

# THE M. ELLEN CARPENTER FINANCIAL LITERACY PROGRAM

A JOINT PROGRAM OF

The United States Bankruptcy Court  
for the District of Massachusetts



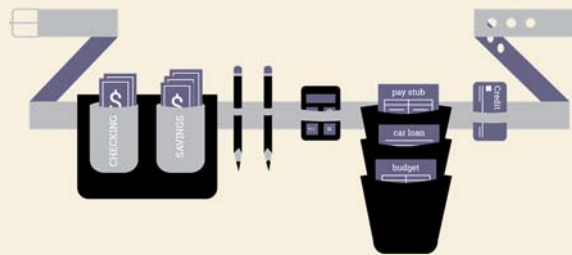
The Boston Bar Association



This welcome slide can be used to introduce yourself & the program. A later slide also provides an opportunity for a more in-depth introduction.

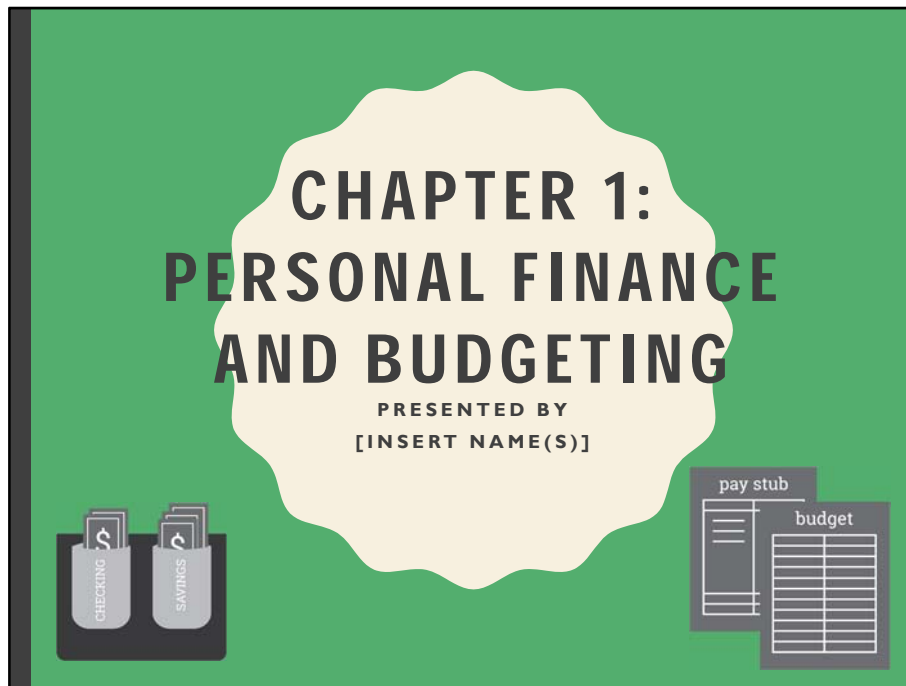
## WHAT YOU WILL LEARN IN YOUR 4 SESSIONS

1. Personal Finance and Budgeting
2. Use of Credit Cards
3. Making Large Purchases
4. Consequences of Poor Financial Decisions



Note that these are the four areas covered.

Note that today's session will focus on item 1.



This slide can be used to introduce yourself in more detail.

## WHAT YOU WILL LEARN TODAY

- Banking basics
- Bank accounts
- Accessing funds and paying expenses
- Pay stubs
- Income tax basics
- Managing income and expenses
- Avoiding Fraud



Read the list aloud.

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Note: The slides largely track with the student materials but provide much less detail.

## BANKING BASICS

- Financial services of banks and credit unions
  - Types of accounts
    - Checking
    - Savings
  - Overdraft protection
  - Fees
    - Checking Account
    - ATM cards



**Student Materials: Pages 2-3**

Elaborate on each topic listed.

Emphasize that checking and savings accounts at secured banks and credit unions often provide the most secure options for storing funds.

Emphasize careful consideration of fees, and encourage students to shop around for a bank or credit union offering low-fee or no-fee accounts.

# BANKING BASICS

- Tracking deposits and withdrawals/expenditures

- What could happen if you pay or withdraw more money than is in the account?
- What could happen if you don't monitor accounts?

- Sample Ledger

Number or Code	Date	Transaction Description	Payment Amount (Subtraction)	Deposit Amount (Addition)	Balance

## Student Materials: Pages 4-5

Discuss importance of and options for monitoring accounts.

### Student Questions (page 4 of Student Materials):

What financial consequences might exist for exceeding the funds available in your account? Answers might include: overdraft fees; NSF's; bounced/returned checks – with fee from affected merchant possibly accompanied by late fee because payment is now untimely.

Besides potentially exceeding your available funds, what might happen if you fail to monitor your account regularly? Answers might include: you fail to notice fraudulent or incorrect transactions; you fail to notice when fees are charged to your account and to incorporate those deductions into your own account tracking method.

Briefly describe ledger.

## OTHER FINANCIAL SERVICES

- Banking Without an Account at That Bank
- Check Cashing Services
  - Costs and Fees
- Money Orders
- Prepaid Cards



**Student Materials: Pages 6-7**

Elaborate on each topic listed.

As to Check Cashing Services, the **student materials contain an exercise on page 6** to highlight the potentially high costs, particularly when compared to bank and credit union account fees.

If your paycheck for a two-week pay period is \$200, how much would be deducted from your income if you cashed your check at a check cashing service that charges a 5% fee? **\$10** ( $\$200 \times 0.05$ )

If you continue every two weeks to cash a \$200 paycheck there for the same fee for an entire year, how much will you have paid in fees? **\$260** ( $\$10 \times 26$ )

Note: The “Fine Print” materials that follow “Other Financial Services” in the student materials are intended to be reviewed by students on their own and need not be covered during the class.

