

Are You Qualified and Ready to Rent an Apartment or Home?

*Let's review some
considerations to
keep in mind during
the process.*



Personal Loans

- Secured
 - Auto
 - Mortgage
- Unsecured
 - Credit card
 - Bank overdraft
 - Personal loan
- Line of credit
- Subsidized
- Unsubsidized



Loan Variables



- Principal (amount borrowed)
- Annual Percentage Rate (APR)
- Length of loan
- Monthly payment
- Total finance charge
- Total to be repaid

Calculating the Cost of a Loan

- Amount to be repaid = principal + interest

**Simple
Interest**

or

**Compound
Interest**

Simple Interest

- Interest = principal x APR x number of years
- Monthly payment = amount to be repaid ÷ number of months

How much interest will be paid each month for a \$6,000 loan with a rate of 4% for 10 years?

$\$6,000 \times 0.04 \times 10 = \$2,400$ total interest

$\$2,400 \div 120 = \20 per month interest

Total loan repayment \$70/month

Compound Interest

Final amount to be paid = Principal x (1 + APR)^{# of years}

How much interest will be paid to borrow \$6,000 for 10 years, with a rate of 4%?

$$\text{\$6,000} \times (1 + 0.04)^{10} = \text{\$8,881.47}$$

$$\text{\$8,881.47} - \text{\$6,000} = \text{\$2,881.47}$$

$$\text{\$2,881.47} \div 120 = \text{\$24.01 per month}$$

Total loan repayment \$74.01/month

Payday Loans

- Small, high-interest, short-term cash loan
- Intended to cover borrower's expenses until the next paycheck
- Also may be referred to as:
 - Cash advance loans
 - Check advance loans
 - Post-dated check loans
 - Deferred deposit loans

Payday Loan Process

- Borrower writes post-dated personal check for the loan amount plus a fee
- Lender holds the check for the loan period and then deposits it or the customer returns with cash to reclaim the check
- Must be repaid in full on or before due date
- Loan may incur additional fees and/or increased interest rate for failure to pay in full
- Convenient short-term solution, but definitely not appropriate for long-term cash needs

Payday Loan Example

Assumption: You need to borrow \$100 for two weeks

- You write a personal check for \$115 (\$15 is the fee to borrow the money)
- The lender agrees to hold your check until your next payday
- When your payday arrives, the lender either deposits the check and you redeem it by paying \$115 in cash, or you roll over the loan
- If you roll over the loan, you are charged \$15 more to extend the financing for 14 more days
- If you agree to electronic payments instead of a check, the lender would debit the full amount of the loan from your checking account electronically, or extend the loan for an additional \$15
- If you roll over the loan three times, the finance charge would climb to \$60 to borrow \$100
- The cost of the original \$100 loan is the \$15 finance charge, an annual percentage rate of **391%**

Before Taking a Payday Loan

- Verify license of lender
- Consider alternative solutions
- Comparison shop for lowest fees/penalties
- Borrow only what you can afford to repay next paycheck
- Avoid borrowing from more than one lender
- Know when your payment is due
- Take advantage of organizations that can help with budgeting, credit repair, etc.
- Set up a budget



