What role does money play in your life? You might think of money as what you need to buy the things that you want, but it is also to pay bills, buy groceries, and take care of everyday concerns. We do, after all, need money to carry out our day-to-day lives. However, money can be more than that. It can be the key that opens the door to a brighter future- a future where you feel in control and enjoy your life because of the path you have chosen.

Learning to take control of your financial future will help you realize your dreams and achieve your goals. It all begins with believing in yourself, refusing to accept limitations, and nurturing your abilities as a money manager. This section of the toolkit will give you and your family basic money skills that will help you on your path to turn dreams into reality.

Money management can be intimidating. This may be entirely new territory or you may have encountered problems in the past. You may have thought that you will never have enough money to live comfortably or independently. You should not expect yourself to have all the answers. It is important to know that we all have something to learn when it comes to making good financial choices. While this section will just scratch the surface, as you develop your money skills, you will start to see what can be achieved.
• You can take this opportunity to learn and develop better management skills along side your children.

• Involve your family in developing your spending plan. Not only will this help them understand where the money goes, it will set a good example for their future.

• The worksheet at the end of this section will help to come up with a spending plan.
People have money problems for many reasons. One reason may be that they do not know how much money they have and how much they spend. Have you ever looked into your wallet and wondered, “Where’s the cash I had just yesterday?” Sometimes it is hard to remember how you have spent your money. To begin to take control of your financial life, you need to start by finding out where your money goes. This is a great exercise to do with your parents.

1. Write down all of the things you think you spend money on each month and their approximate cost. Some things you may buy weekly- other things, only rarely. Keep the list.

2. Create a spending journal- a list of what you actually spend for one month. The easiest way to do this is to carry a small notebook. Make a note each time you buy something. Also, write down all the bills you have to pay- some may be monthly and others may be only a few times a year (such as car insurance or taxes).

3. At the end of the month, compare your first list (what you thought you spent) to what you really spent.

Keeping track of your money is the first step to financial freedom. When you know where you spend your money, you can control your spending by making better choices.
Bank Accounts

In the past, you may have paid for everything with cash and did not see a need to open a bank account. However, a bank account can make your life much easier, safer, and possibly even save you money. Checking accounts can provide you with some advantages, but only if it is handled wisely. Often employers and government agencies prefer to pay you electronically through a financial institution, rather than giving you a check. When you write a check for more money than you have in your account, the check is called a “bounced” check and are usually called “insufficient funds” checks or labeled with “NSF”. Not only is this a very costly mistake, it can result in a lower credit score (more later on credit scores) and being banned from having any account at an accredited financial institution.

Be sure to ask the following questions when opening a checking account:

- How many checks can I write each month without being charged a fee?
- Do you mail a monthly statement of my account?
- How much are the automated teller machine (ATM) fees here and at other locations?
- Are there monthly fees on the account?
- If my balance is always higher than a certain amount (minimum balance), can I avoid a monthly service fee?
- What is the fee for returning “bounced” checks?
- Does the financial institution have online services that allow you to manage your account and pay bills? Are these services free? Are they accessible?
Balancing Checkbooks

Having a checking account offers freedom and security, but it also comes with the responsibility of managing your account. Here are a few tips to successfully track your money:

• Record checks, withdrawals (especially ATM transactions!), and deposits in the check register that comes with your checkbook.

• Keep the register total up to date.

• Do not write checks for which you know you don’t have the money in your account to pay.

• Remember that when you deposit money into your account, the funds may not be available immediately. To be sure, ask the employee depositing your money when the funds will be available.

• Look carefully at your statement every month to be certain that it agrees with the numbers you have written in your check register. If not, you will need to review your check register with your statement to find out what is causing the difference. This is called “balancing” your checkbook.

• Be careful with online banking. While this can make managing your funds easier, it should not be used as a substitute for carefully tracking your spending.
Paying Bills

Paying your bills is an important part of becoming an adult and a good money manager. Pay your bills as soon as you get paid and mail your payments immediately. Also, check with your financial institution or some service providers (such as cell phone companies) about online payments or setting up automatic payments. However, carefully monitor your direct payments to ensure that you have the money in your account to cover the expenses as well as to oversee that the correct charges are made to your account.