# EARNING MONEY

## PAY STUBS

- Earnings
  - Gross Pay
- Deductions
  - Net Pay



BIG BOX STORE				EARNINGS STATEMENT		
EMPLOYEE NAME	SOCIAL SEC. NO.	EMPLOYEE ID	CHECK NO.	PAY PERIOD	PAY DATE	
Casey Smith	123-45-6789	101	123	8/01/16-8/15/16	8/22/16	
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE
Gross Wages	11.00	20.00	220.00	FEDERAL TAX	8.63	93.51
				FICA SS TAX	12.40	125.40
				FICA MEDICARE	2.90	31.90
				STATE TAX	0.74	8.21
				RETIREMENT	20.00	220.00
YTD GROSS	YTD DEDUCTIONS	YTD NET PAY	TOTAL	DEDUCTIONS	NET PAY	
2820.00	479.02	2340.98	220.00			

### Student Materials: Pages 9-11

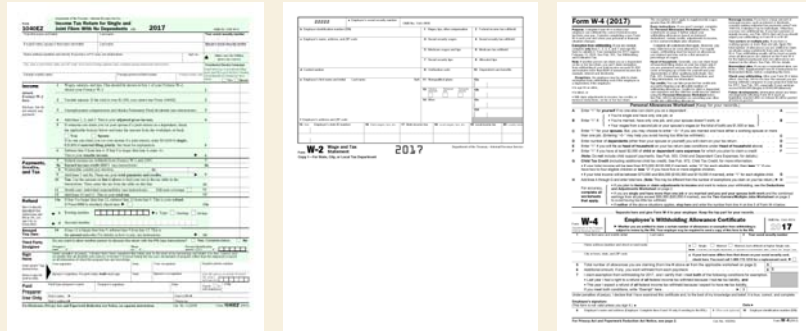
Using sample pay stub, discuss gross pay/wages, common deductions, and net pay. Briefly explain “YTD.”

An easy **pay stub activity** exists in the student materials on page 11, which can be used as an optional classroom activity.



# EARNING MONEY

- Paying taxes and filing returns
- Tax forms – W-2, W-4



## Student Materials: Page 12

Discuss the need to file taxes - noting that one must file, even if not required to do so, in order to receive any refund due.


Briefly describe purposes of W-2 and W-4 forms.

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Note: The forms here are not intended to be readable but rather just a graphic element for the slide.

# BUDGETING

December 2017 Budget



Income		Expenses	
Employment	714.45	Cell Phone	50.00
Allowance	85.00	Transportation	84.50
Gifts	100.00	Savings	90.00
		Clothing	100.00
		Food	120.00
		Social Activities	50.00
		Entertainment	40.00
		Hobbies	40.00
		Gifts	100.00
<b>Total Income</b>	<b>899.45</b>	<b>Total Expenses</b>	<b>674.50</b>
<b>\$899.45 (Total Income) - \$674.50 (Total Expenses) = \$224.95</b>			

**Student Materials: Page 13**

Proposed script:

“A **budget** provides a plan for spending and saving your money during a fixed time period. “

“As you can see from the totals, this sample budget uses only addition and subtraction. As we will discuss later, some of the underlying amounts might have been calculated using basic multiplication and division. As we will also discuss, there are multiple methods for constructing your budget, and tools are available to help you to ensure that your calculations are accurate.”

Expense	INCOME		EXPENSES	
	Fixed	Variable	Necessity	Non-necessity
Food				
Savings				
Cell Phone				
Transportation				
Social Activities				
Clothing				
Gifts				
Entertainment				
Hobbies				

**Student Materials: Pages 14-16**

- Explain fixed and variable income.
- Explain fixed and variable expenses.
- Explain needs and wants.

Review the chart with students, discussing the fact that there could be multiple correct answers. **The chart appears in the student materials on page 16 as an activity.**

**Student Questions (page 16):**

What expenses do you have that seem to be missing from the chart?

Students' answers might include housing, other utilities, health care, personal hygiene, household goods, gym membership, entertainment, bank fees, school supplies, auto insurance, renter's insurance.

How might you determine which expenses to include in your budget?

First, for it to be realistic, all expenses should be included in the budget. Developing a list of those expenses, without forgetting anything, can be tricky, especially as to infrequent expenses.

Students' answers might include making a list of known expenses, keeping a list of expenses over a period of time, reviewing receipts and past bank

statements, thinking about predictable/upcoming infrequent expenses.

# BUDGETING

Transportation Expenses	Fixed	Variable
Transit Pass		
Taxi/Ridesharing		
Driver's License		
Auto Loan or Lease Payment		
Auto Insurance		
Auto Registration Fee		
Fuel		
Maintenance		
Taxes (Sales and Excise)		
Inspection Fees		

Food Expenses	Necessity	Non-necessity
Groceries		
Student Meal Plan		
Dining Out		
Ordering Takeout		

## Student Materials: Pages 17-18

This slide contains optional **activities that also appear in the student materials on pages 17-18**. The activities are intended to highlight the difficulty in classifying expenses if the categories are too broad.

As to the Fixed/Variable activity (**page 17**), the student materials also ask, "How might you include a yearly inspection fee in a monthly budget?"

Students' answers should generally involve setting aside a portion of the total fee each month in anticipation of needing to pay the fee. The monthly amount could be included in a monthly budget category that contains other, similar planned but irregular or less frequent expenses.

## THE IMPORTANCE OF SAVINGS & GOALS

- Paying Yourself First
- Saving for Emergencies
- Other Savings
- Setting Goals
  - Goal Timelines
    - Short Term
    - Medium Term
    - Long Term



### Student Materials: Pages 19-21

Summarize the information in the student materials to describe each concept listed.

Emphasize that, like expenses, “savings” often must be broken down into multiple categories to help to ensure that sufficient funds will be available when needed.

Discuss examples of savings goals, the importance of researching likely savings needed to meet goals, and the need to calculate timelines.

Optional Student Activity/Question for financial goals (**in student materials on page 21**):

Saving to Rent an Apartment:

The instructor provides an overall savings amount needed to rent an apartment and a monthly savings amount available to devote to the goal. Provide amounts that avoid making the calculation too difficult. Discuss simple division as the method for properly calculating time needed to reach goal.

