age).

START USING YOUR RETIREMENT SAVINGS.

- ❑ Begin drawing on retirement savings as needed, if you're retired.
- ❑ Review your Social Security Benefits (including your Medicare, Retirement, Survivor's, and Disability benefits).

TAKE CARE OF THE ONES YOU LOVE.

- ❑ Establish a savings account or nest egg for children or grandchildren.
- ❑ Review and update your will and address other estate-planning needs.
- ❑ Consider charitable donations to worthy causes.

PLAN FOR THE FUTURE.

- ❑ Consider selling, liquidating, or gifting long-term investments (stocks, bonds, mutual funds, rental property, small business, etc.).
- ❑ Review your insurance needs and adjust them as necessary.

ELDER FINANCIAL SKILLS

Can you think of other goals you might have in your golden years?

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Final Thoughts

We created this text as a resource for young Native Americans who are in the spring or early summer stage of life. This is the best stage for forming or coming back to healthy financial habits. We hope that you've learned a few things that will help you reach your goals in life, and we also hope that you know you're not alone on this journey. Native people have survived and thrived through many hardships, and one of the reasons why is because of our strong sense of who we are as a whole. Reach out to your friends, family, teachers, community, and supportive organizations. There are many people ready to help you reach your dreams. We wish you the best of luck in your financial journey!

LESSON 7 SUMMARY

Lessons Learned

In this final lesson, we learned what it means to live wholeheartedly, and that this is a gift you can give to yourself and to the world. We learned that financial systems were not an invention from the Europeans who came to America. Native ancestors were using a regulated currency and trading for furs, seeds, and other goods long before banks came along. We also learned about Community Development Financial Institutions (CDFIs) and how they can be helpful to our communities. We learned of the importance of being a savvy consumer so that we don't get stuck owing a lot of money to predatory lenders or making unnecessarily high car payments. Last, we circled back to the financial circle of life and looked at some goals we may have for now and into our happy, successful, financial future!

Discussion Questions

1. What are Community Development Financial Institutions (CDFIs)?
2. What are the advantages of working with a CDFI? Disadvantages?
3. What is a predatory lender?
4. What are some good ways to practice good financial habits?

Additional Resources

Look at these helpful resources to learn more and put what you learned into action.

Resource #1 – www.consumerfed.org

Resource #2 – www.ofn.org/cdfi-locator

Resource #3 – www.nerdwallet.com

HOMEWORK: MY CIRCLE OF LIFE BUDGET

Current Budget. Create a color-coded pie chart to show what your actual budget looks like.

☐	Food	$
☐	Housing	$
☐	Utilities	$
☐	Transportation	$
☐	Childcare	$
☐	Debt	$
☐	Other	$
☐	Other	$

Ideal Budget. Now create a color-coded pie chart to show what your ideal budget looks like.

☐	Food	$
☐	Housing	$
☐	Utilities	$
☐	Transportation	$
☐	Childcare	$
☐	Debt	$
☐	Other	$
☐	Other	$

Once you have compared your current and ideal budgets, the next step is to take a look and see what areas can be reduced. You need to ask yourself questions such as:

- How much can I save by using coupons for my groceries? Am I spending too much money eating out?
- What other ways can I reduce my expenses?

Take a serious and realistic look at your budget and be willing to make reductions if that is what is needed. If you want to reach a financial goal, some sacrifices will have to be made. Unfortunately, waiting is not an option a lot of us like to consider. Our parents and grandparents did not spend what they did not have. This is a habit that we can adopt if we want to reach our financial goals.

Once you identify those areas that need reduction, let's see if we can come up with ways to save.

FAMILY ACTIVITY

At home, divide your family into two separate groups. For five minutes, each group will brainstorm ways to cut costs in each of the six budget categories listed on the previous page.

Example: Utilities Cost Savings List

- Turn the air conditioning up by 5 degrees. Leave it off at night.
- Make sure all appliances are unplugged while not in use.
- Dry clothing outside on hot days (instead of using a dryer).
- Turn off faucet while brushing teeth.
- Put a brick in the back of the toilet to consume less water.
- Only run the dishwasher when it is full.

Present your lists to each other, and then write down three things that you can commit to.

1. ______________________________

2. ______________________________

3. ______________________________

EXPRESSING GRATITUDE

Thank your elders and family for walking down this financial journey of empowerment with you!

Appendix

SUPPLEMENTAL RESOURCES

Extra Learning

The Appendix includes additional information on:

- College Readiness & Student Loans
- Per Capita Payments

COLLEGE READINESS AND UNDERSTANDING STUDENT LOANS

Moving Up

Life moves fast. One day you're dancing tiny tots on the 4th of July and the next you're studying for finals, gearing up for prom, and asking your favorite auntie to bead your graduation cap and eagle feather. For most people, high school is a pretty standard affair. You might have a few local schools to pick from. You might have only one. You probably know most of your classmates and their families. You also don't pay tuition unless you go to a private or independent school.

That all changes if you decide to go to college. There are thousands of colleges, and all have advantages and disadvantages depending on a student's needs. Do you want to stay close to home or go to school out of state? Would you prefer a large public university or a small private liberal arts college? Are you interested in a school with a large population of Native students? Will the cost of tuition influence your decision?

These are big question, and most likely cost of tuition will be a major factor in the college you choose. Some schools, like community colleges, are pretty affordable, with a full year's tuition running less than $3,000. While others, such as Ivy League schools like Harvard and Princeton, can exceed $60,000 for undergraduate tuition, room, board, and fees for one year. That's the same price as a large down payment on a very nice house or a slick brand-new SUV every year! So it's important to understand that college is more than an academic experience. You also need to approach it from a financial perspective, just like many other decisions you'll face in life.

The Soaring Cost of College

Here are a few startling facts about college (Source: *The Wall Street Journal*, June 2019):

- Four in 10 recent college graduates work in jobs that do not require a degree.
- At more than a third of American colleges or universities, less than half of students earn a degree within eight years.
- Average cost of college tuition has skyrocketed 1,375% since 1978. Compared to the price of everyday products like food, clothing, and furniture, tuition has increased more than four times the amount of overall inflation.