Payday Lenders, Check Cashing Services, and Car Title Loans

Quick fixes- offers to help you with your money problems- are usually “money traps”. Pawnshops, payday lenders, and check-cashing stores offer fast cash in convenient locations. However, they often end up costing you more money- and potentially putting you deep into debt.

- Payday Lenders make loans to people who have both a checking account and a job or are receiving government benefits. The borrower (person who needs the money) writes a “postdated check” to the store. “Postdated” means that they put a future date on the check-
the date the borrower will be paid next. If the person needs $100 in cash right away, the check (which includes interest) might be for $125. The payday lender gives the person cash immediately. Then, on payday, the store cashes the check. That quick $100 cost the person an extra $25 on payday. Plus, the person has $125 less to spend now and that can be a real pinch. Often, borrowers are tempted to get another payday loan to cover their current expenses winding up in a never-ending cycle of debt. What is worse is that some payday lenders charge as much as 300 percent in interest!

- Check-cashing stores charge fees for cashing checks. The fee usually is between 1.5 percent and 8 percent for every $100. For example, if you give them a $100 check, you may pay $8 to have your check cashed. So, instead of getting $100 in cash, you will only get $92. In contrast, people with accounts at financial institutions or banks usually are not charged a fee to cash a check.

- Car title loans are offered by many pawnshops and check-cashing businesses. In return for these loans, you give the lender some information about yourself-and the title to your car. The amount loaned usually is only a small portion of the value of the car. If you miss even one payment, you could lose the car-and all of your payments.
Credit Cards

Credit cards are not necessarily bad and even have important advantages, but you must handle them responsibly to ensure that you do not run into problems. When you use a credit card, you take home something now that you will pay for in the future. Credit cards offer not only convenience and can be useful in emergencies when you encounter unexpected events (such as car repairs); they also help you build a credit history. If you pay your bills on time and in full (avoid paying the minimum balance!), a positive credit history will help you in the future. You have to borrow to prove that you can borrow responsibly.

Your credit record shows how well you pay your bills. Credit records are kept by credit reporting agencies. They sell your credit information to banks and other lenders. By looking at your records, the person or company making a loan can decide whether they should lend you money. A positive credit history will be essential in getting a car loan or home mortgage in the future. Your credit score can even affect your chances of getting a job or renting an apartment. Many employers and housing providers now check your credit history.

Avoiding Debt

If you have more expenses than income, you have a debt problem. Debt is like quicksand- it keeps pulling you down deeper unless you do something about it. It is so easy to get into debt, and it is much harder to get out. Answer the following questions to determine if you have a debt problem:

Is more than 20% of your income used to pay off car loans or credit cards? (That is $100 for every $500 you earn.)

- Are you unsure of how much money you owe?
- Do you make only the minimum payments required?
- Do you miss payments or pay your bills late?
- Are you receiving letters, phone calls, or visits from creditors (a person or business to whom you owe money)?

If you answered yes to any of these questions, you may have a debt problem.
There are options when you find yourself in debt. It will take time and commitment, but taking action now is far easier than watching your debts grow. The temptation to just ignore your bills and stop paying them can be strong. If you feel overwhelmed by debt and need help, consider working with a nonprofit debt counseling service, such as Consumer Credit Counseling Services.

**Employment Benefits and Taxes**

Your salary or wages are just one of the things your employer may provide. Employee benefits can be worth hundreds- and possibly thousands- of dollars each year. These benefits might include:

- Health care insurance
- Life or disability insurance
- Paid time off for illness, holidays, or vacation
- Retirement or savings plans
- Child care

Many companies have dedicated Human Resource (HR) personnel that can help you navigate your employee benefits. This should also be an important consideration before you agree to take a job.

Most of your taxes are taken out of your paycheck before you receive it. The largest amounts taken out are for federal and state income taxes. Smaller amounts are taken out for Social Security and Medicare taxes. This covers half of your future benefits as your employer pays the other half.

