

Need to Know Series: Money Smarts



Youth In Progress

New York State Foster Care
Youth Leadership Advisory Team

“The mission of Youth In Progress is to enhance and advance the lives of today’s and tomorrow’s youth by supporting their sense of self and responsibility. To do this, we pledge to educate everyone involved in the various systems Youth In Progress members represent to the realities of this experience.”



Having “money smarts” means that you are in charge of your money and you will spend it wisely. Those who lack money smarts may spend and use credit to buy things they can't afford.

Wants vs. Needs

Deciding what you need to survive is part of becoming an adult and making a better life. To be money smart, you need to plan ahead and think, “Is this something I really need or do I just want it?” For example, you really need to buy food and pay your rent but you don't need the new MP3 player. It is important to know how much you get from your paycheck so you can prioritize your expenses, allowing for savings, to make sure you can pay for your needs. What is left over in your budget can help you determine what else you can buy wisely – your wants.

Getting Started

The first step in becoming money smart is to open a savings account. Most banks pay interest on savings accounts. Interest is a percentage of money that the bank puts into your savings account. The amount the bank puts in is based on how much you put into your account to begin with. In order to earn more interest, you should build the amount in your savings account by depositing money from each paycheck.



To learn what kinds of accounts banks offer, it is a good idea to visit or call them, or check online. Determine how much money you have to put in, and ask what kind of interest you could earn. When you visit a bank, take a trusted adult with you who can help ask questions. You work hard for your money and you control where it goes. It is important to put money aside regularly in case of an emergency or to save for something really big, like buying a car.



Other ways to save include using **coupons** from the newspaper, but be careful not to buy an item you don't really need just because you have a coupon for it. Some stores have **layaway plans**. If you want to buy something, but you don't have the money for it today, you can put a small amount of money down and the store will hold the item for you. You can then go in each week and put more money down until it is paid for, or you can pay off the balance due at any time and receive the item. Be sure to find out the store policy on refunds and how long you have to pay off the bill. You may have to pay a fee to use a layaway plan, so be sure to understand all the store requirements before deciding to use this option.



Many towns have “**consignment**” or “**thrift**” stores. Items in these stores are previously owned but are also much less expensive than buying items new. Be sure to look over clothing for stains and check baby items to make sure nothing is broken or damaged. Thrift stores are listed in the yellow pages of the phone book. Also, other stores often have sales or clearance items that have been marked down in price.

Planning for Discharge

Before you leave care, take advantage of opportunities to learn and practice skills to make good decisions regarding money. Talk with your adult caregivers or other trusted adults about how to be money smart. You will need to know how to budget your money — calculating how much money you earn each week and month, and then subtracting the bills you have to pay for things that are necessary, such as rent, utilities, transportation, and food. If you have a car, you need to add in the cost for gas, upkeep (inspection, oil changes, and maintenance), and insurance. When budgeting for food, you should know how much you spend weekly on eating at home and out. Make a menu for a typical week of meals and then price the items at a grocery store and determine how much you should budget for food.



When you have a paycheck, go to a bank that is easy for you to get to, and open an account. You can then deposit some or all of your check into your account each week. Your money is safest in a bank. Don't cash a check and keep the cash in your apartment or pocket — you can lose it or get robbed. Even if a bank gets robbed, your money is protected and available for you.

Talk to bank personnel who will explain how your bank account works, how to write a check, and how to use a checkbook registry to keep track of the money you deposit and the money you spend. You may get an ATM/debit card, which you can use to make purchases or get money from an ATM machine. Although it looks like a charge card, it really isn't. You can use it to pay bills and buy things, since the money comes directly out of your account when you use it. You need to be careful about keeping track of what you spend and following your budget when and if you write a check or use your ATM/debit card.



Many employers offer employees direct deposit plans where your paycheck will be deposited directly into your checking or savings account. In some cases you can divide the amount so that some will go into each account. This is a good way to make sure that you are saving money with every paycheck.

