Module 3

Learning financial fundamentals

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Financial management

Information is power

Regardless of your personal finances, the first step in effective money management is to be well-informed. This and other resources can help you to increase your financial knowledge.

This can be hard

Financial planning can feel scary and difficult for anyone. Current or past financial abuse can amplify those feelings and often adds additional barriers.

You are the expert on your life and are best positioned to know what is and is not safe or feasible for you. Trust your instincts.

A reminder also to take care of yourself as you work through this course. You can pause at any point, complete the course in any order and can revisit the information as often as you want.

Please note

In addition to this course, there are many resources to help you learn more about money management, including friends and co-workers who can give you reliable advice, trusted professionals, websites that offer information on money management, and financial workshops.

This course is intended to provide general advice for persons who are in or have experienced abuse. However, not everyone's situation is the same. For specific advice regarding a particular situation, contact a domestic violence advocate, financial advisor, or attorney.

What is financial security?

The definition of financial security varies for each person and can change over time.

For some, it may mean having food, shelter, and a decent job. For others, it can mean being able to live comfortably and afford childcare or being able to prepare for retirement and pay for college.

We invite you to think about your definition of financial security during this phase of your life.

Building towards the future

Creating a healthy financial future involves balancing the details of how money flows in and out of your daily life. If you are like most people, you have a limited amount of money to buy what you need and want. This means you have to make careful decisions about how to use your money most effectively. Limited money could mean $25 a week for one survivor but $250 for another, as everyone's situation is different. You may also be dependent on others for some financial support, further creating limits on your budget.

Financial management

For the rest of this module, it will be helpful to have information about your income and expenses easily accessible to you.

Please consider your safety first, and do not do anything that might jeopardize your safety.

If you safely can, take some time now to gather the information.

Applying for social security

You can apply for Social Security benefits in person, online, or over the phone.
www.ssa.gov | 1-800-772-1213 | TTY: 1-800-325-0778

You will need the following information:

- Your Social Security Number.
- Your birth certificate.
- Your W-2 forms or tax return for the last year.
- Military discharge papers (if applicable).
- Proof of US citizenship or lawful alien status.

- Bank name and account information if you want benefits direct deposited.

You will need original documents or certified copies. If you go to your local Social Security Administration office, they will make copies and give you your original documents back.

Budgeting and saving

What's a budget?

Financial planning starts with a budget. A budget is a tool that will help you make spending decisions. Understanding your financial situation and creating a budget can help you work toward financial security.

Ask for help

Sorting through finances you share(d) with an abusive partner can be difficult and sometimes dangerous. Work closely with your attorney and advocate to navigate this process. Ask for help with this when you need it.

Creating a budget

These are the basic pieces of creating a budget. We will cover different budgeting strategies in more depth later in this module.

1. **Identify your net monthly income:** This is the money that comes into your household, after deducting taxes, Social Security, insurance, and any other withholdings. The amount of a paycheck is your net pay. If you receive spousal support or child support, that can also be included in your net monthly income for your budget. It can be helpful to only include income in your monthly budget that is consistent and reliable.
2. **Identify your monthly expenses:** Monthly expenses include food, rent, and utilities. Don't forget about periodic expenses like car insurance payments and medical expenses. For periodic expenses, try to calculate the annual total and then divide by 12. If you are currently living in a shelter, doubled up with a friend/family member or are otherwise unhoused, it can be helpful to estimate expenses based on average costs for rent, utilities, etc. in your area.
3. **Subtract your monthly expenses from your income:** The difference between your income and expenses shows whether you have any money to spare. If you have extra money, you'll need to decide whether to spend it or save it. If you don't have extra money, you'll need a plan. Can you reduce expenses? Earn more money? What things absolutely have to get paid this month and which things might be able to wait?
4. **Revisit your budget regularly:** Budgeting is an ongoing process. It is important to revisit your budget monthly and make adjustments as needed.

There are many strategies for creating a budget. It's important to find the strategies that work for you.

A detailed paper budget form can be found in the course resources. In addition to paper-based budgeting tools, there are also free budgeting tools available online, such as Credit Karma's free budget calculator or Nerd Wallet's free budget spreadsheets. The bank you use may also offer budgeting tools to their customers. If you use an online budgeting tool, be sure to check the privacy policies first to make sure it is a safe option for you.

Budgeting in Action

In order to determine your monthly budget, you'll need to subtract your monthly expenses from your monthly income. That will give you your balance for the month.