Similar to Payday Loans

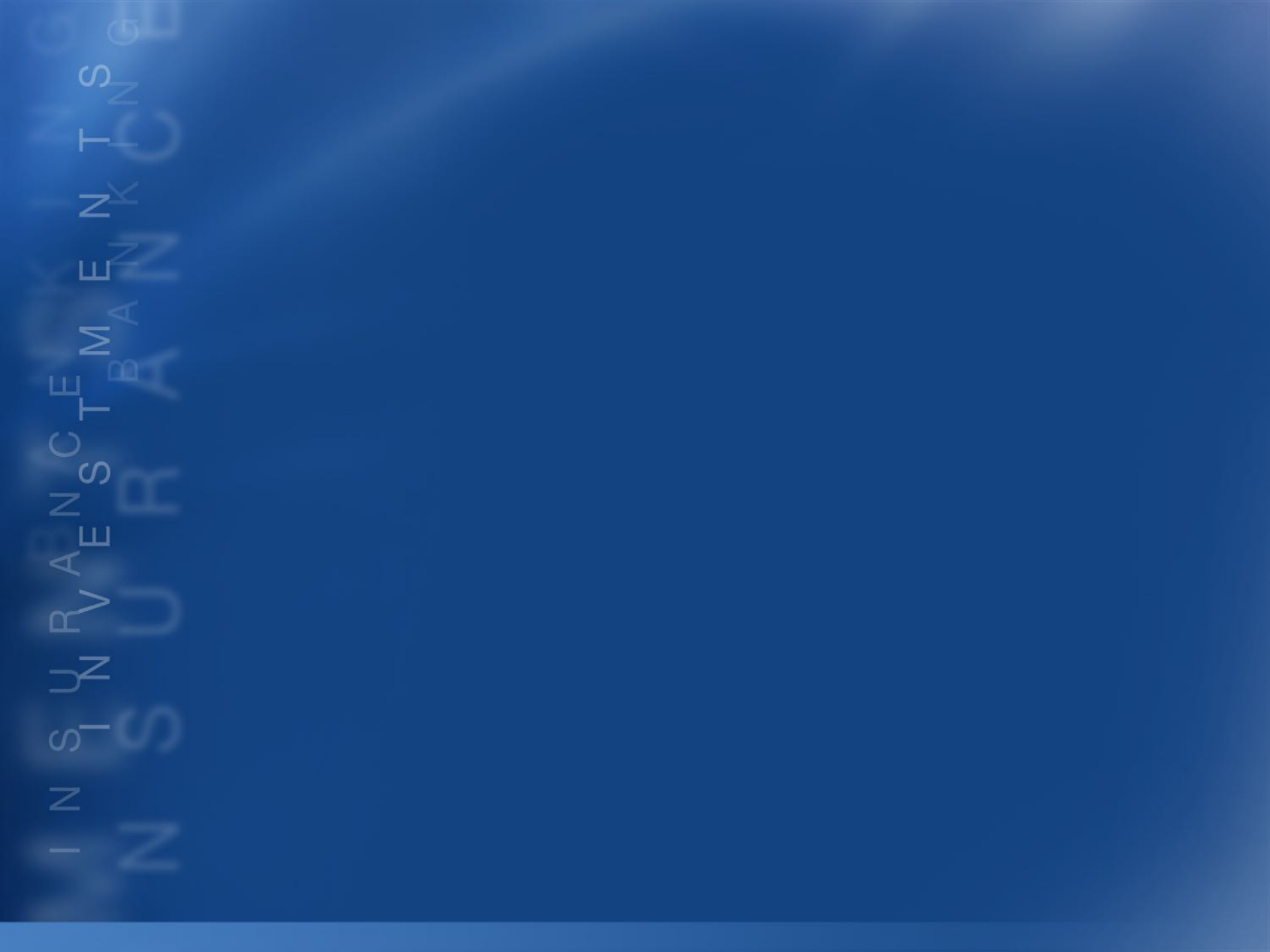
- Income tax refund anticipation loans
- Car title loans



Before Borrowing

- Explore ways to reduce expenses
- Try to get the best terms
- Don't borrow more than you **NEED**





Proverbs 27:12

A prudent man sees evil and hides himself, The naive proceed and pay the penalty.

Risk Management

...is accomplished through:

- Risk avoidance
 - Risk control
 - Risk transfer

**Various types
and amounts of
insurance will do
this for you.**



Insurance to Consider

- Automobile.
- Renters/Homeowners
- Life (Guaranteed Insurability.)
- Employment benefits – health insurance, etc.
 - Questions to ask.



Basics of Automobile Insurance

- Liability for bodily injury.
- Liability for property damage.
- Medical payments.
- Personal injury protection.
- Collision.
- Comprehensive.
- Uninsured and underinsured motorist.
- Towing and rental car reimbursement.
- Umbrella policy.

Note: Texas is an at fault state

Tips on Auto Insurance

- Comparison shop.
- Get a copy of state auto insurance buyers guide.
- Don't buy coverage from lender who financed car.
- Buy a car that's inexpensive to repair.
- Raise your deductible on collision insurance.
- Drop collision on an older car.
- Have auto and renters coverage with the same company for a discount.
- Drive safely.
- Check your policy for accuracy.
- Buy from a company with A+ rating from A.M. Best.
- Pay semi-annually, or annually if possible.