You don't need a Ph.D. in astrophysics to realize that college can be a very costly investment. Moreover, while it's important to pursue a passion, you want to think hard about the type of job or field your college degree will enable you to enter. Just like any investment, the key is to choose a college and course of study that will pay you much more than the cost of actually going to school. You also need to make sure you graduate in a timely manner. So get to class and hit those books!

The College Investment

TOTAL COST OF TUITION AND FEES + **YOUR TIME AND EFFORT TO EARN A DEGREE** = **FUTURE EARNINGS AND QUALITY OF LIFE (THE SKY'S THE LIMIT IF YOU CHOOSE THE RIGHT SCHOOL AND CAREER)**

TYPE OF COLLEGE OR UNIVERSITY	AVERAGE PUBLISHED YEARLY TUITION AND FEES
Public Two-Year Community College (in-district students)	$3,440
Public Four-Year College or University (in-state students)	$9,410
Public Four-Year College or University (out-of-state students)	$23,890
Private Four-Year College or University	$32,410

Source: The College Board 2019

IS HIGHER TUITION WORTH IT?

James is a high school senior in Arizona who wants to be a school teacher. He's a solid student and was accepted to a public four-year school in Arizona. Annual tuition and fees will cost about $9,500. He was also accepted to a private school in another state, where tuition and fees will run about $33,000 a year.

1. Fill in the chart below to compare tuition costs.

YEAR	IN-STATE PUBLIC UNIVERSITY	OUT-OF-STATE PRIVATE UNIVERSITY
1	$9,500	$33,000
2	$9,500	$33,000
3	$9,500	$33,000
4	$9,500	$33,000
TOTAL	$	$

2. Which school will cost more to attend?

3. The average starting salary for a school teacher in Arizona is $34,473. Assuming he doesn't get a raise, how many years will it take for James to recoup the cost of his degree if he chooses the out-of-state private university? (Hint: divide total cost of tuition by his annual salary.)

4. Assuming he doesn't get a raise, how many years will it take James to recoup the cost of his degree if he chooses the in-state public university? (Hint: divide total cost of tuition by his annual salary.)

5. What are some additional costs James will have to consider if he chooses the out-of-state private university?

College or University?

Although the words college and university are often used interchangeably, there's actually a big difference between the two. A college is usually a much smaller school that mainly focuses on educating undergraduate students. A university is a larger institution that serves not only undergrads but also graduate students, with advanced-degree programs such as a law school, medical school, or business school. Moreover, a university often has a research mission, as opposed to a college, which devotes most of its resources toward teaching students. Neither is necessarily better than the other; it just depends on what you want as a student.

A small college can be a great option if you want a school with fewer students where you won't be just another face in the crowd. Think total student body of 2,000 versus total student body of 30,000. A college might also offer smaller classes that are taught by full-fledged professors as opposed to graduate teaching assistants. That said, a university offers plenty of benefits, too, such as a wider array of courses and programs, as well as affiliated graduate programs for advanced degrees and doctorates. Universities might also offer more in terms of extra-curricular interests and hobbies. For example, most of the premier college athletic teams compete at the university level, so if you've got big time hoop dreams or just want to cheer for a big team, you'll probably appreciate being a student at a large university.

What About Community College?

A community college is school that specializes in two-year undergraduate degrees as opposed to four-year degrees. Some students will transfer to a four-year college or university after completing their community college studies. However, many community colleges also offer vocational training for careers in trades such as automotive service, welding and pipefitting, construction, culinary arts, and computer information systems. As mentioned, community colleges are highly affordable and a good option if you're not quite ready to tackle a four-year degree. Most community colleges maintain an open admission policy, meaning they are not selective and admit students regardless of high school grade point average, class rank, or standardized test scores like the ACT or SAT. Community college also might make sense if you're interested in a trade career and have a knack for hands-on problem-solving skills.

Looking to Impress

Another fact to remember about choosing a college or university is that, for better or worse, society places prestige and status on certain schools and degrees. The Ivy League, which consists of eight highly selective universities located in the northeastern United States, is an example. Moreover, some people might dismiss a person's decision to attend a community college or pursue a vocation, calling it "less important" or "easier" career choice. This is unfortunate because not only are careers in plumbing, HVAC repair, and many other trades highly challenging and valuable to society, they can pay well, too.

The type of school you choose to attend and the career it prepares you for is entirely up to you. Just make sure you understand that both your long-term career success and personal happiness are based on a lot more than the name of the school on your diploma. Personal resources like creativity, persistence, networking, hard work, and even good old-fashioned luck all factor big in the game of life.

As a young Native person, you might be a first-generation college student, meaning neither of your parents or grandparents has earned a college degree. Being the first in your family to graduate from college is an amazing accomplishment. However, you might face challenges navigating the college admission process, applying for financial assistance, or getting help with courses. Just remember you won't be alone, because a recent Georgetown University study revealed that 32% of all undergrads are first generation. Moreover, many schools have programs and services designed to assist first-generation students, in addition to specialized support for Native students, like Native American student services, Native clubs, and Native American Studies departments. Check them out!

For-Profit Colleges

Most colleges, regardless of whether they are private, like Dartmouth College in Hanover, New Hampshire, or public, like Fort Lewis College in Durango, Colorado, have a nonprofit mission. However, there are also colleges that are classified as for-profit, which means in some ways, they function more like corporations than institutions of higher learning. For-profit colleges appeal to some students who might appreciate flexible course schedules, open-door admission policies, and online classes. That said, for-profit colleges can be more expensive than their nonprofit college counterparts, might lack accreditation, and offer minimal student services or support. So while a for-profit college might be a good fit for you, definitely be cautious when considering this option. Sadly, many for-profit colleges have a bad track record when comparing their high tuition costs versus the value of education received.

Choosing a College Checklist

Take a few minutes to answer the following questions. Your answers will help identify your needs and priorities to help select a suitable college.