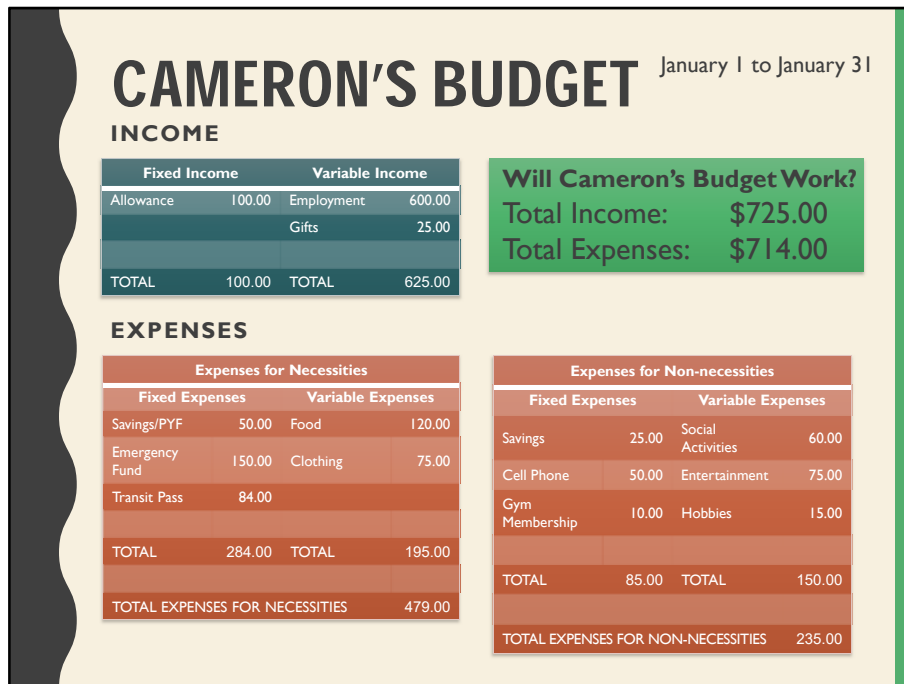
If you wanted to reach your goal faster, what steps could you take?

Students’ answers might include: save more each month (obviously but how?); cut back on other expenses, especially non-necessities; obtain more income such as through working additional hours; rethink the underlying

estimates used to determine the goal – e.g., consider whether meeting the goal might be easier if deciding to live with a roommate or in a more affordable neighborhood.

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Note: Savings information might need to be tailored based upon the students' and their families' likely socioeconomic status, if such information happens to be known. For instance, the student materials note the risk that a student's savings could affect the student's or other household members' eligibility for certain public benefits because a household's total assets are often considered in eligibility determinations.



### Student Materials: Pages 23-24

The slide's animations permit the instructor to reveal information during the discussion in the following order: Total Income, Total Expenses, Will Cameron's Budget Work, green box to indicate "yes." The reveals match with questions asked in the student materials, requiring students to perform basic calculations.

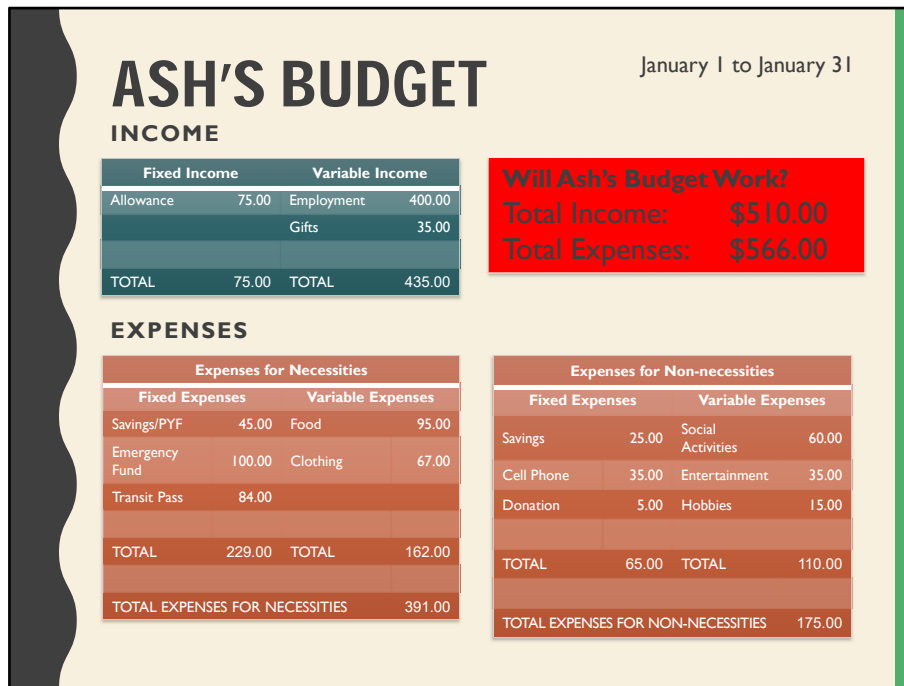
A bonus (optional) activity, "Cameron's Emergency Fund," also appears in the student materials on **page 24**. The activity is intended to highlight how long it can take to develop an emergency fund.

How many months of saving are required for Cameron to meet this savings goal? **Over 14** (technically, 14.28)  $((714 * 3) / 150)$

Student Question:

In calculating the total amount that Cameron must save to reach the goal, which expenses, if any, might you exclude, and why?





### Student Materials: Pages 25-26

The slide's animations permit the instructor to reveal information during the discussion in the following order: Total Income, Total Expenses, Will Ash's Budget Work, red box to indicate "no." The reveals match with questions asked in the student materials, requiring students to perform basic calculations.

#### Student Questions:

- How might Ash budget more responsibly? "c. both a. and b." (reduce expenses and increase income)
- If Ash needs to reduce expenses, which expense would you recommend reducing first and why?
- How might Ash reduce expenses?
- How might Ash increase income?

## BUDGET TIPS

- ✓ Set aside time often, at least monthly
- ✓ Track income and expenses before drafting
- ✓ Use online tools and software
- ✓ Take advantage of electronic payment options



**Student Materials: Pages 22, 28-29**

This slide presents concepts from the student materials that appear both before and after the Cameron and Ash Budgeting Exercises.

## FINANCIAL EMERGENCIES

- Personal Loans
- Bank Loans
- Cash Advances
- Car Title Loans
- Payday Loans



### **Student Materials: Page 27**

This slide is intended to highlight options that might be available in an emergency that savings cannot cover. Students should be encouraged to use the option with the lowest fee, whenever possible.