Insurance to Consider

- Automobile.
- **Renters/Homeowners**
- Life (Guaranteed Insurability.)
- Employment benefits – health insurance, etc.
 - Questions to ask.



Homeowners' Insurance



- Cash Value
 - What the property was worth at the time of damage, minus depreciation
- Replacement value
 - What it would take to rebuild the home with similar quality materials

Homeowners' Insurance— Property Coverage

- Rebuild the home
- Rebuild other structures
- Personal property and contents
- Living costs if homeowner is unable to stay in home while repairs are being made
- Loss of personal property while away from home
- Damage to trees, shrubs, and plants



Homeowners' Insurance— **Liability Coverage**

- Personal liability
- Medical payment for injuries that occur on the premises
- Personal property of others



Homeowners' Insurance— **Exclusions**

- Not usually covered under standard policy:
 - Floods
 - Earthquakes
- Separate coverage can be purchased
- May be required if home is in flood- or earthquake-prone location



Umbrella Coverage

- Additional liability protection
- Put in effect when the liability on other current policies has been exhausted
- Often inexpensive in comparison to the coverage gained
- Covers non-business activities

Insurance to Consider

- Automobile.
- Renters.
- **Life (Guaranteed Insurability.)**
- Employment benefits – health insurance, etc.
 - Questions to ask.



Insurance requirements

- Correct amount.
- Cost effectiveness.
- Dependability of your:
 - Company
 - Policy
- Based on guarantees.



Correct amount

- Needs based

Requirements

- Debt
- Children's college
- Estate preservation
- Home
- Lifetime income
- Child care
- Burial expenses