If you receive a large tax refund at the end of the year, you may want to adjust what is called your “withholding”. Form W4, which your employer can provide, allows you to adjust your withholding claims. While reducing your withholding will not bring you the big year-end refund, you will have the use of that same money through the course of the year.

The Earned Income Tax Credit (EITC) can help low-income individuals or families reduce their taxes- and possibly get a refund. For more information, call the Internal Revenue Service at the toll-free number, 1-800-829-1040.
So you may have accumulated some savings and want to think about ways to best invest in your future. Investing can make your money work harder for you. Before beginning to invest, remember that investments generally are meant to pay for your long-term needs—such as your education, a home, or even retirement. In contrast, savings accounts and emergency funds can be used for short-term goals. You should keep some money in a savings account or certificate of deposit (CD). A savings account gives you easy access to your money but does not pay as much interest as a CD, which requires a longer period of deposit to earn the higher rate of interest. Most investments have more risk (meaning that you could lose some of the money you put into them) than savings accounts. However, they also offer more opportunity to make money on your savings. The longer you have an investment, the more the risks are reduced. You may want to consider some investments like these:

- **Mutual Funds.** When you put your money into a mutual fund, you join a large number of other people who are putting their money into the same fund. A mutual funds manager invests all the money that people put into the fund. The manager may use your money to buy stocks, bonds, or other investments. It depends on the mutual fund. If the fund’s investments do well, you and all the other people who put money into the mutual fund will make money. If the investments do not do well, you could lose money.

- **Stocks.** Owning stock means you own part of a company. In general, if your company does well, the value of the stock rises. Of course, if the company does not do well, the value of the stock goes down. In addition, stock values can be affected by outside factors, such as political events. Therefore, stocks can be risky. However, over time, many stocks do increase in value. To lower your risk, it is a good idea to own stock in more than one company. It is also good to own stock in different industries because the value of a stock can go up and down a lot. This is known as “diversifying your investments”.

- **Bonds.** Companies and governments issue bonds. When you buy a bond, such as a savings bond, you are lending money to the issuer. The bond is a legal promise to pay you interest for the use of your money. Your principle (the original amount you paid for the bond) also will be repaid to you.
• **Retirement Accounts.** Retirement may be many years away. You may feel you are too busy or young to think about it. The good news is that the earlier you start saving for retirement, the more money you will have. Your employer may offer a way to save for retirement, but if not you can start saving on your own through an individual retirement account (IRA). If you are single and have a job, you can save up to $2,000 a year into an IRA. The major advantage of an IRA is that your savings can be deducted from your taxable income, so you pay less in taxes each year. You can withdraw your money without penalty six months after you reach age 59. Under certain conditions (such as buying a home), you may be able to take money out of an IRA without paying a penalty. However, if you take money out and do not meet the conditions, you will have to pay $1 for every $10 that you withdraw and you will have to pay income taxes on the money.
Federal Deposit Insurance Corporation (FDIC) Money Smart- A Financial Education Program
The Money Smart Computer-Based Instruction (CBI) is a friendly and easy to use learning tool that teaches the 10 modules of the Money Smart curriculum through a computer.
www.fdic.gov/consumers/consumer/moneysmart/mscbl/mscbl.html

World Institute on Disability’s EQUITY e-newsletter
EQUITY provides the connection between the disability and asset building communities. If you are unfamiliar with asset building, EQUITY brings you articles and information that help people with disabilities become more educated about financial issues.
www.wid.org/programs/access-to-assets/equity

Disability Benefits 101: Working with a Disability in California
Disability Benefits 101 (DB101) helps workers, job seekers, and service providers understand the connections between work and benefits.
www.disabilitybenefits101.org/

MyMoney.gov- U.S. Financial Literacy and Education Commission
MyMoney.gov is the U.S. government's website dedicated to teaching all Americans the basics about financial education. Whether you are planning to buy a home, balancing your checkbook, or investing in your 401k, the resources on MyMoney.gov can help you do it better.
www.mymoney.gov/default.shtml

Internal Revenue Service (IRS)
Find information on how to file your taxes, download forms, and get answers to frequently asked tax questions.
www.irs.gov/
At the beginning of this section of the toolkit, you started out tracking your spending. This is the first step in starting a spending plan. In order to create your spending plan, you need to:

- Identify your income
- List your expenses
- Compare income and expenses
- Decide which items are most important
- Make changes

Use the following charts as a guideline. If you have income or expenses not listed on the chart, be sure to add them to the list. It is very important to be as honest and accurate as possible. If you live with your parents and do not pay your own bills yet, go through the worksheets with them and learn about your household budget.

