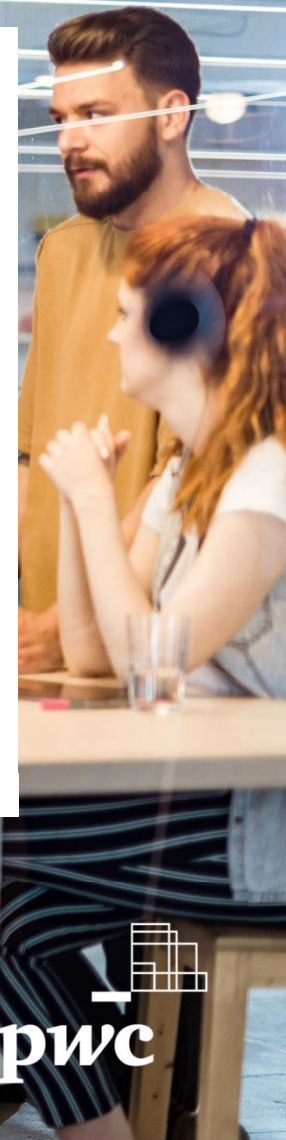


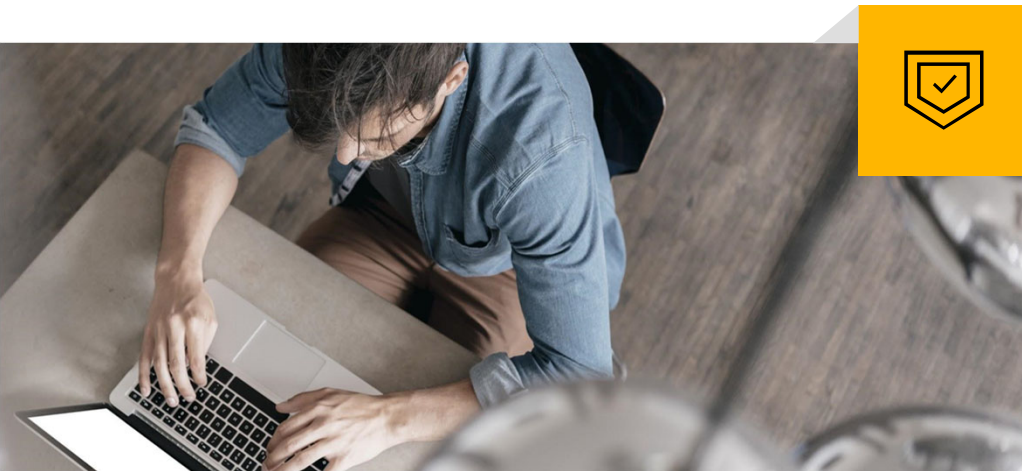
Taking control of your money

November 2020



About PwC

- The PwC Financial Education and Wellness Practice is focused on providing personal financial education and counseling.
- Our sole purpose is to improve the financial well-being of employees.
- We do not sell financial products.



Please note, this webinar is meant to provide you with only general financial education and guidance and the information provided by PricewaterhouseCoopers should not be viewed as specific investment, tax or legal advice. PricewaterhouseCoopers strongly recommends that you consult with your personal investment, tax, legal and/or financial advisor before taking any action regarding your personal finances.

What we will cover

1

Taking control of
your cash flow
and finding ways
to save

2

Using debt
wisely and
managing costs

3

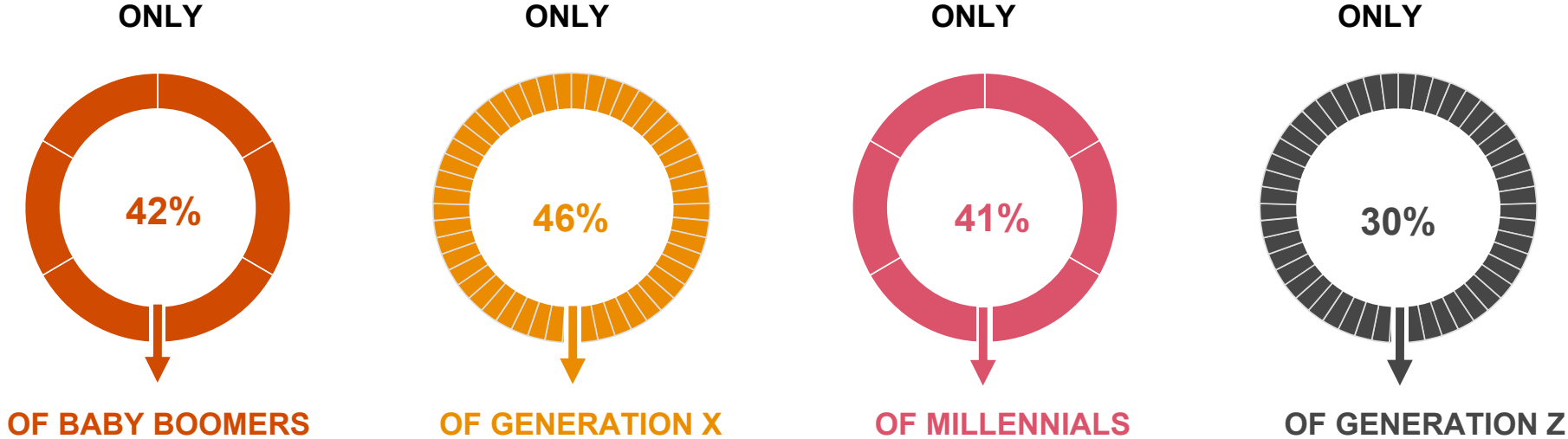
Understand your
credit score and
how to improve
or maintain it