Sources

- Government benefits
- Commercial insurance
- Liquid assets

Guaranteed Insurability

Two Basic Types of Life Insurance

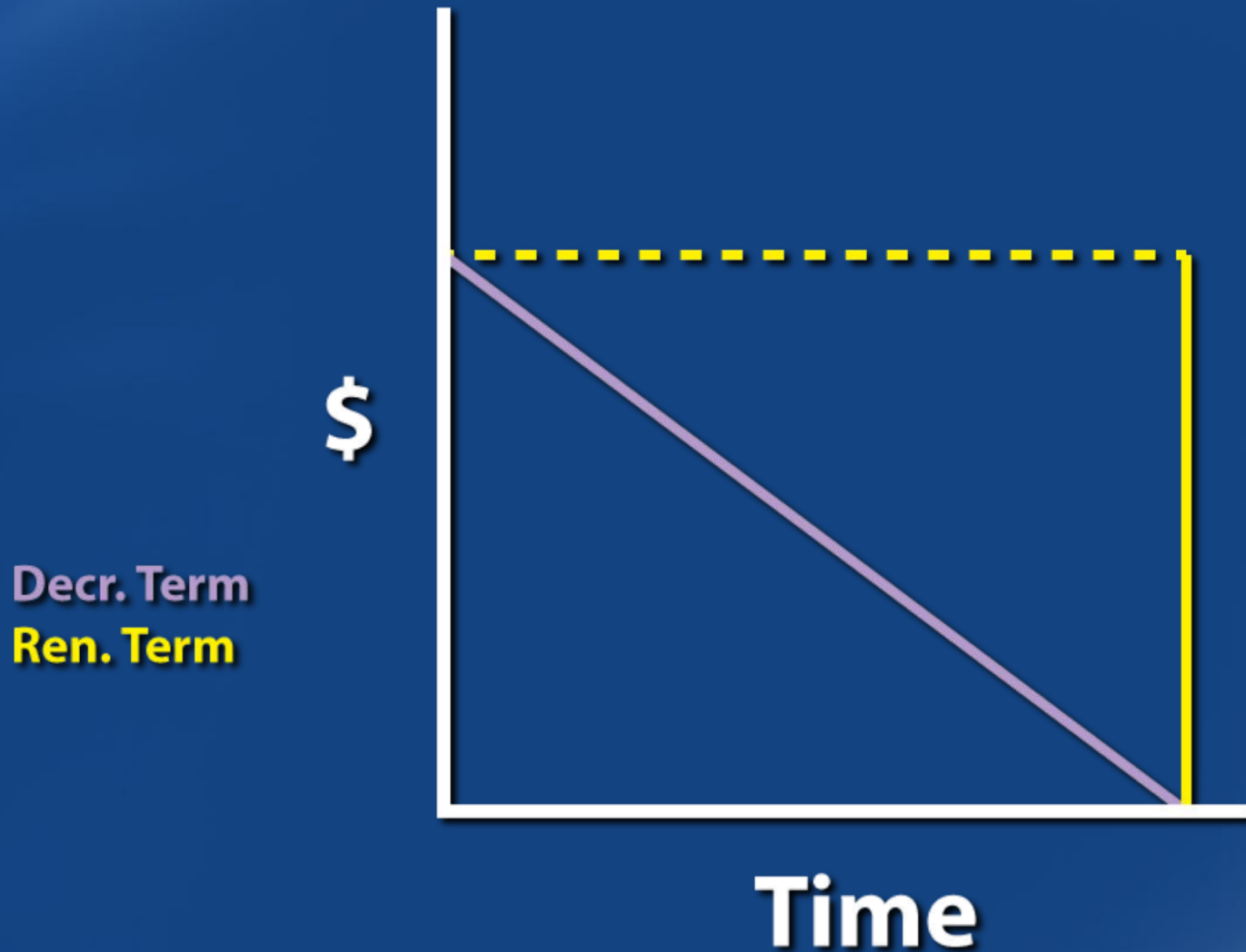


Permanent

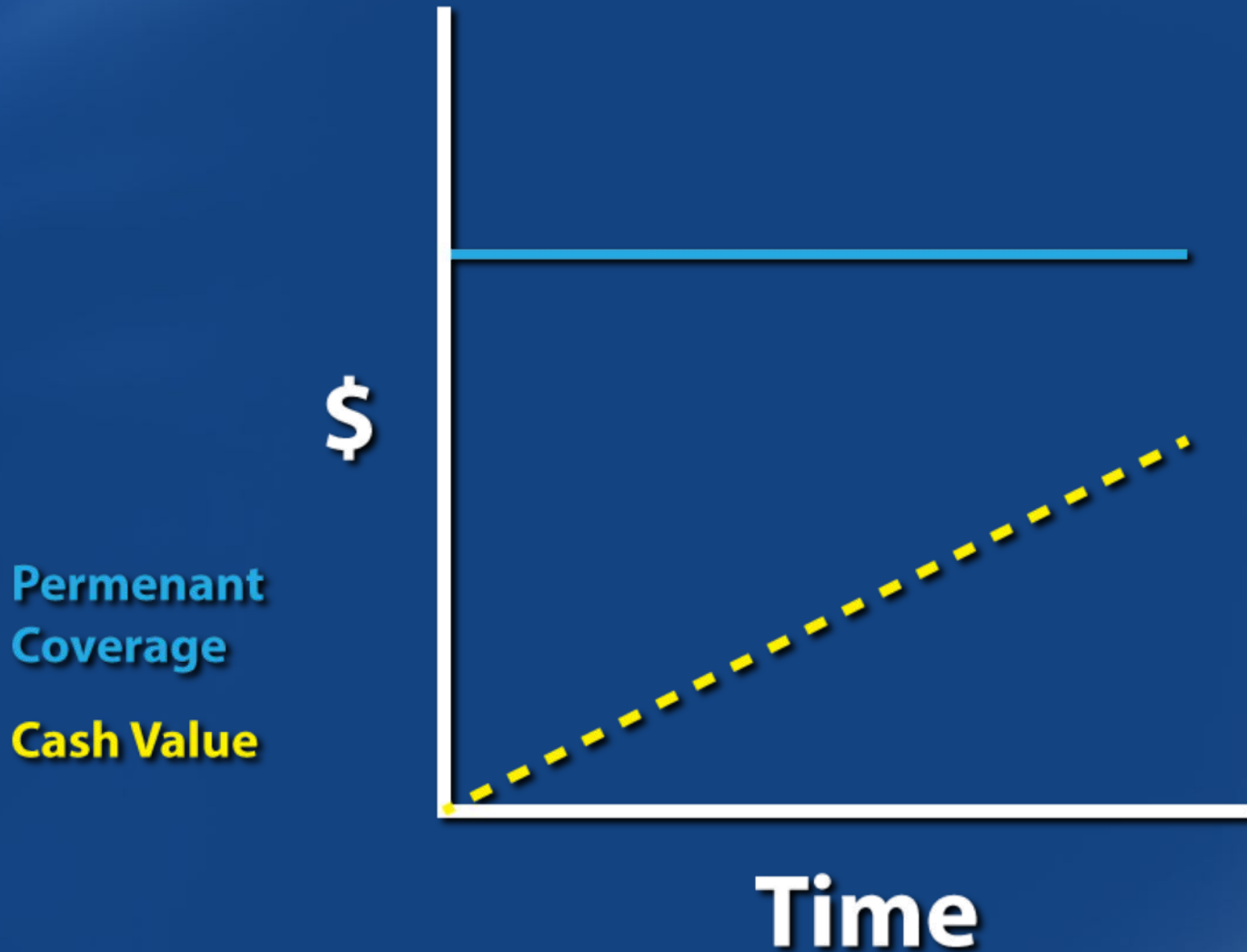