1. **What is it I would most like to gain from going to college (check all that apply)?**
   - ❑ An education that will prepare me for a specific career such as __________________________
   - ❑ An education that will prepare me for a graduate program such as law school, medical school, a doctorate, or _______________________
   - ❑ An education that will make me a well-rounded, knowledgeable individual
   - ❑ Networking with other people who share my academic interests and pursuits
   - ❑ A fun and exciting social life
   - ❑ Extracurricular clubs and activities; i.e., sports, hobbies, student groups
   - ❑ Other ____

2. **What other factors should I consider (check all that apply)?**
   - ❑ A high-quality STEM (science, technology, engineering, and math) based education
   - ❑ A high-quality liberal arts or humanities (history, literature, political science, and languages) based education
   - ❑ Diversity (race, ethnicity, gender, sexual orientation, socio-economic status, age, religious beliefs, etc.)
   - ❑ A strong Native American presence (large number of Native students, Native American faculty and professors, Native American Studies department, Native clubs, etc.)
   - ❑ Small classes and close interaction with professors
   - ❑ An academically competitive environment
   - ❑ Selective admission (priority given to students with high GPAs, high class ranks, high standardized test scores, extra-curricular activities such as music, art, or sports)
   - ❑ Easy admission (GPA, class rank, standardized test scores, extracurricular activities, etc. are not huge factors when determining who gets admitted)
   - ❑ Low tuition cost
   - ❑ Prestige and status
   - ❑ Great sports teams
   - ❑ Close to home
   - ❑ Other ____

As you can see, there are many different factors that determine what type of school will best fit your needs. Review your answers on the previous page and highlight your top three answers for each question.

3. How will I pay for college?

- ❑ Scholarships and grants; list which ones ______________________________
- ❑ Family support
- ❑ Student loans
- ❑ Other sources ____

For many of you this third question is going to be a major factor when determining where you choose to go to school. You might be a fantastic student who is accepted to a great school. However, if you can't afford to pay tuition, and scholarship money isn't available, you're going to need a plan.

CHOOSING A COLLEGE

Janel is a senior in high school and wants to be a lawyer. She is a decent student, but her scholarship opportunities are limited and her family is not in the position to provide much financial support.

Her top priorities for what she would like to gain from going to college are:

1. An education that will prepare her for law school
2. A fun social life
3. Clubs and activities

Her top priorities for other factors to consider are:

1. Strong Native presence
2. Low tuition
3. Close to home

Janel has been accepted to the following schools:

- A local community college where annual tuition and fees will cost $5,000. She can attend for her first two years then transfer to a four-year school to earn her pre-law degree. This is a commuter school without much of a campus-life experience.

- An in-state public university where annual tuition and fees will cost $10,000. The school does not have a substantial number of Native students and is two hours from home.

- An in-state public university where annual tuition and fees will cost $15,000. The school has a large number of Native American students and is four hours from her home. It also has an outstanding pre-law program.

Based on Janel's priorities, which one of the three schools do you think she should attend and why?

Student Loans

A growing trend in the U.S. is for students, Native and non-Native alike, who can't afford college and don't qualify for scholarships to pay for school using student loans. In fact, student-loan debt is the fastest growing type of consumer debt, with the total student-loan debt for a four-year college graduate averaging close to $40,000. Moreover, according to a recent report by the United States Department of Education, 101 people owe at least $1 million in federal student loans! While 2.5 million people owe at least $100,000 in student loan debt. Graduate students are especially vulnerable to heavy student-loan debt, because student loans for grad school are more loosely regulated than for undergrads. Moreover, graduate school generally costs more than an undergraduate degree.

Obviously, student loans have become an enormously popular and, in many cases, expensive way to pay for higher education costs. If you have limited resources for paying for college and are considering student loans, you need to manage them wisely.

Types of Student Loans

Student loans can be broken down into two main categories: federal student loans and private student loans.

The following federal student loans types are all provided by the government through the Federal Direct Loan Program.

- **Direct Subsidized Loans** – based on financial need.
- **Direct Unsubsidized Loans** – not based on financial need, not credit-based, and do not require a co-signer. The school or academic institution will determine how much a student can borrow based on attendance costs and how much additional financial aid a student receives.
- **Direct PLUS Loans** – credit-based, unsubsidized loans for parent and graduate or professional students.

It's important for a person to review federal student loans options before assuming a private student loan; there are differences in interest rates, repayment options, and other features.

After researching available scholarships, grants, and federal loans, a student who still needs money for college may want to consider a private student loan. However, private student loans should be a last option, as they usually carry higher interest rates and fees than federal student loans while offering less-flexible payment options. Federal student loan interest rates average about 6% while private student loans average about 12%.

- Private student loans are issued by a bank or other financial institution, not the government.
- Private student loans are taken out by the student and often require a co-signer.
- Loans from parents or relatives are another option for some students.

IS COLLEGE AFFORDABLE?

Casey has been accepted to Northern Arizona University, a four-year university. Complete the worksheets to determine **how much his education will cost and how he will pay for it**.

CALCULATING COST			
	NAME OF SCHOOL:		
Item	Cost/Semester	Cost/Year (Multiply Cost/Semester by # of Semesters Enrolled Each Year)	Total Cost To Graduate (Multiply Cost/Year by # of Years Needed to Earn Degree)
Tuition and Fees	$5,948	$	$
Books	$500	$	$
Dorm or Apartment	$2,700	$	$
Meals	$2,250	$	$
Miscellaneous (entertainment, vehicle, travel, or clothing expenses)	$2,000	$	$
TOTAL COST	$	$	$

Now that Casey has a pretty good idea of what it will cost to earn his degree, complete this next worksheet to identify which **financial resources** he will use to pay for school.

DETERMINING FINANCIAL RESOURCES	
Source	Amount
Tribal scholarship (if available)	$15,000
Rotary Club	$1,000
Family resources	$3,000
Pell Grant or other financial-need-based subsidies	$4,000
TOTAL FINANCIAL RESOURCES	$

Now, calculate Casey's **annual unmet financial need**.