Discuss the benefits and especially the risks of the options. Please keep in mind, however, that some individuals might not have all options available or might be limited to using only the most expensive and risky options.

## PROTECTING YOURSELF FROM FRAUD AND THEFT

- ✓ Store personal and financial information securely
- ✓ Review financial information regularly
- ✓ Use security measures online, including when using electronic devices
- ✓ Don't share or reveal financial information
- ✓ Act quickly if cards are lost or information is compromised



### **Student Materials: Pages 30-31**

Discuss the above tips in more detail, based upon the information in the student materials.

## LEARN MORE ONLINE

- Government Agencies (.gov)
- Nonprofit Organizations (.org)
- Financial Institutions (.com)



### **Student Materials: Page 32**

Encourage students to research and to favor .gov and then .org websites when researching, as noted in the student materials.

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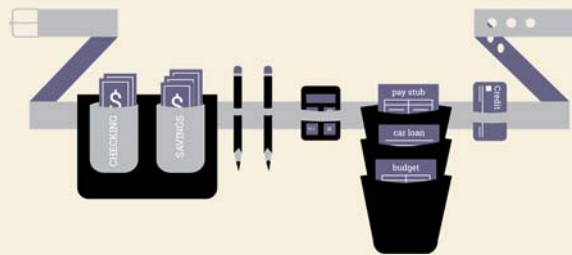
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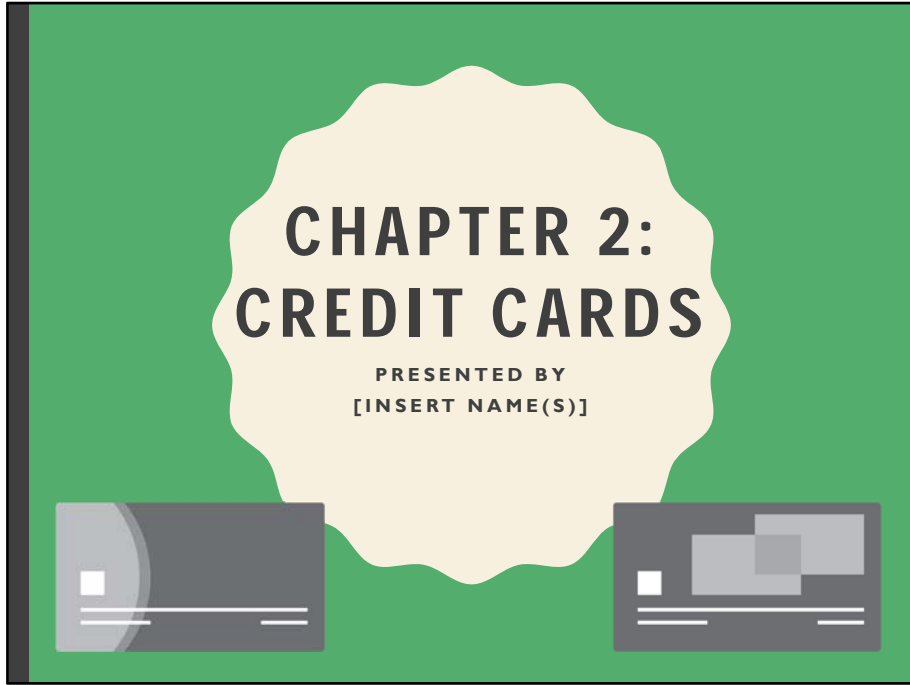
## WHAT YOU WILL LEARN IN YOUR 4 SESSIONS

1. Personal Finance and Budgeting
2. Use of Credit Cards
3. Making Large Purchases
4. Consequences of Poor Financial Decisions



Note that these are the four areas covered.

Note that today's session will focus on item 2.



This slide can be used to introduce yourself in more detail.



## WHAT YOU WILL LEARN TODAY

- What is credit?
- Basic Credit Concepts
- Common Credit Card Terms
- Calculating the True Costs of Credit
- Pros and Cons of Using Credit Cards



Read the list aloud.

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Note: The slides largely track with the student materials but provide much less detail.

## CREDIT

Credit enables a person to buy goods or services based upon a promise to pay later.

- Before deciding to loan money to a friend, what questions would you ask and why?

## INTEREST & FEES

- Why banks loan money
- Increases cost of goods and services
- Interest
  - Fixed & Variable



### Student Materials: Page 36

Describe credit, and invite students to answer the question presented.

Briefly describe the purpose of interest and fees. APR and fees are mentioned again for a more detailed discussion with a later slide.

Describe fixed and variable interest.

# CREDIT HISTORY: CREDIT REPORTS



- What are credit reports, and why are they important?
- Obtaining your credit reports

Credit Reports Typically Include		
<b>Personal Information</b> <ul style="list-style-type: none"><li>• Name</li><li>• Address (Current and Past)</li><li>• Birth Date</li><li>• Social Security Number</li><li>• Phone Number</li></ul>	<b>Credit Accounts</b> <ul style="list-style-type: none"><li>• Account Type</li><li>• Loan Amount or Credit Limit</li><li>• Balance</li><li>• Payment History</li><li>• Creditor's Name</li></ul>	
<b>Public Records</b> <ul style="list-style-type: none"><li>• Court Judgments</li><li>• Bankruptcies</li><li>• Liens on Property</li></ul>	<b>Inquiries</b> <ul style="list-style-type: none"><li>• Personal</li><li>• Pre-Credit</li><li>• Pre-Offer</li></ul>	<b>Collection Items</b> <ul style="list-style-type: none"><li>• Past-Due Debts</li></ul>

➤ Why might an employer want your credit report?

## Student Materials: Pages 37-38

Detail the topics presented, and invite students to answer the question presented (in student materials on page 37).

Emphasize that free credit reports can be obtained once per year, under federal law, from [annualcreditreport.com](http://annualcreditreport.com) and that other “free” credit report services present risks, as discussed in the student materials.

# CREDIT HISTORY: CREDIT SCORE



- What is a credit score, and why is it important?
- What affects a credit score?