Term

Death Benefit - Term

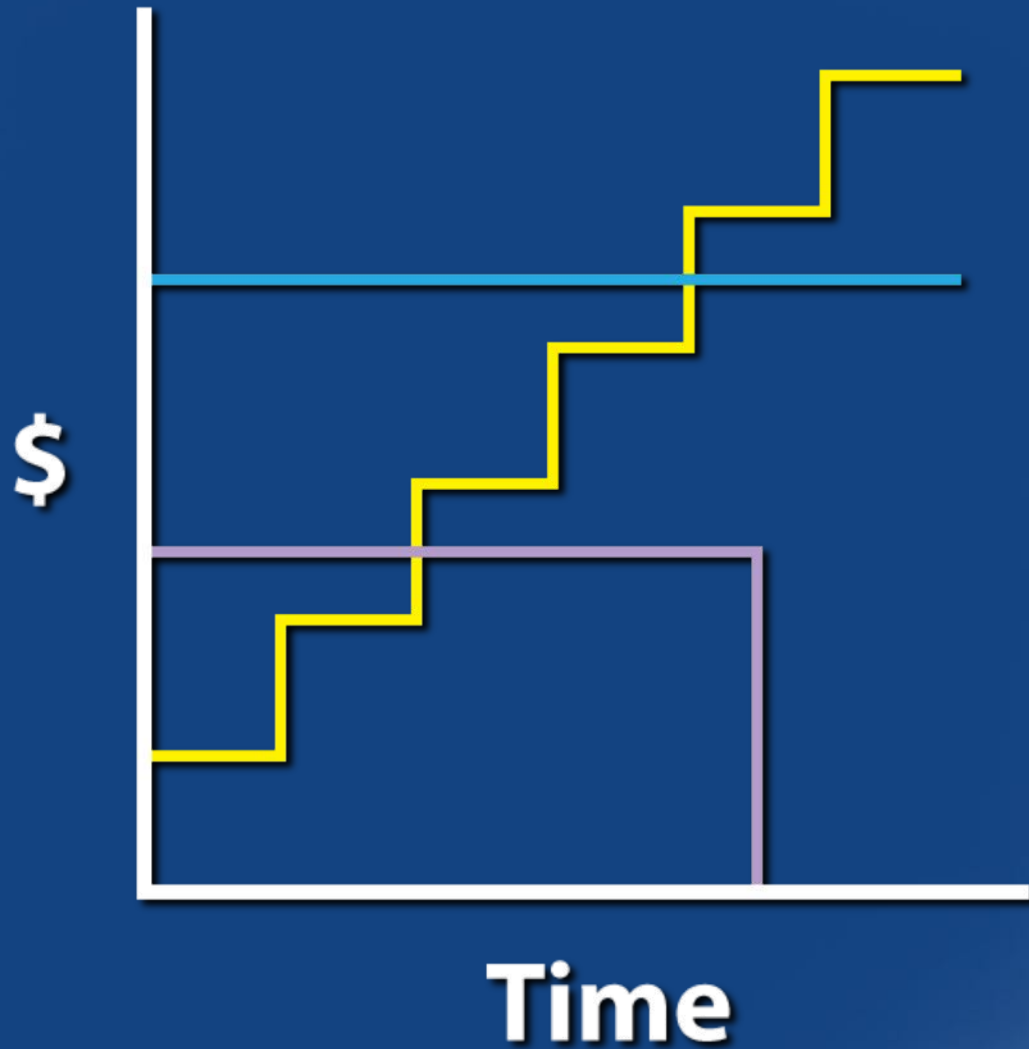


Death Benefit - Permanent



Premium

Whole Life
Decr. Term
Ren. Term



**Why not buy term, and
invest the difference?**

Don't Waste Your Money On...