$	-	$	=	$
TOTAL COST/YEAR	-	TOTAL FINANCIAL RESOURCES	=	UNMET FINANCIAL NEED

QUESTIONS

1. What is Casey's annual unmet financial need?

2. Do you think it makes sense for him to use student loans to cover his unmet financial need? Why or why not?

3. If he chooses to take out student loans, and provided his tuition and expenses remain the same, how much will he have to borrow in total to pay for his education (Hint: annual unmet financial need x 4 years)?

4. What are some ways Casey could reduce the amount of his student loans?

CALCULATING YOUR COLLEGE AFFORDABILITY

Now use the same worksheets to calculate how much it will cost to attend the college of your choice and how you will pay for it.

MY COLLEGE AFFORDABILITY WORKSHEET

SCHOOL

CALCULATE THE COST OF YOUR COLLEGE.

COLLEGE COSTS			
Item	Cost/Semester	Cost/Year (Multiply Cost/Semester by # of Semesters Enrolled Each Year)	Cost to Graduate (Multiply Cost/Year by # of Years Needed to Earn Degree)
Tuition and Fees	$	$	$
Books	$	$	$
Dorm or Apartment	$	$	$
Meals	$	$	$
Miscellaneous (entertainment, vehicle, travel, clothing)	$	$	$
TOTAL COST	**$**	**$**	**$**

DETERMINE THE AVAILABLE FINANCIAL RESOURCES YOU WILL USE TO PAY FOR SCHOOL.

FINANCIAL RESOURCES	
Source	Amount
Tribal Scholarship	$
Other:	$
Other:	$
Other:	$
Other:	$
TOTAL FINANCIAL RESOURCES	**$**

CALCULATE YOUR ANNUAL UNMET FINANCIAL NEED.

TOTAL COST/YEAR	-	TOTAL FINANCIAL RESOURCES	=	UNMET FINANCIAL NEED
$	-	$	=	$

What to Do About Your Unmet Financial Need

Once you determine your unmet financial need you need to do some serious thinking about how to address this shortfall. It might be tempting to quickly assume you should use student loans, but think again. Student loans are a last resort! It might be possible to work part-time to help cover costs, or if your need is substantial, think seriously about attending a lower-cost school. It's understandable that you might not want to compromise on your first college choice, but taking on too much student-loan debt can absolutely cripple a young person just starting out in life. It's probably better to graduate with low debt, or better yet, no debt than to be saddled with student-loan payments well into middle age.

Putting It All Together

Selecting a college and coming up with a payment plan is a major undertaking. You'll probably want to start thinking seriously about where you want to go to school by the beginning of your junior year of high school or even sooner. A first step is to talk with your high school guidance counselor, who can help with identifying a college that meets your needs. Your counselor should also be able to connect you with the admissions departments of schools you are interested in so you can communicate with them directly. You'll also want to schedule time to take standardized tests or college entrance exams, do campus visits, and other important steps. On your own, you can research different schools online to determine tuition costs, admission requirements, student body size, etc. The Internet is also loaded with websites and mobile apps that can be great tools to help you choose a college. For example, MoneyThink is a free app that allows you to work with an online coach who will help you evaluate different colleges and complete entrance applications based on cost, admission requirements, and other factors.

If you determine that you'll need help paying for school the first step is to complete the Free Application for Federal Student Aid (FAFSA). This can be completed online at the Federal Student Aid website (an office of the US Department of Education) at www.studentaid.ed.gov. The FAFSA is a very detailed process that will also require input from your parent or guardian. Basically, what the FAFSA will do is determine how much money you are eligible to receive from need-based federal subsidies, such as a Pell Grants, some scholarships, and possibly student loans. Moreover, the website is loaded with useful resources to help you plan for college, select a school, and learn more about student loans.

Tribal Scholarships

If you're a member of a tribe that has a scholarship program, this can be a huge benefit when paying for school. Like most scholarships, tribal scholarships are either need-based or merit-based. Need-based means an applicant is eligible provided they can prove a financial need and meet other criteria, such as tribal enrollment, place of residency, etc. Merit-based scholarships require an applicant to demonstrate some sort of noteworthy accomplishment or success, such as maintaining a high GPA, outstanding athletic achievements, volunteerism, or community service. Good thing you played that tuba in marching band all four years of high school!

Bear in mind all tribal scholarship programs are structured differently, with different rules, policies, and guidelines. For example, some tribal scholarship programs will garnish future income should you drop out of school without earning your degree. This can mean having to forfeit all future per capita payments (if your tribe pays per cap) until the full cost of your scholarship has been repaid. Moreover, most tribal scholarships will base your award amount using your FAFSA application. So again, FAFSA is definitely the place to start when determining how you will pay for college. When considering your tribal scholarship options, reach out to your tribe's education department.

Tips When Considering Student Loans

- The total amount of student loans you take out should not exceed your first-year salary after graduation.
- Be realistic about your future career options in relation to your amount of student-loan debt. It doesn't make a lot of sense to assume a large amount of debt if a person's chosen career won't earn enough to pay the debt off within five years.
- Student loan payments should be factored into a budget, along with all other debts and expenses.
- Student loans are almost never forgiven in bankruptcy, unlike credit-card debt and other types of consumer debt. So don't overextend yourself with student loans.
- Other types of student loan forgiveness, such as the federal Public Service Loan Forgiveness (PSLF) program, can be tricky and difficult to use. For example, PSLF allows public servants with a certain type of federal student loan to have their debt discharged after 10 years or 120 monthly payments. However, as of June 2018, only 96 loans from roughly 28,000 people who applied to PSLF had been forgiven.
- Be mindful of public service occupations such as teachers, government jobs, nonprofit employees, firefighters, and nurses, that offer student loan-forgiveness programs. A person should choose a career they are truly passionate about that pays a decent wage, rather than choose a career simply because it offers debt forgiveness.
- Borrow only as much as you need, and pay attention to the interest rates and terms of each loan you apply for.
- Most student loans have a six-month grace period from the time you graduate or withdraw from school. That six months will fly by in a hurry, so be prepared. In the event of a financial hardship, you can request a deferment, which allows you to temporarily reduce your student loan payments or stop them altogether. However, interest will keep growing during this period, so it's just a temporary fix.

