OneUnited BANK

Let's Talk About Money!

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Why is Financial Literacy so important:

- Helps Us Understand the Value of Money
  When we understand the value of money, we are able to handle our finances in a better way. We will be able to know the importance of budgeting, saving and avoid unnecessary expenditures.

- Brings an Understanding of Debt
  One of the biggest problems that young people face is burdensome student loan debt. Financial literacy can provide a clear-eyed perspective on debt and its long-term life implications.

- Minimizes Common Pitfalls
  Financial literacy offers clear boundaries and guidelines on credit card use. Financial literacy helps young people avoid making costly mistakes early in their adult lives.

- Emphasizes Investing Early
  Graduates just entering the job market may have many opportunities to open investment accounts or retirement savings accounts, These include employer-sponsored 401(k) plans or IRAs. These resources can be very effective when started early, making financial literacy key.

- Empowers Us to Create Wealth
  Being financially literate enlightens us in the various ways to generate wealth.

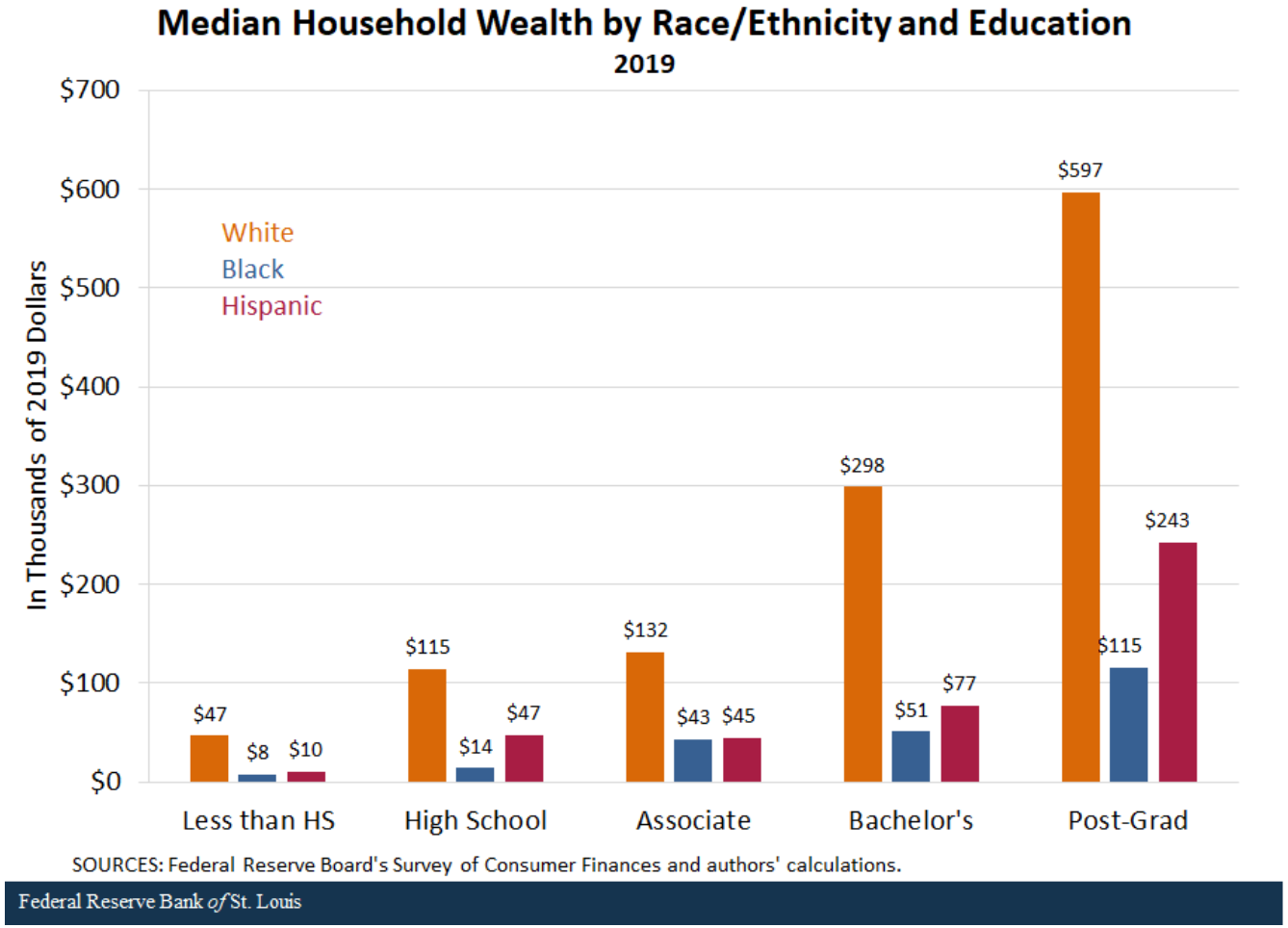
MONEY VS. WEALTH

- **Money** - anything that is generally accepted as payment for goods and services and repayment of debts.