- One disease insurance.
- Accident insurance.
- TV advertised insurance.
- Mail order policies.
- Indemnity policies.
- Double coverage
(cheap hit or miss policies.)



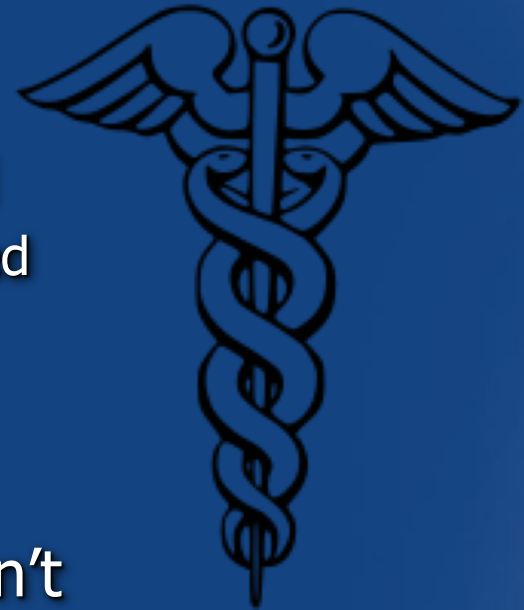
Insurance to Consider

- Automobile.
- Renters.
- Life (Guaranteed Insurability.)
- **Employment benefits – health insurance, etc.**
 - **Questions to ask.**



Selecting a Medical Plan

- Identify what coverage is required
 - Determine what expenses are covered
 - Compare premiums
- Compare out-of-pocket expenses
- Read the details
- Know what's covered and what isn't
- Individual policy
 - Identify preexisting health problems
 - Determine if current physician is in or out of network
 - Confirm that the plan offers guaranteed renewability



Payments

- Co-payment
- Co-insurance
- Deductible
- Premium



Managed Healthcare Plans

- Health Maintenance Organization (HMO)
- Preferred Provider Organization (PPO)
- Point-of-Service (POS) Plan
- Indemnity Health Plan



Health Maintenance Organization (HMO)

- Provider network offers services at fixed prices
- Primary Care Physician (PCP) provides, arranges, coordinates, and authorizes all aspects of member's healthcare
- No deductibles
- Low co-pay and monthly premium
- Typically have lowest out-of-pocket expenses
- Preventive care is usually covered
- Many rules and restrictions

Preferred Provider Organization (PPO)

- Fee for service, pre-negotiated rates
- No PCP; incentives for using “preferred” providers
- Less restrictive than HMO
- Higher out-of-pocket expenses than HMO

Health Savings Account (HSA)

- Tax-advantaged medical savings account for persons enrolled in high-deductible health plan
- Funds contributed by employer and employee
 - Employee contribution not subject to tax
 - Annual maximum contribution set by IRS
- Funds accumulate until used
 - Qualified expenses only -- e.g., no over-the-counter medicines unless prescribed

Adding Family Members to Health Insurance

- During open-enrollment period
- Life event
 - Newly employed
 - Marriage or divorce
 - Change in spouse's employment status
 - Birth, adoption, or change in custody of child
 - Loss of child dependent status
 - Dependent death



Disability Insurance

- Provides income when you cannot work due to illness or injury
- Paid weekly or monthly
- May be a percentage of income or a predetermined dollar amount with a maximum cap



Short-term Disability Insurance

- Provides income for a short period when you cannot work due to illness or injury
- Typically 3 to 6 months of benefit



Long-term Disability Insurance

- Provides income when you cannot work due to illness or injury for an extended period
- Typically longer than 6 months of benefit