Best of luck on your college journey! With some smart planning, hard work, and an understanding of how college payment programs work, you'll be in great shape to tackle the world. And before you know it, Auntie will need to bead another cap and eagle feather, in your college colors of course!

MANAGING PER CAPITA AND LUMP SUM PAYMENTS

Got Per Cap?

Per capita distributions, also known as “per cap,” are monetary payments that some Native American people receive. Being a member of a tribal community that pays per cap puts you in a pretty select group. Did you know that there are currently 573 federally recognized American Indian and Alaska Native tribes and villages? However, only about 250 of those tribes have casinos. Moreover, these same gaming tribes run more than 420 casinos across 28 states, but only about half of them distribute a regular per cap payout to their members.

If your tribe pays per cap from casino profits, royalties from natural resources, court settlements, or other sources, these lump sum payments can be a huge financial boost for a young person. However, windfall payments also present challenges if you’re not financially fit enough to make good choices. Unwise financial choices not only impact the young people who receive per cap, but also their families and communities. Helping you understand the significance of your per cap income and creating a plan for how you will manage your money are the purpose of this ***Building Native Communities: Financial Empowerment for Teens & Young Adults*** workbook.

Per Cap History 101

Although gaming has only been a major industry in Indian Country for about 30 years, some tribes have been paying per capita for a much longer time. In the 1940s, Laguna Pueblo, a small tribe in New Mexico, discovered uranium reserves on tribal land. This event triggered a very successful mining business that created new wealth for the community. As a result, Laguna Pueblo became one of the first Native American tribes to distribute a portion of their business profits to tribal members through per capita payments.

MAKING THE MOST OF PER CAP

You might feel overwhelmed by the thought of receiving a large per cap payment. That's OK. In fact, it's perfectly normal. Just start focusing on your priorities and take it slow. A first step is to consider the influence per cap will have on your life by identifying benefits and challenges that come with per cap payments. In the space below, take a few minutes to list these benefits and challenges that might lie ahead.

PER CAPITA BENEFITS & CHALLENGES	
Benefits	**Challenges**
Money to buy a new car	*Friends or relatives asking for favors or taking advantage*

Managing per cap money takes some responsibility. Maybe you know someone, an older sibling or friend, who has made smart choices with per cap. Maybe you also know someone who has made poor choices with per cap. In the space below, list a few examples of smart choices you have seen people make with per cap.

E.g., My older cousin used her per cap money to open a coffee shop. The business has grown and she now makes a living from it.

1. ______________________________

2. ______________________________

3. ______________________________

Now list a few examples of poor choices you have seen people make with per cap.

E.g., A person I know spent all his per cap on a fancy new SUV but didn't bother purchasing insurance for the vehicle. After just one month, he wrecked the SUV and was out the full amount he paid – all to look cool for one month.

1. ______________________________

2. ______________________________

3. ______________________________

Making Wise Choices About Per Cap

It might be helpful to think of per cap money like a spring board or a ceiling. Wisely managed per cap is like a spring board that empowers you to soar higher to pursue your dreams. Per cap money might allow you to fund your education, travel, invest in land or a home, or tackle other pursuits that improve your quality of life. But poorly managed per cap can trap you like a room with a low ceiling. You can only rise so far until you can't go any higher. In this case, per cap robs a person of ambition by creating financial dependency and a misguided sense of security that stifles growth. Have you ever met someone who chose not to go to college, get a job, or pursue meaningful goals because they figured they could always fall back on per cap?

WHAT DO YOU WANT TO DO?

☐ I want to soar. ☐ I want to bump my head on the ceiling.

Per Capita Payment Structures

How a tribe chooses to make per cap payments is decided by tribal leadership. Some tribes pay monthly per cap to members. Others pay quarterly (four times a year). And some provide just a single annual per cap payment. Regardless of the frequency of payments a tribe must first create a revenue allocation plan (RAP). The RAP is an outline that states how the tribe will distribute per cap and to whom.

For example, a gaming tribe might decide to pay 50% of its gaming profits as per cap. Next, it will divide this amount by the number of eligible per cap recipients* so that each recipient receives a share of the total. Once the tribe has determined how much per cap each eligible recipient will receive, it will decide how many payments to make throughout the year.

$100 million	x	50%	=	$50 million	÷	8,000	=	$6,250
BUSINESS PROFITS/YEAR	x	FACTOR	=	TOTAL TRIBAL PER CAP	÷	# OF ENROLLED TRIBAL MEMBERS	=	PER CAPITA FOR EACH MEMBER

Per Capita Payment Options

ANNUAL PAYMENT	QUARTERLY PAYMENTS	MONTHLY PAYMENTS
One payment of $6,250.00	Four payments of $1,562.50	Twelve payments of $521.00

**One thing to remember is that each tribe sets its own rules for determining which tribal members or citizens receive per cap and how much. Some tribes might only pay per cap to those with certain types of tribal lineage or descendancy, such as those whose tribal heritage comes from a male or female parent and other unique factors.*

CALCULATING PER CAP

Do you know where your per cap comes from? For example, is it gaming profits or lease income from oil or natural gas drilling? If not, check with someone from your tribal finance department who can provide details on your per cap payments.

CALCULATING MY PER CAP

SOURCE OF MY PER CAP: ____________________

My total annual per cap is (it's OK to estimate): $____________________

My per cap is paid:
- ❑ Once a year
- ❑ Semi-annually or twice a year
- ❑ Quarterly or four times a year
- ❑ Monthly
- ❑ Other

Amount of each per cap payment (it's OK to estimate here too): $____________________

Minor's Trust

Another issue to consider is the difference in how per cap is paid to adults as opposed to minors or those under 18 years of age. For example, a tribe might choose to pay minors a smaller per cap than adult members or not pay per cap to minors at all. For minors who receive gaming per cap, their payments go into a special account called a minor's trust. A trust is a legal agreement that allows a third party, known as a trustee or custodian, to hold assets, such as money or land, on behalf of another person or group of people known as beneficiaries. The trustee must act responsibly, which means the money in the trust must be invested wisely and monitored frequently.