1

Take control of your cash flow
and find ways to save

We're **not** prepared!



feel prepared to meet basic needs if they were out of work for an extended time.

*PwC 2020 Employee Financial Wellness Survey

Importance of emergency fund



Map out a money plan

Consider the 50-20-30 rule

50%

of take home pay
Essential Expenses

- Mortgage or rent
- Groceries
- Utilities
- Insurance
- Child Care

20%

of take home pay
Financial Goals and
Obligations

- Create an emergency fund
- Saving for a down payment on a home

30%

of take home pay
Personal Choices/Expenses

- Dining Out
- Shopping
- Entertainment
- Cable package

PwC Tip:

Make coffee at home instead of buying it on the go. This could save you over \$1,000/ year!



Smart ways to improve your budget!

1

Create a grocery list before the trip.

2

Fund FSA/HSA.

3

Bundle insurance.

4

Avoid bank fees.

5

Fewer visits to favorite restaurant & coffee shop.

6

Cut down cable bill and subscription services.

7

Pack your lunch.



2

Using debt wisely and
managing costs

Debt ratios



Housing debt – 28% of Gross Pay



Consumer debt – 20% of Take-Home Pay



Total debt ratio – 36% of Gross Pay

Example:

Monthly debt payments:

- Credit Cards - \$500
- Student Loans - \$700
- Auto Loan - \$300
- Personal Loan - \$500

Annual income = \$60,000

1: Calculate your total monthly debt

$$\$500 + \$700 + \$300 + \$500 = \$2,000$$

2: Calculate your monthly gross income

$$\$60,000/12 = \$5,000$$

3 : Calculate your total debt ratio

$$\$2,000/\$5000 = 40\%$$

4 : Compare to total debt ratio guideline

Create a debt payment plan



Take inventory of your debts



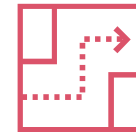
- Lender
- Monthly Minimum Payment
- Interest Rate
- Total Balance

Choose a debt repayment method



- Debt snowball
- Debt avalanche
- Other

Get Started



- Decide and take action!

Approaching debt repayment

Debt snowball

List out all your debts in order of lowest balance to highest balance and pay them off in that order. Any extra funds above the minimum payments go toward the **debt with the smallest balance**.

Debt avalanche

List out all of your debts in order of highest to lowest interest rate and pay them off in that order. Any extra funds above the minimum payments go toward the **debt with the highest interest rate**.

		Additional debt payment \$100
	Additional debt payment \$100	Minimum payment \$90
Additional debt payment \$100	Minimum payment \$90	Minimum payment \$134
Minimum payment \$90	Minimum payment \$134	Minimum payment \$230
Student loan A— Balance: \$7,700 Interest rate: 7.08%	Student loan B— Balance: \$10,250 Interest rate: 9.66%	Credit Card Balance: \$11,500 Interest rate: 14.53%

Avoid the minimum payment trap

Interest can be costly, so always try and pay more than the required minimum payment!



Don't turn a \$6,000 bill into a \$14,000 burden!

If each month you pay	Total you will pay	Years to pay off
Minimum	\$14,038	20.0
Minimum plus \$10 extra	\$11,946	13.6
Minimum plus \$50 extra	\$9,101	6.3
Minimum plus \$100 extra	\$7,981	3.8

Assumptions:

Initial charge of \$6,000; no new charges.

Interest rate of 18.0% per year (1.5% per month) on outstanding balance.

Minimum payment of 2.5% of outstanding balance each month (no less than \$25).