Monthly Income
Enter your monthly income (also include any money left over from last month). $

Monthly Expenses

Rent or Mortgage Payment
Enter the total of your monthly rent or mortgage (include principal and tax). $

Insurance Payments
Enter the total of your monthly insurance payments (home, renters, car, health/medical, life, disability, etc.). $

Savings
Enter the total of your regular monthly savings (this is considered an expense). $

Utilities
Enter the total of your monthly utility costs (electric, gas, water, etc.). $

Childcare and Education Costs
Enter the total of your monthly childcare and education costs. $

Other Fixed Expenses
Enter the total of your other monthly fixed expenses (include car payments, phone payments, loan payments, etc.). $

Other Flexible Expenses
Enter the total of your other monthly expenses (food, clothing, gas for your car, household supplies, medical/dental, recreation, charity, etc.; also include any shortfalls from last month). $

Total of Monthly Expenses
Add up all of your monthly expenses from the lines above. $

Monthly Income		Monthly Expenses		Your Estimated Monthly Balance
$	−	$	=	$

When you calculate your budget, a negative number means your expenses are higher than your income. The negative number is how much more you're spending than you earn.

Allstate Foundation

Budget strategies

Many different budget strategies exist. It's important to find one that works for you. Common strategies include:

50/30/20 budgeting

50/30/20 budgeting divides your income into three categories: 50% for needs, 30% for wants, and 20% for savings, retirement contributions, and debt. 50/30/20 budgeting used to be considered a feasible goal. Today, with price increases far exceeding wage increases, this strategy is generally unrealistic as needs now take 70% or more of many people's income.

70/20/10 budgeting

70/20/10 budgeting divides your income into three categories: 70% for needs and wants, 20% for savings, and 10% for debt. If you don't have debt, you could allocate the 10% to additional wants, savings, donations or investments.

Pay yourself first

Pay yourself first budgeting involves prioritizing savings. With this method, you deposit money into a savings account before paying your monthly bills. With this method, it is important to calculate your fixed expenses and choose a savings amount you can afford for the long-term.

Zero-based budgeting

With zero-based budgeting, you designate every dollar of income to a specific purpose leaving you with a $0 balance. This method is best suited to people who have predictable income and expenses.

Saving matters

Saving should be treated as part of your budget. It’s important to put aside money each month for savings, even if it’s just a few dollars. Start by deciding how much you can comfortably save each month and then consistently follow these rules:

- First pay your saving account, even if it’s a small amount.
- Next pay your essentials (rent and utilities, etc).
- Then pay other bills, like credit cards.

Knowing you have money saved for the future feels good and can give you more options. Over time, it will get easier to pay yourself first.

Needs and wants are individual

For example, if you have washer and dryer hookups, purchasing a washer and dryer could be a want or a need. If you can easily walk to and afford a nearby laundromat, getting an in-unit washer and dryer might be a want. However, if you have no access to a laundromat or live with chemical sensitivities, an in-unit washer and dryer might be a need.

Debt

If you have debt, don't despair! Debt is common in the U.S. and there are resources to help you manage it.

Get started by:

- Documenting the assets and resources you currently have such as housing, child support, employment, health insurance, a car, etc.
- Reviewing your financial liabilities. Do you have credit card debt? Do you owe money to family or friends?
- Working with an advocate to help you identify and access financial resources that may be helpful for you.

Debt payment strategies

Here are two of the most common strategies for paying debt. With both you try to pay the monthly minimum on all debt. They differ in which debt you allocate any extra payments beyond the minimum to.

Avalanche Method
With the avalanche method, you try to pay extra on the debt with the highest interest rate each month. This method saves money via lower interest over time and is a faster way to pay off debt.

Snowball Method
With the snowball method, you try to pay extra on the smallest debt each month. This can be motivating as smaller debts take less time to pay off. However, this is a slower and more expensive way to pay off debt overall.

Financial goals and emotions

For many of us, emotions and money are closely tied and we sometimes spend to fill an emotional need. This can make sticking to a budget difficult. If you are having trouble with emotional spending, ask yourself:

- What emotion(s) am I experiencing?
- Am I shopping just to make myself feel better?
- Is there another way that I can fill this emotional need?

Emotions and money

Having a plan can help you overcome your emotional spending. Here are some possible strategies.