The money in the account is invested until minors meet specific criteria, at which point the money is withdrawn. In most cases, a person will be able to withdraw from a minor's trust upon reaching the age of eighteen and graduating high school. Check with your tribal finance department for specifics on withdrawals from your minor's trust. It's also possible your minor's trust distribution might be a single lump sum payment or a series of payments spread out over several years.

You might hear people casually refer to minor's trust payments as "18 Money" or "Big Money." That's because in some communities minor's trust payments can be very sizable lump sums, since per cap payments have been accumulating in the trust for many years. Moreover, this money will often earn interest. Your tribe should send you a statement every year that lists your current balance in the minor's trust.

PLANNING FOR MINOR'S TRUST

Are you a minor's trust beneficiary? ❑ Yes ❑ No

If **yes**, complete the worksheet below.

MY MINOR'S TRUST PLANNER

CRITERIA FOR MAKING WITHDRAWALS	
Age:	
Level of Education:	
Other Criteria:	

MINOR'S TRUST PAYMENT STRUCTURE			
❑ **Single Payment**		❑ **Series of Payments**	
Amount:	$	Amount:	$
Payment Date:		Payment Date:	
		Amount:	$
		Payment Date:	
		Amount:	$
		Payment Date:	
		Amount:	$
		Payment Date:	

Taxes and Per Cap

Depending on the source of your per cap, it may or may not be taxable. All per cap from gaming profits is considered taxable income by the federal government, and depending on where a person resides, it could also be subject to state tax. Your tribe should provide you with an end-of-year tax statement known as a 1099-MISC that states how much per cap you received for the year and any withholding of federal or state tax. Make sure you include this information when filing your taxes.

Paying taxes on your minor's trust is a little bit different than paying taxes on yearly per cap income. For one, your minor's trust payout will most likely be a lot more money than annual per cap, since it will be an accumulation of all the per cap you received before turning 18. This means you'll also probably owe a lot more tax on your minor's trust. Typically, minors aren't taxed until their money is withdrawn from the trust; however, some tribes require minors to pay tax annually. This can be good news, because a recipient will owe a lot less tax when they receive their lump sum. However, it can also spell bad news, because a minor will owe tax in the years preceding his or her withdrawal.

PLANNING FOR TAXES

Taxes can be an unwelcome surprise. Take the time to find out now if and when you will have to pay taxes.

Will you owe tax on your minor's trust or annual per cap payments? ❑ Yes ❑ No

If **yes**, complete this worksheet.

TAX PLANNING WORKSHEET

ESTIMATED AMOUNT OF TAX TO BE PAID	$

For more information on taxes and per cap, check with a trusted tax professional.

MY TAX PROFESSIONAL			
Contact:		Address:	
Email:			
Phone:		Website:	

No Guarantee

It's really important to understand that per cap is not a guaranteed source of income, especially if it stems from casino profits or royalties. It's possible that, in the event of an economic downturn or financial setback, your tribe might decide to lower per cap payments or even stop them altogether. Therefore, be very cautious before borrowing money based on per cap income or making major financial decisions under the assumption your per cap will always be there. Otherwise, you might find yourself in a tough spot financially should your per cap drop unexpectedly!

Building Wealth

Investing a portion of your per cap is a fantastic option to consider when making your financial plan. Moreover, you're never too young to start investing, provided you take time to educate yourself about different types of investments. The first thing to understand is that investing money is all about owning assets, which are things that can increase in value over time or can at least maintain their value over time. For example, a house is usually considered an asset, because most houses increase in value as they age. A big screen TV, on the other hand, is not considered an asset because things like TVs, smartphones, and other electronics lose value after you purchase them.

IDENTIFYING ASSETS

Read through the following list and answer the questions for each type of purchase.

TYPE OF PURCHASE	CAN IT INCREASE IN VALUE?	IS IT AN ASSET?
A new car	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A new tablet or iPad	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A new house	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A new pair of shoes	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A food truck	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A new sofa	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A collection of Native artwork	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
A herd of cattle	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
100 shares of Nike stock	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe
Powwow or dance regalia	❑ Yes ❑ No ❑ Maybe	❑ Yes ❑ No ❑ Maybe

Now that you understand what an asset is it's easy to see how a person builds wealth – by investing money into assets! Here are some examples of assets a young person might choose to invest in.

- **Stocks:** Stocks are shares of ownership in publicly traded companies. By purchasing these shares, you become an owner or equity holder in the company, and if the company performs well, your shares should increase in value. Stocks can be risky though, because there is no guarantee they will rise in value. In fact, they could lose value, causing you to be stuck with an investment worth less than what you originally paid for it. Ouch!
- **Bonds:** Unlike stocks, which represent stakes of ownership, bonds are similar to IOUs. By purchasing a bond, you are lending your money to a bond issuer, who agrees to pay you interest until the bond matures. Bonds come in all shapes and sizes and are issued by many different types of companies, governments, and even some tribes. Generally, bonds are less risky than stocks, but not quite as exciting.

- **Land or Real Estate:** Rather than invest in paper assets like stocks and bonds, you might choose to invest in land or a home. Owning property requires responsibility, because someone has to take care of it, which might be a lot of work – think painting a fence or cutting grass. However, it can also be extremely rewarding to own land or a home.
- **Collectibles:** Do you have any hobbies, like playing guitar or collecting jewelry? Using per cap, you could invest in things like artwork, jewelry, vintage guitars, or maybe even Star Wars memorabilia. Collectibles aren't generally as stable as paper assets, so proceed with caution. But buying a collection of limited-edition Barbie dolls is still probably a better long-term financial decision than blowing all of your money on new clothes and eating out.

Now that you understand about assets, it's time to learn about another cool financial concept called compound interest. If you were going to invest some money, say $10,000, and not touch it for 20 years, how much money would you hope to earn on your investment? Would you be happy to double your $10,000, triple it, or more? A good rule of thumb for stock investments is to have them increase in value by about 7% a year. If you can average 7% a year, $10,000 will grow almost fourfold to $38,697 in 20 years. Not bad huh?