Debt consolidation



Advantages

- One payment
- Payments lower due to longer term
- Possible tax deduction (home equity loan)

Disadvantages



- Higher interest rates
- Conversion to secured debt (home equity loan)
- High fee

A retirement plan loan – More expensive than you think

You may think:

- Easy credit
- Low fees
- Replacement over several years

But don't forget to consider:

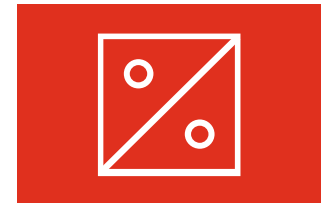
- Double taxation on interest!
- Non-deductible interest payments
- Loss of growth
- Decreased take home pay during repayment of the loan



Assumes: \$30,000 initial loan, 5% interest rate, 7% annual rate of return. Initial loan term 5-years, + 30 years until retirement.

Managing debt

- Take **inventory** of your debt
- Make at least **minimum payments**
- Pay **on time** every month
- Be **careful** with balance transfers
- **Cut-up** credit cards
- Focus extra payments on **highest interest rate** debt in order to save the most in interest*



3

Understanding your
credit score

Importance of good credit

Good credit directly impacts:



Your ability to obtain a new line of credit.



What you may pay in interest.



Your ability to rent.



Employment opportunities in certain fields.

Why does your credit score really matter?



Let's see the impact interest will have if an individual were to take out a 36 month new car loan of \$25,000.

Credit score	Interest rate (APR)	Monthly payment	Total interest
750 (high)	3.212%	\$729	\$1,257
650 (medium)	9.265%	\$798	\$3,731
580 (low)	14.704%	\$863	\$6,068

Interest rates are estimates and for illustration purposes only. Source: www.myfico.com

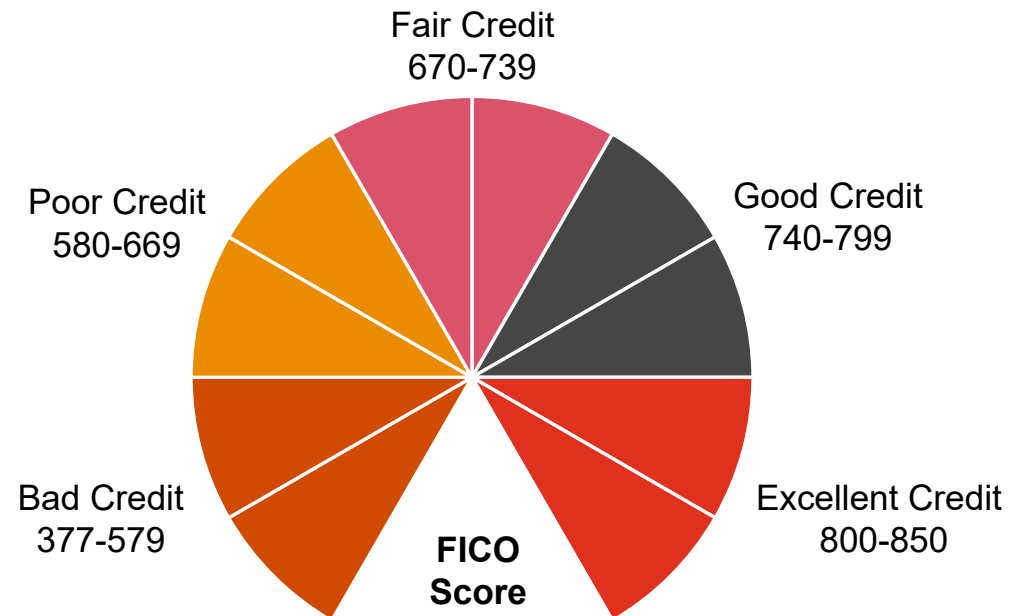
Your FICO score

What is it?

- A standard measure of your credit risk.
- Based on a snapshot of your credit report at a particular point in time.