1. **Goals:** Write down your financial goals. Estimate how much time and money it will take to get there.
2. **Display your goals:** Keep your written goals in a place where you will see them. Read them often to remind yourself of your goals. Consider setting electronic reminders or words of encouragement on your phone or other electronic device. This may help keep you on track if your emotions start to take over.

3. **Examine your feelings:** Examine your feelings and notice when you are being tempted to overspend based on emotions. When you feel tempted, consider an alternative way to meet your needs. Remind yourself of how you will feel when you meet your financial goals. Consider putting a purchase off for a day. Do you still want it 24 hours later?
4. **Questions to ask:** Here are some questions to ask yourself before making a purchase:
   - Did I compare prices?
   - Is this a need?
   - Can I afford it?
   - Will this delay me from reaching my financial goals?

Treats

Living on a tight budget doesn't mean you should eliminate all treats. Building in small treats can bring joy and reduce the resentment that sometimes accompanies a tight budget. Here are some ideas for inexpensive ways to treat yourself and your children.

Possible ideas for yourself:
- Give yourself a manicure.
- Enjoy your favorite dessert at home.
- Read a good book.
- Go for a walk.
- Spend time with a friend.
- Invite friends over for a potluck.

Possible ideas for your children:
- Cook or bake together.
- Read them a story.
- Spend the day at the library.
- Play their favorite game with them.
- Invite their friends for a play date or sleepover.
- Go outside and play together.

Teaching children

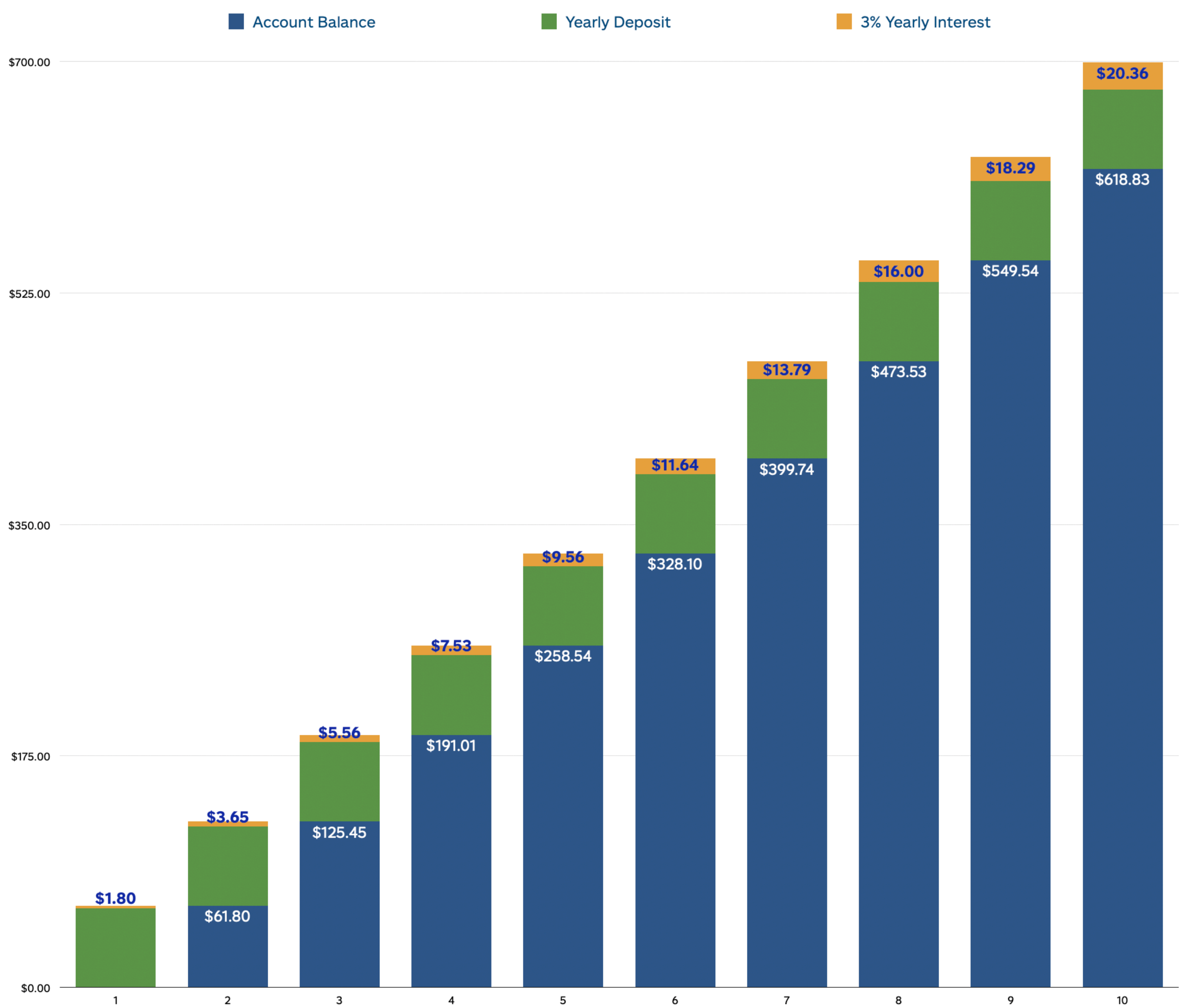
Teaching children how to manage money can be a challenge, but if they understand the difference between wants and needs, learn how to budget, and know how to save, they will know more than many adults do. Having your kids on board can help create a home where everyone is working towards the same goal. Make a game of finding the best prices and working towards your goals. Your children will notice and learn from what you do. Let them see you budget, comparison shop, and make regular contributions to a savings account.