You have several options regarding how to pay your bills. You can:

- 🌀 use a check or debit card and pay with money in your checking account;
- 🌀 pay bills electronically online, which transfers money from your checking account;
- 🌀 use a money order;
- 🌀 or pay the bill in cash and get a receipt.

You should track what you spend in your bank account registry, so that you don't use money that is not in your account and “bounce” a check. “Bounce” a check means that you overspent, and the bank may or may not cover the cost. Usually they will charge you a fee for bouncing the check. A money order is like a check, but because you pay for it in cash, it will not bounce. Be careful not to lose a money order.

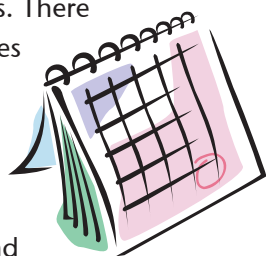


Try to get an apartment where the rent includes the cost of the utilities such as the heat and electricity, so that you pay one set amount each month. If you have to pay separately for the heat, find out if the company has balanced or budget billing. With that option, payments for the year are distributed equally over 12 months, avoiding really high bills in the winter. If you get in trouble and get behind in your bills, call the county social services department to see if you qualify for the Home Energy Assistance Program (HEAP). If you are unable to pay your rent because of an emergency, talk to your landlord and see if he/she will agree to a payment arrangement until you can get caught up. They have the right to evict you (make you leave your apartment) if you cannot pay your rent, even if you talk to them about your problem. Every situation is different, but your landlord usually has to give you one month's notice before an eviction.

Income Taxes

Everyone who works and earns a certain minimum for the year has to fill out and file federal and New York State income tax forms. Both are due by April 15 each year and are based on what you earned in the previous year from January 1 to December 31. If you file these late, you will have to pay an additional late fee. You can get federal tax forms at the post office, most banks or electronically at www.irs.gov. New York State tax forms are available online at www.nystax.gov.

By the end of January, the employer(s) you had the previous year will send you a copy of a form called the W-2. It is important to keep this form, since you will need it when you are filling out your tax forms. There are many free services to get help completing your taxes in your community. Resist paying for this service – you can be charged more than what your refund check will be! (See the resource list for websites.) Even if you are not required to file tax forms because you didn't earn enough, you may still wish to file to get any refund you are entitled to.



Credit Do's and Don'ts

You should try to establish good credit because companies, banks, and employers can find out how money smart you have been by checking your credit report. The higher your credit report rating, the better. If you want to buy a car, the banks will be more likely to give you a loan, and the interest rate will be lower, if your credit report is good. You can correct a poor credit rating by making payments on time, but it may take awhile.



You may be offered a credit card when you are in college or working. This may seem exciting, but consider very carefully whether you want to open up an account with a credit card company. You may find that you get carried away with purchasing too many “wants” versus “needs.” You will be charged interest if you don't pay off your credit card purchases. The higher the interest rate, the more the credit card company will charge you. The credit card company usually reserves the right to raise your interest rate at any time. If you are late on your payment, you will continue to get charged and get an additional late fee. If this happens, you could get into serious financial trouble. Sometimes you can call the credit card company and they will work out a payback plan, but that is getting more difficult to do. If you are late on a credit card payment, this will negatively reflect on your credit rating. **Report lost or stolen credit cards or ATM/debit cards to the bank immediately.**

Cautions: Some people have had to declare “bankruptcy,” which is when a court declares that you are unable to pay your debts. To do this you have to get and pay a bankruptcy lawyer. This is a serious matter and it should be a last resort. Filing for bankruptcy can affect your credit and make it harder for you to get loans for things that you need in the future. Some employers and landlords will view a bankruptcy negatively, and it may make it harder for you to find housing or employment.

If you want to get a loan from the bank (maybe to buy a car), the bank may ask that you get a co-signer. This is someone you know, who works and has a good credit history and may be willing to co-sign the loan with you. However, if you cannot make the monthly payments, the person who co-signed the loan will have to be responsible for making the payments. This is a major financial responsibility, and many people are unwilling or unable to co-sign loans.









