



Financial Literacy

What is Financial Literacy?

Financial literacy is the ability to understand finance. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances.

Financial Literacy

Fly
financial literacy for you

Credit	Banking
Money Management	Credit Cards
Identity Theft	Budgeting
Debt	Student Loans

Financial Literacy

Credit

- What is a credit score?
- Who looks at your credit score?
- How is it determined?
- What is a good credit score?

Financial Literacy

Banking

- What are the fees on the account?
- What is the interest rate earned?
- Debit card usage? (perks, fees, holds)
- What are the ATM charges?
- Savings and Investments?

Financial Literacy

Banking (cont.)

Rule of 72?

The rule says that to find the number of years required to double your money at a given interest rate, you just divide the annual interest rate into 72.

Financial Literacy

Examples 1: 72 divided by 2% Interest (passbook account is less) = 36 years. In 36 years, \$10,000 would become \$20,000.

- Open Account - \$10,000
- Year 36 - \$20,000

Financial Literacy

Example 2: 72 divided by 8% Interest = 9 years. In the same 36 years, \$10,000 would become \$160,000.

- Open Account - \$10,000
- Year 9 - \$20,000
- Year 18 - \$40,000
- Year 27 - \$80,000
- Year 36 - \$160,000

Financial Literacy

Which would you prefer, \$50,000 now or \$0.01 compounded at 100% daily for the next 30 days?



Financial Literacy

Compounding Interest

- Compound interest has been called the eighth wonder of the world. And with good reason. It magically turns a little bit of money, invested wisely, into a whole lot of cash. Even Albert Einstein -- a bit of a smarty pants -- is said to have called it one of the greatest mathematical concepts of our time.
- Source: www.Kiplinger.com

Financial Literacy

Money Management

- Needs vs. Wants
- Setting Goals
- The History of Spending
- Your Spending Personality

Financial Literacy

Credit Cards

- APR Variable Interest Rates
- Grace Periods
- Fees
- Building Credit

Financial Literacy

Credit Cards (cont.)

- EXAMPLE: Sally Maxout has a card with a \$3,000 credit limit, a balance of \$2,985, and a 19% interest rate. She sends her minimum payment due of \$120 in late and is looking at a lot of fees:
 - Balance: \$2,985
 - Late fee: + 35
 - New balance: \$3,020
 - Overlimit fee: + 35
 - New balance: \$3,055
 - Payment: - 120
 - New balance: \$2,935
- Sally's late fee plus her over limit fee are \$70! After another month of finance charges she'll be almost over her limit again and could be assessed another fee.

Financial Literacy

Identity Theft

- Deter
- Detect
- Defend
- Tools for Victims

Financial Literacy

Budgeting

- Pre-work (set-up)
- Recording Income
- Recording Expenses
- How to Keep within Your Budget
- Debt

Financial Literacy

Debt

- Secured vs. Unsecured
- Dealing With Your Debt
- Best Ways to Get Out of Debt
- Getting Help When Needed

Financial Literacy

Student Loans

- Subsidized vs. Unsubsidized
- Grace Periods/Repayment
- Deferments
- Forbearance
- Consequences of Default

Financial Literacy

Presentations

- Tailored to the Audience
- Tailored to the Time Constraints
- Tailored to the Subject Matter Requested

Financial Literacy

QUESTIONS ?

Financial Literacy

Contact Information

Sigmund Morel
Financial Literacy and Development Supervisor
LA Office of Student Financial Assistance
225-219-7558
smorel@osfa.la.gov