Emergency savings fund

Experts advise working towards an emergency savings fund. It should have enough money to pay three to six months of basic living expenses such as housing, transportation, and food. For many of us, this amount seems impossible and out of reach. Don't let that stop you! Begin with a savings goal that feels realistic. You can start small and build from there. Every dollar helps and adds up over time.

Compound interest

Compound interest arises when interest is added to the principal, so from that moment on, the interest earns interest. Take a look at the graph below for an example. This shows that saving $60 a year, for 10 years, at 3% interest, would grow to over $699.



$99.19 in total interest, $600 in total deposits

Banking options

Banks, credit unions, and alternatives

If you don't already have a bank account that is separate from your partner or former partner, and it is safe to do so, opening one will increase your financial independence. Choosing a financial institution that meets your needs is critical to successful financial management.

Banks
Banks are financial institutions that accept deposits and use the money for lending activities. A traditional bank issues stock and is therefore owned by its stockholders (shareholders). Banks are for-profit businesses and serve customers from the general public. Most offer online banking services and some banks are online only.

Credit unions
Credit unions are community-based financial institutions that offer a wide range of services. They are owned and controlled by their members who are also shareholders. Credit unions serve their members and membership is defined by a credit union's charter. For example, a credit union may offer membership through certain employers or to certain professions. Some credit unions have broader membership. Credit unions often offer lower interest rates on loans.

Money transfer
Wire transfers through banks and credit unions, and nonbank money transfer providers such as Western Union and MoneyGram, are a fast way to send and receive larger amounts of money within the U.S. and internationally. Wire transfers have fees that vary based on the provider and where the money is going. Be sure to read the fine print and to save the receipt from the transaction. Be aware that wire transfers are typically nonreversible so it is important to be certain you are sending the right amount to the right place. Because of this, wire transfer scams are common.

Peer to peer
Several payment applications (apps) link to your checking or saving account and allow you to pay individuals directly, without handling cash or checks. These applications allow you to identify individuals based on their email addresses, phone numbers usernames or QR codes.

These apps include Zelle, Venmo, Cash App, and Paypal. Be aware that money stored in these apps is generally not federally insured, making them a high-risk place to keep money.

It is important to consider each app's privacy practices and policies before using them. Some such as Venmo make transactions public by default which can be a significant safety issue. Some apps (e.g. Google Pay and Apple Pay) can be used to pay for purchases at some businesses in person. Many stores accept payment from Paypal, Google Pay, and Apple Pay for online purchases. Social media money transfer can be useful for international money exchanges. Use caution as this method is often used for scams.

Car title loans

A car title loan is typically a small loan amount for a short period of time where a vehicle title is provided to the lender as collateral or as the 'backing' for the loan. A car title loan typically allows someone to borrow 25-50% of the vehicle's value. Car title loans are typically very expensive and NOT good for consumers or borrowers. If the loan is not paid back within the terms, the lender can take possession of the vehicle that was used a collateral.

Check cashing

Check cashing stores are small businesses that cash checks for a fee. In general, the fee is about 4%. However, you can likely avoid these fees if you have a bank account or are a member of a credit union.

Choosing

When considering which financial institution to choose, shop around. Look for the services and features that are going to work best for you and your situation.