- **Wealth** - an abundance of valuable material possessions or resources

Business Owner/Investments
Inheritance
Retirement Funds/Savings
Home
Cash

Wealth Gap


Median Household Wealth by Race/Ethnicity and Education
2019
In Thousands of 2019 Dollars
$700
$600
$500
$400
$300
$200
$100
$0
White
Black
Hispanic
$47
$8
$10
$115
$14
$47
$132
$43
$45
$298
$51
$77
$597
$115
$243
Less than HS
High School
Associate
Bachelor's
Post-Grad
SOURCES: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.
Federal Reserve Bank of St. Louis

Building Wealth

Effectively managing your finances (money) will lead to wealth; How does that happen?

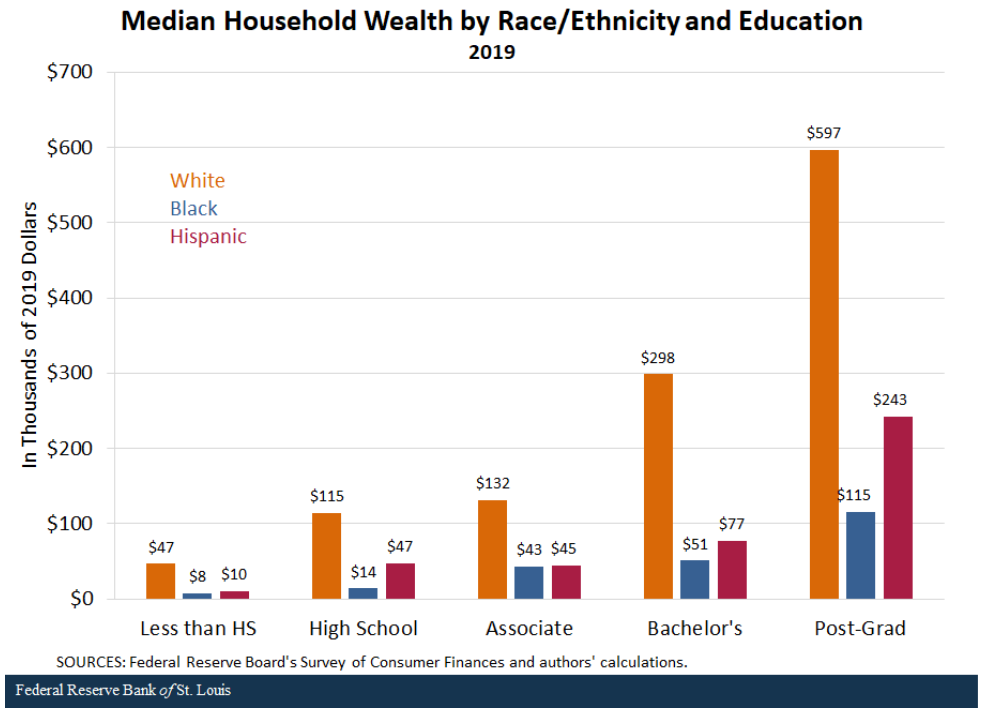
- Education
- Budgeting
- Saving
- Managing credit
- Maintaining good financial/banking relationships

EDUCATION:

Knowledge is Power --- the more you know the further you will go

WEALTH GAP:

The more formal education you have the higher your projected lifelong income.



My Money Five Principles

MYMONEY.GOV

The Earn Principle

The Earn Principle is about more than the amount you are paid through work. This principle is about knowing the fine print and details about your paycheck, including deductions and withholdings. To put it another way: In order to make the most of what you earn, it helps to understand your pay and benefits.