## POSITIVE

- paying bills on time
- paying balances in full or keeping balances low
- opening only a few accounts
- applying for credit only when necessary

## NEGATIVE

- paying bills late
- having high balances and making only minimum payments
- opening many accounts
- applying for credit frequently

Student Materials: Page 39

Detail the topics presented.

# CREDIT CARDS: COMMON TERMS & COSTS

- Required Disclosures
  - Credit Card Applications
  - Monthly Statements
- APR
- Common Fees
- Minimum Payments
- Cash Advances and Balance Transfers
  - What pros and cons might exist for cash advances?
  - Why might someone want to transfer a balance?
- Age Restrictions



## Student Materials: Pages 40-43

Detail the topics presented.

Emphasize the importance of reading disclosures before applying for credit.

Note the common types of APRs and fees listed in the student materials, and describe in more detail as needed.

Describe the concept of “minimum payment.” Strongly recommend paying as much as possible above the minimum payment – with paying the entire balance, if possible, being most preferable. Note that paying only the minimum payment can quickly escalate the cost of credit, as will be detailed later in the session.

After describing cash advances and balance transfers, invite the students to answer the questions presented (**in student materials on page 42**).

Briefly review the age restrictions and other similar limitations that apply to credit cards.

## USING CREDIT: BEFORE USING A CREDIT CARD

- Affordability
- Needs v/s Wants



### Student Materials: Page 44

Summarize the above considerations, based upon the material presented in the student materials.

## CREDIT CARD TRAPS FOR THE UNWARY

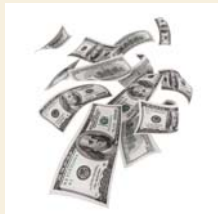
- Interest Rate Changes
- Minimum Payments
- Hidden Fees
- Cash Advances



Although these concepts have been covered, this slide is intended to reemphasize some risks and traps when using credit cards.

## USING CREDIT: CALCULATING & COMPARING COSTS

- Why calculate costs of using a credit card before using it?



### Cameron's Weekly Dinner with Friends

- How much will Cameron have charged?
- How long will it take to pay?

### Ash's Back-to-School Shopping Spree

- How much could Ash save?
- How old will Ash be?

### Student Materials: Page 45

This slide relates to **two activities on page 45** in the student materials.

Invite students to answer the first question.

Guide the students through the two activities.

Cameron

How much will Cameron have charged? **\$1,040.00** ( $\$20 \times 52$ )

How long will it take to pay? **104 months** (almost 9 years) ( $\$1040 / \$10$ )

Ash

How much could Ash save? **\$98.01** ( $\$673.50 - \$575.49$ )

How old will Ash be? **Between 21 and 22** ( $18 + 3.5$ )

Note that, because credit cards often involve complex calculations of interest and other factors, it is best to use online calculators to calculate the costs of using a credit card before using it.



## USING CREDIT: PROS & CONS OF CREDIT CARDS



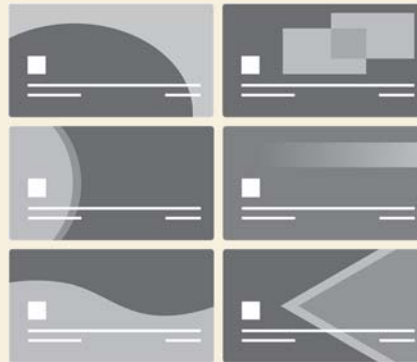
Pros	Cons
Enables immediate purchase and permits online ordering and reservations	Might increase "impulse buying"
Can provide record of purchases and permit consolidation of many bills into one payment	Ease of use might make it difficult to adhere to budget
Can help to build positive credit history through on-time payments	Can negatively impact credit score if not paid on time
Unlike cash, can be replaced if lost or stolen and can offer protection against fraud	Can cost more than using cash because interest and fees might apply
Can be used for purchases outside the United States	Might add a fee for international transactions
Often provides opportunity to earn points or rewards such as cash back and airline miles	

**Student Materials: Page 46**

Review pros and cons; discuss in more detail, as needed.

## USING CREDIT: OTHER TYPES OF CARDS

- Charge Card
- Debit Card
- Prepaid Card
- Secured Credit Card



### Student Materials: Page 47

Briefly describe other card types based upon the information provided in the student materials.

## USING CREDIT: DIGITAL (CARD-FREE) PAYMENT OPTIONS

- Apps
  - Before Using
  - Avoiding Scams



### **Student Materials: Page 48**

Briefly discuss use and risk. Ask whether students have used such payment options (e.g., Venmo) and in what circumstances (e.g., to split dinner check with friends).

## LEARN MORE ONLINE

- Government Agencies (.gov)
- Nonprofit Organizations (.org)
- Financial Institutions (.com)



### **Student Materials: Page 49**

Encourage students to research and to favor .gov and then .org websites when researching, as noted in the student materials.

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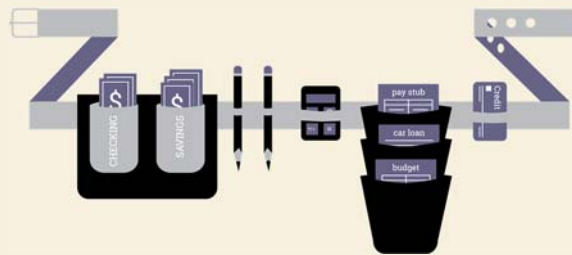
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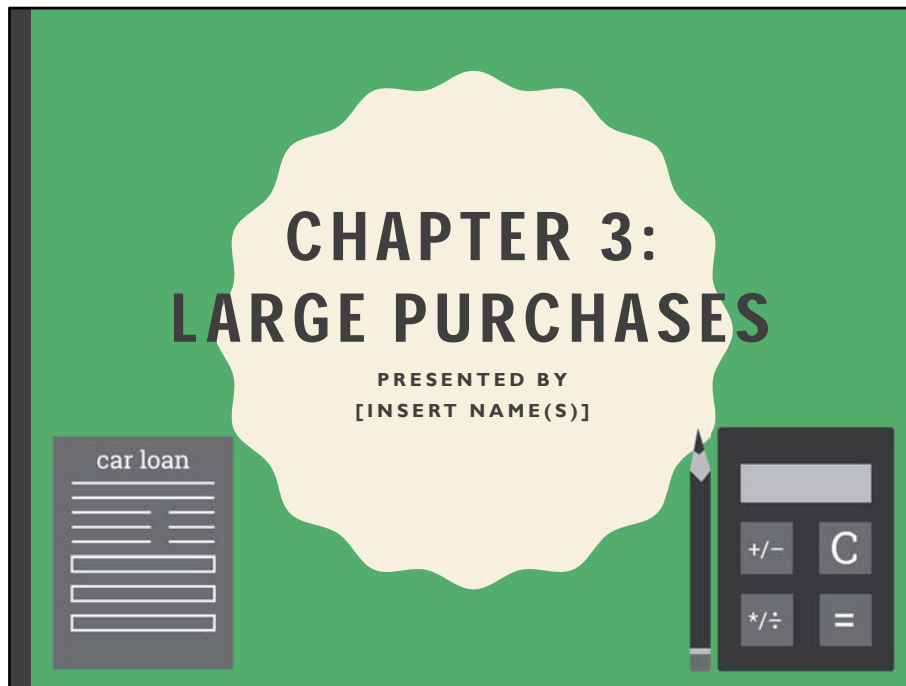
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Note that today's session will focus on item 3.