The reason your investment increases in value so quickly is due to compound interest, a mathematical concept that Albert Einstein once dubbed the Eighth Wonder of the World. It works because every time your initial investment or principal earns interest, that interest gets tacked on to principal to produce even more interest. Confusing? Here's a quick exercise to make it more relatable.

MONEY MATH: COMPOUND INTEREST

Let's say you invest $500 into a certificate of deposit (CD) at your local bank. A CD is a type of savings account from which withdrawals are not permitted for a certain period of time. The CD earns 3.5 APY, which stands for Annual Percentage Yield. APY is the rate your money earns compounded, as opposed to just earning the interest rate. The interest rate generally means simple interest, where you multiply the interest rate by the principal without compounding. Summary: compound interest makes money grow much more quickly than simple interest! Try calculating it here.

COMPOUND INTEREST EARNINGS ON A CD				
Year	Principal	Interest	Earnings (Multiply Principal by Interest)	New Balance (Add Earnings to Principal)
1	$500.00	0.035	$17.50	$517.50
2	$517.50	0.035	$18.11	$535.61
3	$535.61	0.035		
4				
5				

Compound interest is pretty amazing. Moreover, even a small increase in the APY can make a huge difference when investing your money over time. Here's an example:

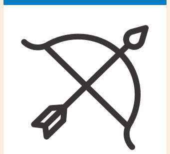
STARTING PRINCIPAL	APY	# OF YEARS INVESTED	NEW PRINCIPAL
$25,000	1%	20	$30,504.75
$25,000	3%	20	$45,152.78
$25,000	5%	20	$66,332.44
$25,000	7%	20	$96,742.11
$25,000	9%	20	$140,110.27

There's a lot more to know about investing and building wealth, so if you'd like to learn more, check out another really cool workbook called *Building Native Communities: Investing for the Future*. It's loaded with great information about investing, as well as the risks and challenges a beginner investor might face. Just remember that whether your per cap is $1,000 or $100,000, you have a great head start toward building wealth if you invest it wisely!

Proceed with Caution

Unfortunately, Native Americans who receive per cap can be targeted by those looking to take advantage of their prosperity. In some communities, stores have been known to hike up prices on big-ticket items like cars and trucks when per cap is paid. This is not cool! Moreover, there are people who might try to scam you out of your per cap money, or worse yet, rob you outright by force. Yikes! So, play it safe and smart with the following tips:

- Open a bank account before you receive your minor's trust or per cap distribution, and if possible, have your payment direct deposited. Avoid check payments, which can be lost or stolen.
- Be tight-lipped about your money. Nobody needs to know the amount of your per cap payments or payment dates.
- Be cautious with strangers or even people you know who reach out by phone, text, or social media, asking for financial assistance or help.
- Be cautious with anyone trying to sell you anything or offering to invest your money for you.
- Do not carry large sums of cash.



PUTTING IT ALL TOGETHER

Now that you've taken time to clarify some of the responsibilities and details of your per cap, it's time to create a plan for what to do with your new wealth. List at least three goals or outcomes you would like to achieve with your money. For example, purchase a vehicle, save for a rainy day, take a vacation, or buy new clothes.

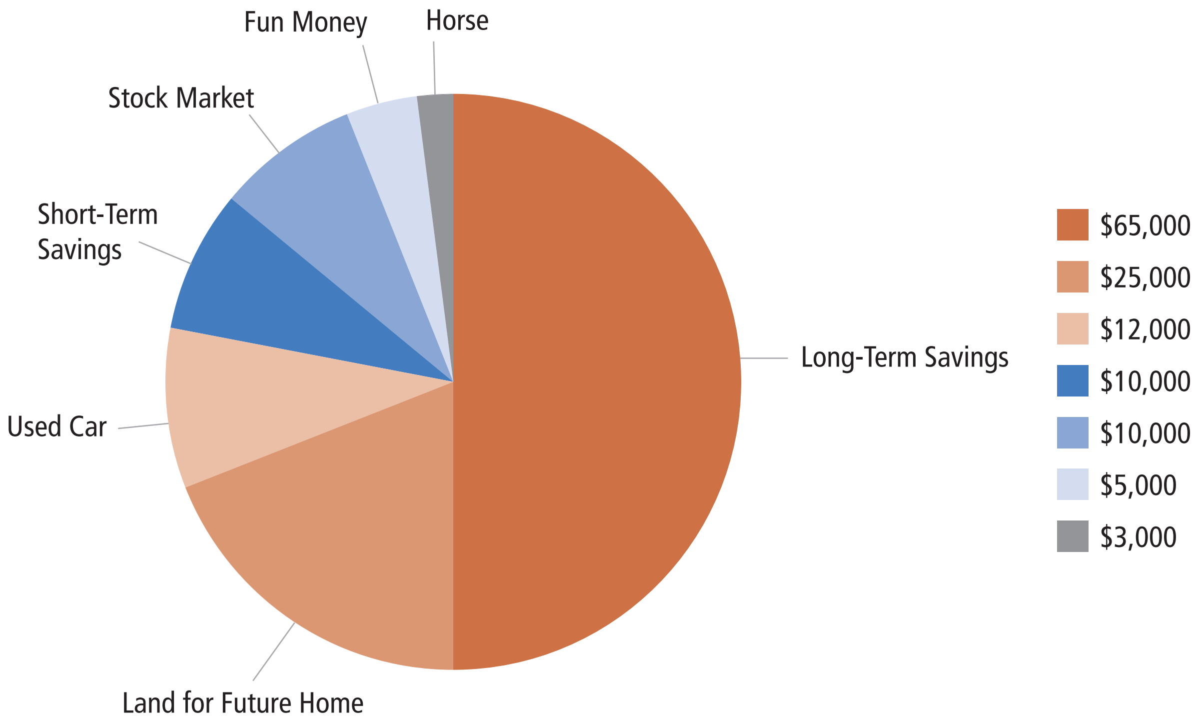
GOALS
1.
2.
3.