**Step 1: Identifying Income**

Income ........................................................................................................... Per Month

- After-tax wages (you only) ......................................................................... $ _____________
- After-tax wages (others in household) ...................................................... $ _____________
- Tips or bonuses ....................................................................................... $ _____________
- Child Support ........................................................................................... $ _____________
- SSI or SSDI ............................................................................................... $ _____________
- Public Assistance (Cal-Works) ................................................................. $ _____________
- Food Stamps ............................................................................................ $ _____________
- Other ........................................................................................................ $ _____________
- Total Income ........................................................................................... $ _____________

Remember to update this information when things change. Half the battle is making money. The other half is cutting down on spending. Both are important- on to step #2.
**Step 2: Listing Expenses**

Use the spending journal you created earlier to fill in the following—add lines for expenses not listed.

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Savings (See pay yourself first)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Rent or Mortgage</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Heating and electricity</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Water</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Telephone (home, cell)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Other household expenses (cable TV, Internet, etc.)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Groceries</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Snacks/meals eaten out</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Transportation (bus/train fare or car payment, gas, and repairs)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Auto insurance premium</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Health insurance premium</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Life insurance</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Doctor and dentist bills (not covered by insurance)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Child care</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Taxes (property, auto, etc.)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Pet care</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Clothing/uniforms</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Loan payments (other than mortgage or car payments)</td>
<td>$ _____________</td>
</tr>
<tr>
<td>Alimony/child support</td>
<td>$ _____________</td>
</tr>
</tbody>
</table>
Financial support to other relatives ............................................................ $ _____________
Credit Cards ............................................................................................... $ _____________
Personal (toiletries, allowances, etc.) ........................................................ $ _____________
Religious/charitable contributions .............................................................. $ _____________
Entertainment (movies, concerts, etc.)........................................................ $ _____________
Miscellaneous (classes, gifts, vacation)......................................................... $ _____________
Other ......................................................................................................... $ _____________

Total Expenses ............................................................................................ $ _____________

**Step 3: Comparing Income and Expenses**

To learn how much money you have left over after paying all of your bills, subtract your total monthly expenses (Step 2) from your total monthly income (step 1).

Your total monthly income ......................................................................... $ _____________
Your total monthly expenses ....................................................................... $ _____________
The difference equals = ............................................................................... $ _____________

If you find that your expenses are too high for your income, come up with ways to reduce your expenses. Do you eat out too often? Can you shop around for cheaper car insurance? Do not forget the small things like bringing your lunch to work or school instead of buying it each day. Small changes can add up!

**Step 4: Setting Priorities and Making Changes**

To complete your spending plan, you will need to decide what is most important to you. For example, if you want to buy a car, but also want to go out with your friends, you may have to set priorities. This does not always mean having to stay home and give up having fun with friends. It may mean that you and your friends rent a movie or watch one on TV rather than going out. No Limits. And of course, never, never be afraid to ask for help!
**Setting Goals**

Your dreams in life will help you know where you want your money to take you. Now it is time to turn those dreams into goals. Write your goals down in the chart below and keep it. You may want to buy a car, a computer, or a house—think big! This may seem silly at first, but successful people have done this for centuries. It works because constant reminders of our goals inspire us to make better choices. When we make better choices about how to spend- and save- our money, we create more opportunities to achieve our goals.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Deadline</th>
<th>Amount of money needed</th>
<th>Priority</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(How much importance does this have to me? High, medium, low)</td>
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</tbody>
</table>
In 2007, an estimated 28.6 percent of people with disabilities (work limitation) aged 18-64 in the United States lived in families with incomes below the poverty line or $20,650 for a family of four. In comparison, the poverty rate for people without disabilities is approximately 9 percent.