This slide can be used to introduce yourself in more detail.

## WHAT YOU WILL LEARN TODAY

- What to research and consider before purchasing
- How to prepare financially
- Options for paying
- How to use credit responsibly



Read the list aloud.

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Note: The slides largely track with the student materials but provide much less detail.



## TIPS FOR MAKING LARGE PURCHASES

- ✓ Save as much as possible in advance
- ✓ Research options for buying on credit or leasing
- ✓ Understand contracts and consequences



### **Student Materials: Page 52**

Encourage saving for a purchase rather than borrowing when feasible.

Encourage research and comparison shopping as to the product being purchased and as to financing options.

Encourage careful and realistic consideration of affordability. As seen in the session on credit cards, the true costs of borrowing can quickly escalate. Note the serious possible consequences of failing to make required payments, including repossession and reduced ability to get credit in the future.

Encourage thorough understanding of loan or lease (or other credit agreement) before signing. Warn about risks of relying upon salesperson to explain agreement and risks of signing an agreement with blank spaces.

# AUTOMOBILES

- Buying and Leasing
- New vs. Used



## Student Materials: Pages 53-54

Note first that a car can be purchased outright with cash.

Introduce concepts of buying and leasing, and then provide more detail, summarizing the student materials.

In discussing Buying a Car with a Loan, note that cars can quickly lose value, and strongly recommend making a down payment to avoid owing more than the car is worth.

In discussing Leasing a Car, note that monthly payments and down payments might seem more affordable than buying a car but can actually be more expensive, given other fee requirements with leases and the fact that the car must be returned in the end.

## AUTOMOBILES: BUYING VS. LEASING

	Cameron Buys with a Loan	Ash Leases
<b>Value</b>	Whether buying or leasing, the car's value will decrease over time or depreciate.	
	Depreciation affects Cameron's car's resale and trade-in values.	Anticipated depreciation affects Ash's overall cost to lease the car.
<b>New or Used</b>	A used car is usually cheaper than a new car of the same type.	
<b>Down Payment</b>	Whether a down payment is required depends upon creditworthiness, among other factors.	
<b>Use</b>	No limits are placed on Cameron's use of the car.	Ash's mileage, as well as wear and tear, is very limited.
<b>Maintenance</b>	Cameron is responsible for maintenance.	Ash or the lender (or dealership) could be responsible for maintenance. The lease states who will be responsible.
	Some maintenance might be covered under a warranty. Warranties and warranty protections under the law often differ between new and used vehicles.	

### Student Materials: Page 55

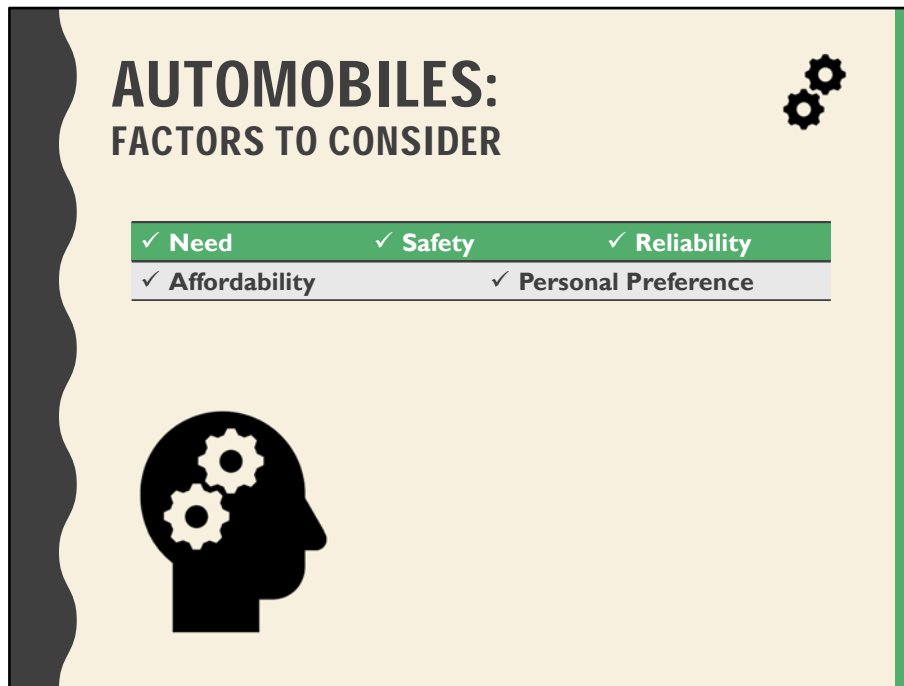
Review the chart, and invite discussion as to how students might view the compared items – noting that there are no wrong answers, but rather that many considerations must be balanced in deciding whether to buy or lease.