Mapping Out Your Money & Creating an Action Plan

A Money Map illustrates how you plan to budget your per cap or minor's trust payment. An Action Plan chart explains how you will accomplish your financial goals. Here are two examples of Money Maps and Action Plans to give you some ideas. The first one represents a large minor's trust payment and the second one shows a smaller semi-annual per cap payment.

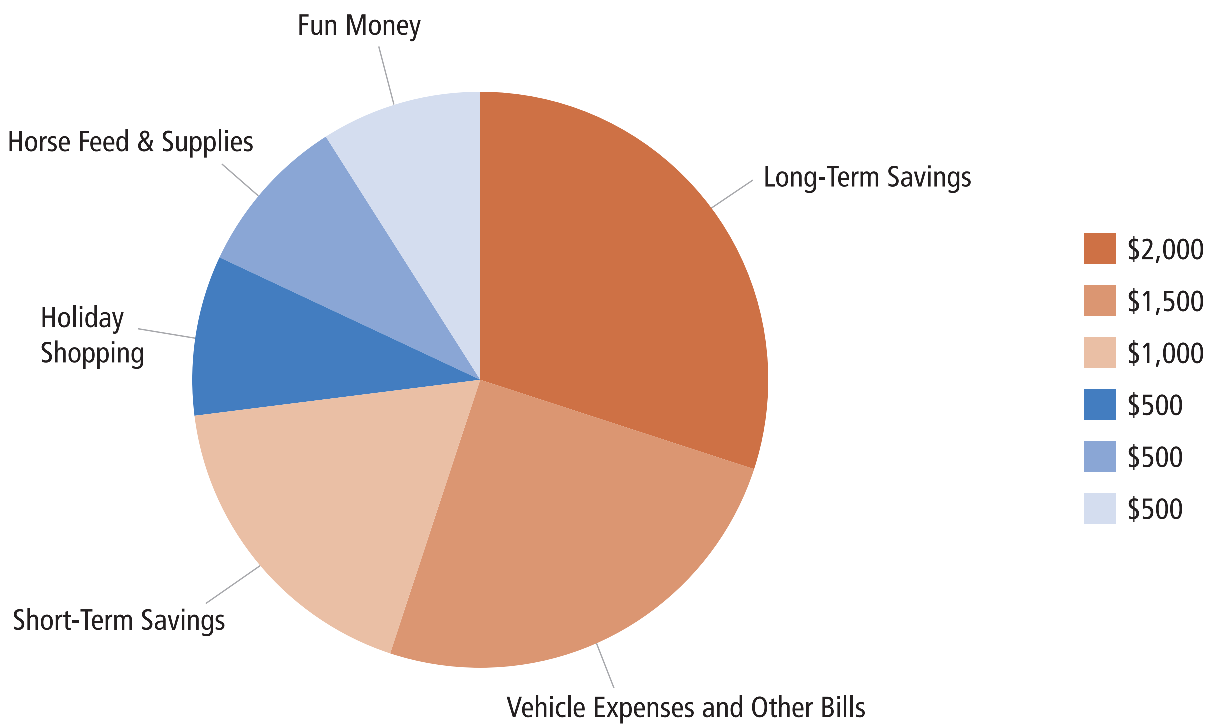
$130,000 Minor's Trust Payment

Money Map



$130,000 MINOR'S TRUST ACTION PLAN		
Action	**Date**	**Notes**
Deposit minor's trust payment check	December 15th	Direct deposit full amount into my savings account
Purchase certificates of deposit – $65,000 total	December 15th	Long-term savings
Purchase land near my parents' home – $25,000	Before July 1st	Future home site and ranch
Purchase a used car – $12,000	Before February 1st	Research options online, pay cash
Short-term savings – $10,000	December 15th	Emergency fund, leave in savings account
Invest in stock market – $10,000	Before September 1st	Research stocks online, talk to an investment advisor
Purchase a horse – $3,000	Before April 1st	Find a good horse with the help of my uncle
Shopping spree – $5,000	December 15th - June 1st	Have fun without going crazy!

$6,000 Semi-Annual Per Cap Payment
Money Map



$6,000 PER CAPITA ACTION PLAN		
Action	**Date**	**Notes**
Deposit per cap payment	December 15th	Direct deposit full amount into my savings account
Purchase certificate of deposit – $2,000	December 15th	Long-term savings
Short-term savings – $1,000	December 15th	Emergency fund, leave in savings account
Vehicle expenses and other bills – $1,500	December 15th - Spring	Refer to monthly spending plan
Holiday shopping – $500	December 15th - 24th	Look for deals online
Horse feed and supplies – $500	December 15th - Spring	Refer to monthly spending plan
Fun Money – $500	December 15th - January 1st	Have fun without going crazy!

"It's not any one thing that you spend your money on, but all the little things that really add up. The eating out, buying clothes, helping family; you'd be surprised how fast small stuff will burn through your money."

– 22-year-old college student who received a large per capita payment

MY MONEY MAP & ACTION PLAN

Draw a Money Map to illustrate how you plan to budget your per cap or minor's trust payment. Also complete an Action Plan chart that explains how you will accomplish your financial goals. Remember to be as specific as possible and include target dates for your goals. Last, keep your Money Map and Action Plan some place handy such as your locker at school, bathroom mirror, or on your phone as a digital image.

MY MINOR'S TRUST MONEY MAP

Amount of Trust: $

☐ $

☐ $

☐ $

☐ $

☐ $

☐ $

MY MINOR'S TRUST OR PER CAPITA ACTION PLAN		
Action	**Date**	**Notes**

Tips for Managing Per Cap

- Refer to your spending plan worksheets and other budgeting tools, and remember to include per cap income as part of your cash flow.
- If you receive per cap only once or several times a year, break your payments down into monthly installments for more accurate budgeting.
- Be cautious when loaning money to friends and family. It's tough to say no sometimes, but you simply can't afford to help everyone!
- Look to a trustworthy and responsible adult who can help you with managing your finances.
- Remember that your per cap is not guaranteed money.
- For more useful information and cool resources, check out MyBigMoney.org. It's a fun website created especially for Native youth managing per cap.
- Congratulations, and good luck on your journey to financial empowerment!

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