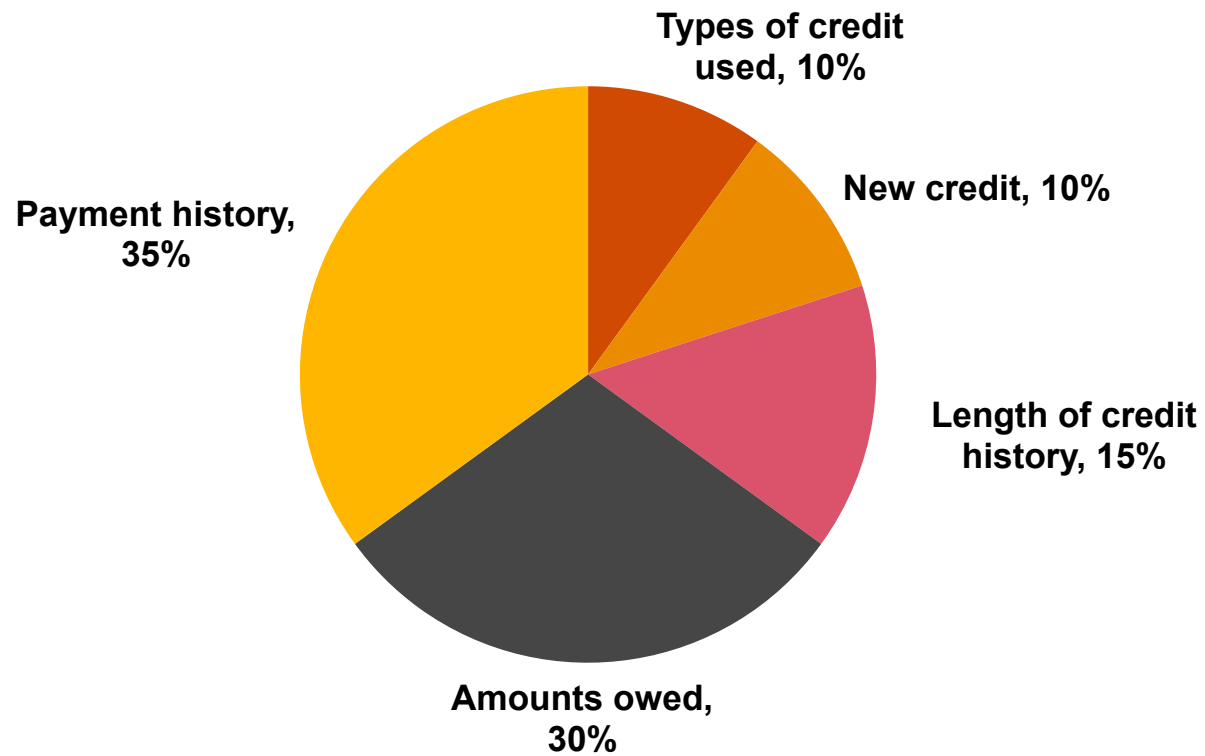
How do you obtain it?

- Some banks and credit card companies are now providing your credit score at no cost.



What determines your credit score?

What's considered?



Source: Fair Isaac Corporation

Improving your credit score

1	Keep credit inquiries down.
2	Open new credit accounts only as needed.
3	Pay off debt rather than moving it around.
4	Keep balances low on credit cards.
5	Get current and stay current.
6	Pay your bills on time.

*Chart shown for illustration purposes only

Your credit report



What is in your credit report?

- A compilation of your bill-paying **history**.
- A **status report** of all past and present credit accounts.
- A listing of all **credit inquiries**.
- A listing of **late payments** and bankruptcies.
- Used as the basis for calculating your credit score



Visit www.annualcreditreport.com to obtain a free copy of your credit report.

During COVID-19 the three bureaus are now offering free weekly online reports through April 2021!

Reviewing your credit report



When reviewing your report look for the following:

1 Inquiries not initiated by you.

2 Accounts you didn't open.

3 Account status.

4 Creditor's Statement.

5 Your statement.

6 Identity theft.

7 Different names (ex. Bob Jones instead of Robert Jones).

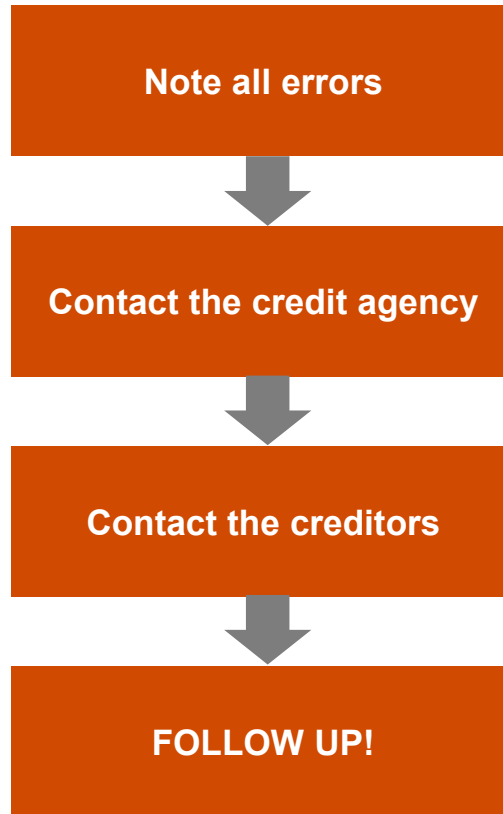
8 Incorrect Social Security numbers.

9 Input errors.

10 Payments applied to incorrect accounts.

How to fix an error

How do you fix an error on your credit report?



4

Conclusion

Action items

1

Determine if you are prepared for unexpected expenses.
Set a goal to build your emergency fund.



2

Develop a budget to meet expenditure and savings goals.



3

Take inventory of your debts.



4

Come up with a debt paydown plan.



5

Check your credit score and obtain and review your credit report.



6

Implement a plan to improve your score.



Be sure to consult with your advisor for further guidance on your specific situation.



Questions?

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