## AUTOMOBILES: BUYING VS. LEASING

	<b>Cameron Buys with a Loan</b>	<b>Ash Leases</b>
<b>Taxes &amp; Registration Fees</b>	Cameron and Ash must each pay all taxes and registration fees.	
<b>Insurance</b>	Cameron and Ash must each obtain auto insurance.	
<b>Ownership</b>	Cameron owns the car, subject to making all payments. If payments are not made, the lender might repossess the car.	The leasing company owns the car. Ash does not own the car and must return the car when the lease ends. Some leases provide the option to purchase the car at the end of the lease.
<b>Ending the Financing Agreement Early</b>	Cameron can end the financing agreement early by paying the full balance due.	Ash cannot end the financing agreement early. Some leases allow early termination of the lease but only after penalties or high fees have been paid.

### Student Materials: Page 55

Continue reviewing the chart, and invite discussion as to how students might view the compared items – noting that there are no wrong answers, but rather that many considerations must be balanced in deciding whether to buy or lease.



**Student Materials: Pages 56-58**

Discuss/summarize the considerations for each factor as detailed in the student materials.

When discussing Reliability, draw attention to the option (strongly recommended) of purchasing or otherwise obtaining a vehicle history report.

When discussing Affordability, draw attention to the fact that many costs beyond the monthly payment must be considered. The student materials contain a chart that lists “Typical Costs in Determining Affordability.”

## FINANCING OTHER EXPENSIVE CONSUMER GOODS

- Retailer Financing
  - Deferred Interest Promotions



**Student Materials: Page 59**

Briefly describe retailer financing and deferred interest promotions.

## TIPS FOR PROMOTIONAL FINANCING

- ✓ Make regular and timely payments
- ✓ Understand terms, time frames, and consequences
- ✓ Consider other less expensive options



### **Student Materials: Pages 60-62**

Elaborate on these tips, including the basis for them, based upon the information in the student materials.

As to the second point, emphasize the importance of paying the entire balance due well before the promotional period ends, which might not be timed with a payment due date. Note that, otherwise, interest is typically added dating back to the date of purchase.

## DEFERRED INTEREST: COMPARING PAYMENT STRATEGIES

Purchase Price: \$1500.00	Payment Examples	
	Cameron	Ash
Monthly Payment During Promotional Period	\$300.00	\$0.00
Total Paid During Promotional Period	\$1500.00	\$0.00
Balance Owed at End of Promotional Period	\$0.00	\$1500.00
Interest Charges Added at End of Promotional Period	\$0.00	\$187.50
First Minimum Payment After Promotional Period	\$0.00	\$67.50
Total Time to Pay in Full	Less than 6 months	If paying only min. payment: 9 years 5 months
Total Cost to Purchase	\$1500.00	If paying only min. payment: \$3274.35

### Student Materials: Pages 61-62

This activity helps to illustrate pitfalls of deferred interest promotions. Review the “fine print” in the student materials with the students, and then discuss Cameron and Ash’s payment strategies.

\*Terms: No minimum payment is required during the promotional period. After the promotional period, minimum payments will be 4% of the balance owed. No interest will be charged if the full balance is paid within 6 months of purchase. If the full balance is not paid by then, interest will be charged dating back to the date of purchase and going forward while any balance is owed. If interest is charged, the applicable APR is 25%.

Although not included on the slide, the **student materials offer an additional activity on page 62** that helps students to understand that deferred interest promotions might require a minimum monthly payment but that making such payment will be insufficient to pay the balance in full during the promotional period.



## RENTING CONSUMER GOODS

- Compare cost of renting with purchasing
- Evaluate goals – short term, long term
- Renting to own – an expensive and risky option



### Student Materials: Page 63

Discuss considerations in deciding whether to rent or buy, as detailed in the student materials.

Provide examples of when renting might be most appropriate.

Note that renting to own might seem like a tempting option because the regular payments seem small. Warn, however, that the relatively high costs of renting to own – typically due to numerous high fees – make it unlikely that the option will be cost-effective. Recommend that other, more affordable options be considered before entering into a rent-to-own agreement.

Also, note that a missed payment for a rent-to-own item often results in swift repossession of the item and additional fees being charged for the missed payment and the repossession.

# BUYING ON LAYAWAY

## Layaway Programs

Pros	Cons
Customer can ensure availability of popular item by reserving it	Customer cannot have the item until the purchase price is paid in full
A positive credit history is usually not required	Unlikely to improve creditworthiness unless layaway program reports positive account information to credit reporting companies
Customer's debt is limited to purchase price plus fees	Purchase price is fixed, even if item is on sale later
Fees charged for layaway might or might not make the purchase cost-effective and should be compared with expenses for using other purchasing options such as credit cards	



### Student Materials: Pages 64-65

Summarizing the student materials – describe the concept of layaway, and discuss the tips for using layaway successfully.

## RENTING AN APARTMENT

- Research and planning
  - Roommates vs. living alone
  - Location
  - Transportation
  - Amenities
- Know written lease or tenancy terms
- Up-front costs
  - Brokers' fees
  - Security deposit
  - First and last months' rent
  - Utilities
  - Moving expenses
  - Furniture
- Consequences of not paying rent
  - Eviction
  - Negative credit report



### Student Materials: Pages 66-67

Summarize the information provided in the student materials.

Emphasize the need to research and to prepare financially, well before renting an apartment.

Emphasize the importance of renting sustainably, which requires research and consideration of expenses beyond rent alone.

Discuss the need to understand the lease or tenancy terms and if/how renewal is an option.

Finally, note the consequences of not paying rent, including eviction (emphasize that it must be through a court process) and negative impact on credit.

## FINANCING YOUR EDUCATION

- Evaluate costs and benefits of school
  - Tuition, housing, meals, transportation



### Student Materials: Page 68

Encourage consideration of each school's affordability, reputation, and value – as determined by independent sources.

Recommend that students consider the likelihood of completing a school's program, entering the chosen field, and earning sufficient wages to pay any loan debt.

## FINANCING YOUR EDUCATION

- Grants and Scholarships
  - Awards might be merit-based, needs-based, publicly funded, and privately funded



- Student loans
  - Federal
  - Private
- Employment and work-study

### Student Materials: Pages 69-71

Describe the above funding options in more detail based upon the student materials.