Generally speaking, a large national or international financial institution will offer the widest range of services. However, it may provide a less personalized service than a smaller one.

For some people, culturally-specific services are important. Look for banks that have bilingual employees or websites and information in other languages. Some institutions are specifically owned by, and run for, specific ethnic, religious, and/or cultural clientele. For instance, you may want a bank that offers a competitive rate for wiring money to family in another country.

Opening an account

Generally, all banking institutions require proof of the following information to open an account:

- Name (possible documents: unexpired passport, birth certificate, driver's license).
- Date of birth (possible documents: unexpired passport, birth certificate, driver's license, government issued identification card).
- Residential address within the U.S. (possible documents: utility bill, lease).
- Identification number (possible documents: Social Security number, Individual Taxpayer Identification Number-ITIN).

If you participate in your state's address confidentiality program, check with the program to learn how to safely set up a new bank account.

Services and fees

When comparing banks, it's important to consider the services they offer and the fees they charge. Consider the following:

- Do you need a branch location close to your home/work or on a bus line?
- Which institutions offer the services you need?
- How comfortable do you feel with the staff?
- Does the bank meet your cultural needs and requirements?
- What are the fees, minimum balance requirements, and overdraft charges for their checking accounts?
- Where are ATMs available and what are the fees?
- What are the interest rates, restrictions, and withdrawal penalties for savings accounts?
- Are the branch hours convenient for your schedule?
- Are telephone services available 24/7?
- Are online banking and bill pay available?
- Is the bank insured by the Federal Deposit Insurance Corporation (FDIC) or credit union by the National Credit Union Administration (NCUA)?

If a bank is "FDIC Insured", deposits are currently insured for up to $250,000. In the event that a bank is financially unable to repay deposits, FDIC will repay them. A financial institution that is FDIC insured will display a government logo on its front door, in the lobby and on the tellers' counter to indicate that it is federally insured.

Credit unions are insured by the NCUA. If a credit union is "NCUA insured", deposits are currently insured for up to $250,000. In the event that a bank is financially unable to repay deposits, NCUA will repay them. Federally insured credit unions will indicate their insured status in their advertising and display the NCUSIF logo in their branches.

Savings account options

Interest-earning savings accounts
Typically, these accounts will earn you the least interest of all the options, however, they are very safe and money can be withdrawn at any time. Ask if your bank or credit union offers high-yield savings accounts, which typically offer a higher interest rate than other interest-earning savings accounts. It is important to note that high-yield savings accounts offer variable interest rates that change over time.

Money market accounts
Money market accounts typically pay about one-half percent higher interest than traditional savings accounts, but they may require a higher minimum balance. You can usually make as many deposits as you want for free, however, there are often limits regarding the number of withdrawals that can be made each month.

Certificates of deposit (CD)
If you have money that can be tied up for three months to six years, certificates of deposit will usually offer the highest interest rates, depending on the term (how long it must remain deposited) you choose. There are penalties for early withdrawals, so choose a term you can live with.

You can choose a mix
You can have multiple types of savings accounts and choose the combination of accounts that work best for you.

Automated Teller Machines (ATM)

To use an ATM, you will need a bank account and an ATM card. When you get this card, you will set a personal identification number (PIN) that you will need to enter to access ATM services. Some banks charge fees for ATM withdrawals. The fees are charged per transaction and are not based on the amount of money withdrawn. If your bank charges a fee, when possible, make a single larger withdrawal rather than several smaller withdrawals. You may be able to avoid using an ATM by asking for cash back from a store when using a debit card to make purchases. Be aware though that holds larger than the actual purchase amount are often placed on your account when using a debit card. This will make the funds unavailable until the hold is released, generally in 3-4 days.

ATM safety tips

- Keep your PIN secret, including from your abuser.
- Do not write your PIN on your ATM card.
- Change your PIN periodically.
- Ensure the ATM location you use is well lit.
- Don't count your money at the ATM.
- Notify your bank if the amount withdrawn and cash received don't match.
- If your ATM card is lost or stolen, report it to your bank immediately.
- If you have access to no-fee ATMs, try to use those.

Online banking safety

Online banking can be convenient and help you save on postage and late fees. It's important to make sure you use a secured, safe internet connection and create strong passwords. Replacing some letters in a word with numbers or characters (e.g. writing Independent as Ind3p3nd3nt#) can help you make strong passwords that are easy to remember. Prior to opening an account, confirm that the bank is legitimate and that your deposits will be federally insured. The Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration provide resources for finding and opening legitimate, federally insured accounts.