Do you research to obtain a competitive job offer

Total Compensation = salary and benefits

- Compensation
  - Base Salary
  - Bonuses
  - Commissions
  - Profit-sharing distributions
  - Stock Options
- Benefits
  - Paid time off (vacation days, sick days and holidays)
  - Insurance (medical, dental, disability and/or life)
  - Retirement plans (e.g. 401(k) plan)
  - Tuition assistance
  - Childcare assistance
  - Employee assistance programs that offer legal advice, counseling and other services

The Earn Principle

Review the details of your paycheck, including any deductions

Your take-home pay (net income) is what you receive after any taxes and deductions are subtracted.

Deductions and withholdings include federal, state and city income taxes, Social Security and Medicare taxes, your contributions for retirement savings, and payments for health insurance provided as part of your job.

Be sure you take advantage of all the credits and deductions that help lower your taxes.

The Spend Principle

The fundamental concept of the Spend Principle is to make a budget or a plan for using your money wisely. It's helpful to set short and long-term financial goals and manage your money to meet them.

Live within your means

A good way to take control of your spending is to set the maximum amounts you plan to spend each week or each month. Once you've set the maximum, stick with your plan.

Be a smart shopper, and compare prices and quality

It's helpful to track your spending over a few weeks or months to get a handle on how you are using your dollars and cents. Look into using on-line systems or phone apps for keeping track of your spending – you will be amazed at what you'll learn about your habits!

Track your spending habits and develop a budget or spending plan

Be careful not to let a sale or discount coupon persuade you to purchase something you don't really need and that isn't in your spending plan.

Plan for short-term and long-term financial goals

When planning a big purchase, take time to comparison shop and check prices at a few different stores, by phone or online.

Earnings

Your Annual Earnings $_____

#1 $ Monthly Earnings $_____
(Earnings divided by 12)

#2 $ Monthly Taxes $_____
(#1 times tax rate of 0.33)

#3 Take Home Pay (What you take home after taxes) $_____
(#1 minus #2)

Costs

#4 Monthly Rent $_____ per month

#5 Monthly Food $_____ per month

#6 Monthly Utilities (electric, gas, etc.) $_____ per month

#7 Monthly Cell Phone $_____ per month

#8 Monthly Car Payment/MBTA Pass $_____ per month

#9 Total Costs $_____ per month
(Add #4, 5, 6, 7 and 8)

Anything Left?

#10 Money Remaining $_____ per month
(Subtract #3 from #9)

#11 Savings (10% of monthly earnings) $_____ per month

The Save and Invest Principle

Saving is a key principle. People who make a habit of saving regularly, even saving small amounts, are well on their way to success. Use your savings to plan for life events and to be ready for unplanned or emergency funds.

Start saving, form a savings habit, and pay yourself first!

An easy way to save is to pay yourself first. That means each pay period, before you are tempted to spend money, commit to putting some in a savings account. Set up direct deposit so that a portion goes to your checking and savings account. You can also have your bank to automatically transfer a certain amount from your checking account to savings every month.

Monthly Income _____

10% of income _____

Annual Savings _____

Open a saving account ---- earn interest

Interest is an amount of money banks or other financial institutions pay you for keeping your money on deposit with them. Interest is expressed as a percentage and is calculated based on the amount in the account. Compounding interest is how your money can grow when you keep it in a financial institution that pays interest. When the bank compounds the interest in your account, you earn money on the previously paid interest, in addition to the money in your account.

Saving $1 a day

	No Interest	5% Daily Compounding
Year 1	$365	$374
Year 5	$1,825	$2,073
Year 10	$3,650	$4,735

The Save and Invest Principle

An emergency fund can be used to help cover your basic living expenses during a time when your income has been reduced. How much should you save in your emergency fund?

Most financial experts recommend that you have somewhere between three months and six months of basic living expenses in your emergency fund.

Retirement (401k):

- A set percentage is automatically taken out of each paycheck and invested in a 401k account. They are made up of investments (usually stocks, bonds, mutual funds) that the employee can pick themselves.
- Pre-tax contribution advantage reduces your income tax burden for the current year.
- Take advantage of matching contributions may be made by the employer.
- Contribute the maximum amount each year, or as close to it as you can manage.