## STUDENT LOANS: BEFORE BORROWING



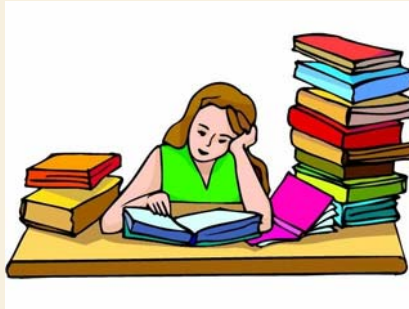
- Do a cost-benefit analysis
- Understand terms of loans and repayment obligations, including start and end dates, terms, interest rates, and monthly payments
  - Research repayment plans
- Do not expect to be able to eliminate (“discharge”) student loan debt in bankruptcy

### Student Materials: Page 70

Emphasize that it is extremely difficult and often impossible to eliminate (or “discharge”) student loan debt through bankruptcy, and briefly explain why that matters. Students will learn more about bankruptcy in the “Consequences” session that follows this one.

## UNDERSTANDING AWARDS

- Carefully read financial aid award letters
- Consult financial aid and guidance counselors
- Understand time of disbursement



### **Student Materials: Page 71**

Encourage students to seek help in understanding their award letters, especially in understanding what funds will need to be repaid and when funds will be disbursed. Note that the MA AGO has a new website to help students with understanding their financial aid award letters.

Note that students might need to cover up-front costs while waiting to receive their financial aid. For instance, student loan “refunds” are often not disbursed until after school begins, meaning that students must often cover numerous costs – possibly including those associated with renting an apartment – before receiving financial aid that is intended to cover their living expenses.

## LEARN MORE ONLINE

- Government Agencies (.gov)
- Nonprofit Organizations (.org)
- Financial Institutions (.com)



### **Student Materials: Page 72**

Encourage students to research and to favor .gov and then .org websites when researching, as noted in the student materials.



# THE M. ELLEN CARPENTER FINANCIAL LITERACY PROGRAM

A JOINT PROGRAM OF

The United States Bankruptcy Court  
for the District of Massachusetts



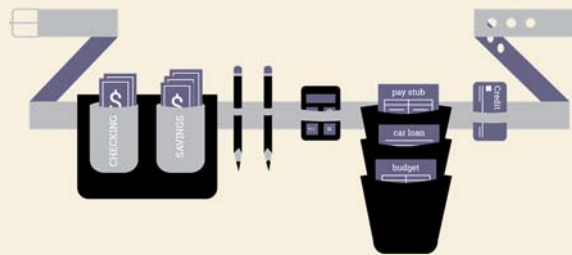
The Boston Bar Association



This welcome slide can be used to introduce volunteers & the program. Later slides also provide an opportunity for a more in-depth introduction.

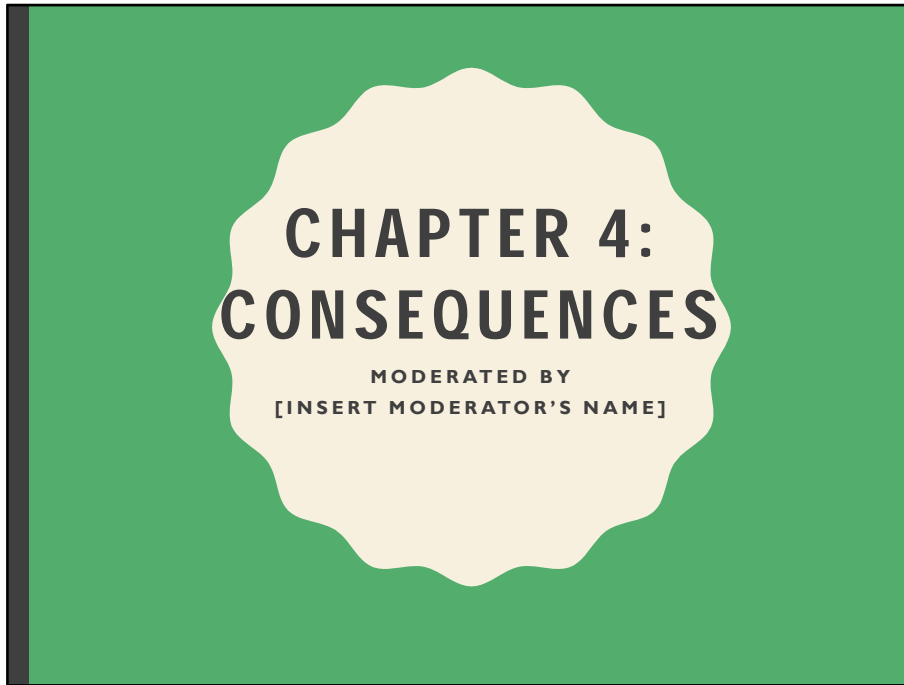
## WHAT YOU WILL LEARN IN YOUR 4 SESSIONS

1. Personal Finance and Budgeting
2. Use of Credit Cards
3. Making Large Purchases
4. Consequences of Poor Financial Decisions



Note that these are the four areas covered.

Note that today's session will focus on item 4.



This slide can be used to introduce the moderator in more detail. Later slides present an opportunity to introduce other participants.

## WHAT TO EXPECT TODAY

- Bankruptcy Basics
- Meeting of the Creditors
- Mock Hearing
- Interactive Discussion with Judge and Lawyers



Read the list aloud.

## BANKRUPTCY BASICS

- What is bankruptcy?
- Why is there bankruptcy?
- What is the bankruptcy court?
- What is the purpose of bankruptcy?
- What do “automatic stay” and “discharge” mean?



Student Materials: Page 76

## TODAY'S PARTICIPANTS

- Meeting of the Creditors
  - Trustee
  - Sam Spender (Debtor)
  - Sam Spender's Attorney
  - EZ Motor Credit's Attorney (Creditor)
  - Student Volunteer (Creditor)

## TODAY'S PARTICIPANTS

- Mock Hearing
  - Judge
  - Law Clerk(s) & Courtroom Deputy Clerk
  - Sam Spender (Debtor)
  - Sam Spender's Attorney
  - EZ Motor Credit's Attorney (Creditor)
  - Student Volunteers