Strong passwords include:
- Upper and lower case characters.
- Numbers.
- Special characters such as ! @ # $, etc when allowed.
- Random combinations of letters and numbers.federally insured.

Identity theft

Identity theft

Identity theft occurs when someone steals and uses your personal information. It is not uncommon for abusers to commit identity theft against their victims. As you select financial options, learning about identity theft can help you reduce your risks and mitigate potential harms. There are two types of identity theft.

1. **Account takeover:** This occurs when someone uses your existing credit account information to purchase products and services. The actual credit card or the account number and expiration date is used.
2. **Application fraud:** This is also called "true-name fraud." It occurs when someone uses your Social Security number and other identifying information to open new accounts in your name.

Ways your identity can be stolen

There are many different ways your identity can be stolen including:

- Digging through trash for documents.
- Stealing mail from a mailbox.
- Accessing a credit report by posing as someone else.
- Using the internet to find your information.
- Paying someone for a background check report.

Identity theft and domestic violence

Identify theft can happen to anyone. Victims of domestic violence may need to be extra cautious about identity theft by a partner or former partner. This can also include the theft of children's identities.

Some abusers steal their partner's identity to:

- Open new credit accounts.
- Impersonate them.
- Find out where they are living.
- Ruin them financially.
- Track the survivor's activity.

Possible signs of identity theft

Possible signs of identify theft include:

- Your credit card has a charge you don’t recognize.
- You receive a bill for a credit card you never opened.
- The address on your credit report is incorrect.

What to do if identity theft happens to you

If you are a victim of identity theft, take the following actions immediately:

1. Notify credit bureaus.
2. Contact your creditors.
3. Call the Social Security Administration at 1-800-772-1213.
4. Obtain a new driver’s license number.
5. Consider reporting the crime to the police.

You can set up either a freeze or an alert on your credit reports. A freeze limits access to your credit report so no one—including you—can open new credit until the freeze is lifted. An alert requires companies to verify your identity before granting new credit in your name.

Protecting against identity theft

There are many ways to protect yourself against identity theft.

Be data savvy and limit the information you share.
Google your name to see what information about you is already online.
Be mindful of what you post online, and tell your children to do the same. This includes social media and picture sharing websites.

Businesses and individuals sometimes ask for personal information. Ask why they need it. Question anyone who requests your Social Security number, address, email address, or phone number.

Learn what information about you is available to the public. For example, in some states, voter registrations are public record and available online. If you participate in an address confidentiality program, learn what options it provides for protecting your information.

Read privacy notices and understand opt-out choices.
If businesses or individuals ask for personal information, ask why. Ask financial institutions and credit card companies what information they share and how they protect your information.

Ask for a copy of their privacy policy. Read the small print! Details about your personal information and who has access to that information are embedded in the small print.

When possible, request to “opt-out” of information sharing. Financial institutions often share information with others (called third parties). However, they must offer you the right to choose not to participate in this data-sharing process in some circumstances. “Opting out” protects your privacy. It controls the security of your information. Keep in mind that you will most likely have to ask to opt out. Otherwise, the institution will continue sharing your information.

Protect physical and electronic information.
Shred all paper documents containing personal information before discarding when you no longer need them.

Change passwords and PINs regularly, and don’t use the same passwords across accounts. Never use your birth date, Social Security number, phone number, or name in passwords.

Some identity thieves send emails that appear to be from a financial institution. This scam, called “phishing,” appears legitimate. Check with the financial institution before you respond to this type of email. Avoid clicking any links in the email or replying to the email. You can go directly to the financial institution’s website or give them a call.

Practice computer safety.
Be sure you have anti-virus and anti-spyware software running on your computer. Use a software or hardware firewall to protect your personal information when you use the computer. Keep your firewall settings at a high or moderate level.

Do not open email attachments from people you do not know. It could be a malicious virus or spyware that could steal your data or crash your computer.

If you donate a computer to charity, first remove the hard drive. Many charities encourage this practice to protect any personal information that was stored on the machine.

Consider identity theft insurance.
You can purchase identity theft insurance as a stand alone product or sometimes as an option on homeowners or renters insurance. These policies cover many costs associated with restoring your credit.

Costs that may be covered:
- Mailing statements to credit agencies.
- Obtaining credit reports.
- Making long distance phone calls.
- Re-applying for any loans you were denied because someone stole your identity.