A good rule of thumb is to add on one year of salary saved for every five years of age — for example, at age 30 you'd want to have saved one year of salary, at age 35, two years, at age 40, three years, and so on

Traditional IRAs (individual retirement accounts)

- Allow individuals to contribute pre-tax dollars to a retirement account where investments grow tax-deferred until withdrawal during retirement

The Borrow Principle

Sometimes it's necessary to borrow for major purchases or maybe even to meet unexpected expenses. Credit is the ability to borrow money. When you borrow money on credit you get a loan. You make a promise to pay back the money you borrowed plus interest

Why is Credit Important?

- It can be useful in times of emergencies
- It is more convenient than carrying large amounts of cash
- Allows you to make a large purchase, such as a car or house and pay for it overtime
- Can affect your ability to obtain employment, housing, and insurance depending on how your manage it

.

The Borrow Principle

ESTABLISH AND MAINTAIN GOOD CREDIT

- Good credit means that you can be trusted to make loan payments on time to repay the money you owe.
- Establishing credit/how credit decision are made (four Cs):
    a. Capacity – your present and future ability to meet your payments
    b. Capital – value of your assets and your net worth
    c. Character – how you have paid your bills or debts in the past
    d. Collateral – property or assets offered to secure a loan
- Your ability to get a loan generally depends on your credit history, and that depends largely on your track record at repaying what you've borrowed in the past and paying your bills on time. So, be careful to keep your credit history strong.

The Borrow Principle

ESTABLISH AND MAINTAIN GOOD CREDIT

Credit Report --- a record of how you have paid your debts. It tells lenders:

- Who you are
- How much debt you have
- Whether you have made payments on time
- Whether there is negative information about you in public records

The Borrow Principle

ESTABLISH AND MAINTAIN GOOD CREDIT

Judgment

Tax Lien

Collection Account

Bankruptcy

The Borrow Principle

ESTABLISH AND MAINTAIN GOOD CREDIT

Information in your credit report may determine whether you will:

- Get a loan or other form of credit
- Get a job
- Be able to rent an apartment and/or affect the amount of your security deposit
- Get insurance

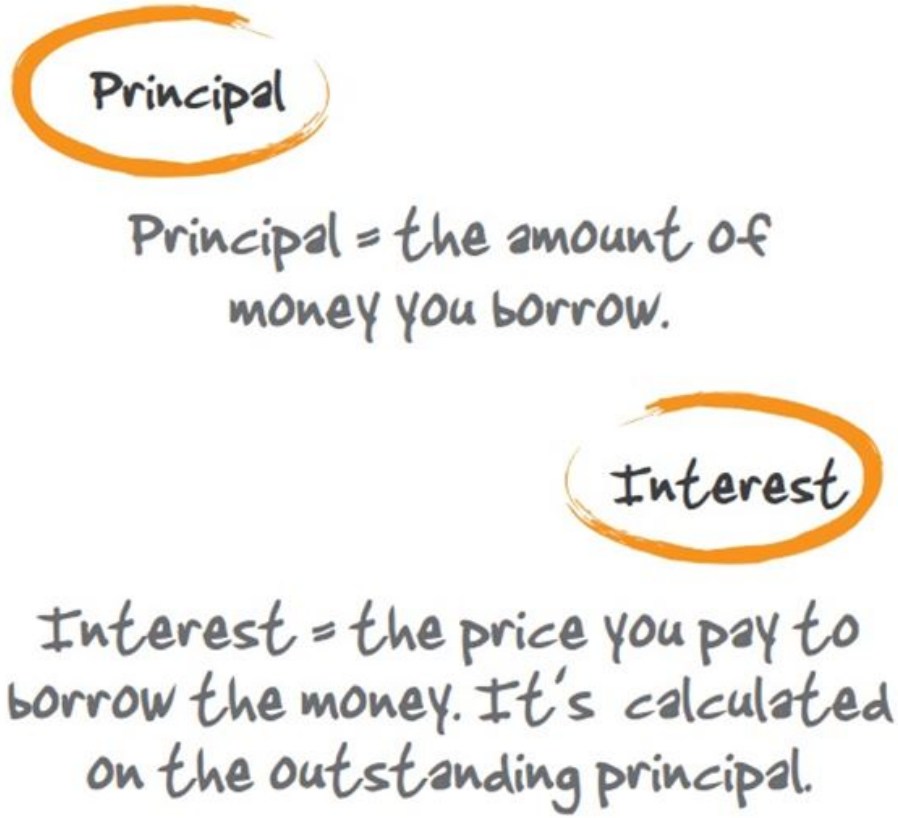
The Borrow Principle

Type of Loans:

- Credit cards --- gives you the ongoing ability to borrow money and buy things without having the money right away
- Consumer Installment Loan --- loans that allow you to pay the same amount each month in installments (i.e. car)
- Mortgage/Home Loan
- Education/Student Loan

The Borrow Principle

Loans:



The annual percentage rate of charge (APR) is the interest rate for a whole year (annualized), as applied on a loan, mortgage loan, credit card, etc. It is a finance charge expressed as an annual rate.

Student Loans and Capitalized Interest

- Capitalized interest is the number one reason why people are confused at how their loan balance has grown while making payments for years.
- Capitalized interest is the addition of any unpaid interest on your loan payment being added to the total principal balance of your loan.
- When a borrower fails to pay the interest portion of a loan payment during the term in which it is due, the lender will capitalize the interest and increase your principal balance by that same amount
- In other words….you are paying interest on the interest of your loan. This is something you want to avoid at all costs, if possible.

Student Loans and Capitalized Interest

Original loan	Original loan	Capitalized interest after 12-month deferment
Balance	$30,000	$31,500
Repayment term	10 years	10 years
Minimum monthly payment	$318	$334
Total interest paid	$8,184	$10,093
Total amount paid	$38,184	$41,593
Total difference		$3,409

Student Loans

Student loan debt impacts wealth creation, therefore be sure to:

- Read your loan documents --- understand the terms and conditions of the loan
- Develop a payoff plan before you graduate
  - ✓ Refinance or consolidate your student loans, which can help lower interest rates and make them more affordable
  - ✓ Spend less and earn more, which will generate extra money for student loans
  - ✓ Pay more than the minimum payment
  - ✓ Make extra payments whenever you can

The Borrow Principle

ESTABLISH AND MAINTAIN GOOD CREDIT

REMINDERS….

1. Only borrow money for what you need

- ➢It pays to shop around to get the best deal on a loan. Compare loan terms from several lenders, and its okay to negotiate the terms.
- ➢ One of your most important aids when shopping for a loan is the APR – the Annual Percentage Rate. This is the total cost, including interest charges and fees, described as a yearly rate. Always read disclosures (the fine print) and understand banking fees.

2. Pay your bills on time.

- ➢Paying your bills on time will help increase your credit score. Even if you fell into trouble with borrowing in the past, you can get on solid footing and rebuild your credit history by making regular payments as agreed.
- ➢ When repaying a loan, it may be better to pay more than the minimum amount due each month, so you will have to pay less in interest over the life of the loan.

3. Avoid identity theft

Pay attention to your credit history, as reflected by your credit score and on your credit report. You are entitled to a free copy of your credit report every 12 months from each of the three nationwide credit bureaus. Go to www.AnnualCreditReport.com or call toll free 1-877-322-8228 to order the free reports. Beware of imposter sites.

The Protect Principle

The Protect Principle means taking precautions about your financial situation. It stresses the importance of accumulating savings in case of an emergency and buying insurance. Be vigilant about identity theft and keep aware of your credit record and the credit score.

Actions You Can Take

Keep your financial records in order

A good system for keeping personal money records will include copies of important documents like your will, property ownership documents, information about savings and insurance, and other document. It should include overview of what happens to property after a major life event occurs.

Watch out for fraud and scams, and protect your identity

Assume that any offer that “sounds too good to be true” – especially one from a stranger or an unfamiliar company --- is probably a fraud.

Look at your bank statements and bills as soon as they arrive and report any discrepancy or anything suspicious, such as an unauthorized withdrawal or charge.

Be wary of request to “update” or “confirm” personal information, especially your Social Security number, bank account numbers, credit card numbers, personal identification numbers, your date of birth or your mother’s maiden name in response to an unsolicited call, letter or email

Choose insurance to meet your needs

- Health Insurance (medical, dental, vision)
- Life Insurance
- Supplemental insurance (Short term disability, long term disability, long term care, etc.)

Be Money Smart and Financial Literate…

Follow the My Money Five Principles and
create generational wealth for
you and your family!

Thank you!