The linkage between poverty and disability is strong and goes in both directions. Poverty causes disability through malnutrition, poor health care, and dangerous living conditions. Disability can cause poverty by preventing the full participation of people with disabilities in the economic and social life of their communities, especially if the proper supports and accommodations are not available.

Beth’s Credit Card

When Beth graduated from high school, she treated herself to a new stereo. She wanted the best and bought the stereo for a $1,000. Although Beth had just landed a job, she had not received her first paycheck, so she put the stereo on her credit card.

The offer for the card, with an 18 percent interest rate, was sent to Beth during her senior year. She planned to pay off the cost of the stereo immediately after receiving her first check. However, since she was just starting out, she had other expenses and she soon found herself paying just the minimum of $20 each month.

Seven-and-one-half years later, Beth finally finished paying for that stereo (which had long since stopped working!). She had paid a total of $800 in interest alone. So, between repaying the loan and paying the interest, she spent close to twice the original price of the stereo.
Mike’s Car Title Loan

In January, Mike needed money to pay his Christmas bills and got a car title loan for $1,000 (although his car was worth $5,000) and gave the store the title to his car. Mike promised to pay back the loan in six months.

Each month, the store charged him 10 percent interest for the loan, plus the loan payment. In May, Mike could not make his car title loan payment. The store took away his car (charging him a repossession fee of $50). In June, he had the money to pay off the balance of the loan, plus the $50 to get his car back. However, when he picked up his car, the shop charged him another $150 for car storage. In short, this is what the loan cost Mike:

- Loan Amount ........................................... $1,000
- Interest Charged ....................................... $600 ($100 a month, or 10 percent for six months)
- Repossession Charge................................. $50
- Car Storage Charge................................. $150 ($5 a day for 30 days)
- Total Cost to Get His Car Back.................. $1,800

Mike was shocked that he nearly lost his car and that the loan cost him $800— in effect, an 80 percent interest rate.
Celita’s IRA

At the age of 22, Celita started contributing $1,000 per year (that is $19.23 a week) into an Individual Retirement Account (IRA). Celita stopped putting more money into her IRA after nine years, at age 31. However, she left the money in the IRA so it would grow through compounding until she retired at age 65. Her twin brother, Ozzie, did not start contributing $1,000 into his IRA until he turned 31. But, once he started, he put $1,000 in his IRA every year for 34 years- until he too was 65. Celita and Ozzie both earned 9 percent interest every year on their IRA. Who do you think had more money in their IRA account at age 65?

<table>
<thead>
<tr>
<th></th>
<th>Celita’s IRA</th>
<th>Ozzie’s IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Number of years contributions were made</td>
<td>9 years</td>
<td>34 years</td>
</tr>
<tr>
<td>Amount Contributed</td>
<td>$9,000</td>
<td>$34,000</td>
</tr>
<tr>
<td></td>
<td>$1,000 per year for 9 years</td>
<td>$1,000 per year for 34 years</td>
</tr>
<tr>
<td>Value of IRA at age 65</td>
<td>$243,863</td>
<td>$196,982</td>
</tr>
</tbody>
</table>

It is shocking but true. Even though Ozzie put a lot more money into his IRA, Celita had $46,881 more than Ozzie when they both reached 65. Compounding interest made all the difference for Celita. Compounding interest can work for you too- and not just with retirement accounts, but other savings accounts too! The sooner you start saving, the more money you will have in the future.
Asset Limits

Many government benefit programs—including Supplemental Security Income (SSI) and Medi-Cal have strict limits on the amount of savings you can have and still receive benefits. If a family has assets (sometimes called resources) over the limit (SSI is $2,000 for an individual and $3,000 for a couple), you will have to “spend down” in order to receive or keep receiving benefits.

These asset limits, which were originally intended to ensure that public resources did not go to “asset-rich” individuals, are a relic of entitlement policies that largely no longer exist. Personal savings and assets are precisely the kind of resources that allow families and individuals to move off, and stay off, of public benefit programs. Yet, asset limits can act to discourage anyone receiving benefits from saving and building assets that provide long-term security.
Funded by a Medicaid Infrastructure Grant from the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services, grant number 1QACMS030263/01.