Identity Theft

Anyone can be a victim of identity theft. However, youth in care can be more vulnerable to identity theft because they have limited opportunities to use their personal identification information for financial purposes until they age out of care. In addition, youth in care may have had multiple placements and as a result may have had many people involved in their lives who have had access to their personal information. Such people may have the ability to use your personal information without your knowledge. They may open a credit card accounts in your name and never have any intention of paying the bills. Unfortunately you may not find out that your identity has been stolen until you age out of care.







What is Identity Theft?

Identity theft is when someone uses your identifying information (Name, Birth Date, Social Security Number, Credit Card Numbers, etc.) to obtain goods, services, credit, or open bank accounts.

What Can You Do to Protect Yourself from Identity Theft?

-  Keep your Social Security card in a safe place and never give out your Social Security number over the phone or the Internet.
-  Keep all of your important financial statements in a safe place. If you do not have a safe place to keep your information, give it to someone you trust like your caseworker, or other adult.
-  As you get ready to transition out of care, ask your caseworker to help you obtain a credit report to see if your information has been used without your knowledge. A credit report will contain information about accounts you have and how you pay your bills. You are entitled to free copies of your credit report from TransUnion, Equifax and Experian where you can check for accounts that you have not opened.
-  When you leave care it is a good idea to order and review your credit report yearly.
-  Do not give your Personal Information Number (PIN) and password to private accounts private to anyone. This includes passwords for your e-mail, Facebook, bank statements, and loan accounts.
-  Do not give out identifying information in response to unsolicited offers by phone, mail, internet, or in person unless you initiate the contact.



-  Shred all paperwork containing personal identifiers (i.e., receipts, insurance forms, bank and credit card statements, and cash advance checks) before discarding.
-  Protect your mail by removing it from your mailbox as soon as possible. Place your mail delivery on hold at the post office while you're on away for longer than a few days.
-  Be aware of where your personal identification is kept and who has access to it.
-  Protect your wallet/purse and don't leave them unattended.
-  Don't put your social security number (SS#), or birth date on your checks.
-  When using the internet to make purchase, look for https:// NOT http://

What You Should do If you Suspect your Identity has been Stolen:

Protecting yourself from identity theft can be difficult, but cleaning up identity theft can be even more difficult. Identity theft can impact your credit score (a number between 300 and 850 points that represents the likelihood that you will pay your debts). A low credit score can prevent you from being able to rent an apartment, or even apply for financial aid to attend college.

If you suspect your identity has been stolen, you should:

1. File a complaint with the Federal Trade Commission

Ese the online form or call the toll free hot line at 1-877-ID-Theft (438-4338 or 1-866-653-4261) (<http://www.ftc.gov/bcp/edu/microsites/idtheft/consumers/filing-a-report>)

2. Contact the Credit Bureaus

Call the fraud units of the three major credit reporting companies; **Experian** at 1-888-397-3742, **Equifax** at 1-800-525-6285, and **Trans Union** at 1-800-680-7289.

You can request that a "fraud alert" be placed on your account. Remember to ask how long the fraud alert will be posted on your account, and if you can extend it.



3. Contact Creditors

Immediately contact, by phone and in writing, all creditors (banks or other company you owe money to) with whom accounts were created or used fraudulently (illegally). Request credit cards with new account numbers. Be sure to check your mail and credit card bills for evidence of new activity.

4. File a Police Report

Report identity theft to your local police department and give them as much documentation as possible. Get a copy of your police report and keep the report handy to give to creditors and others who may require proof. Credit card companies and banks may require you to provide the report or report number to verify the crime.

5. Contact your Financial Institutions

Report stolen checks, stolen or compromised ATM cards or fraudulent bank accounts to the appropriate financial institutions.

Place a “stop payment” on outstanding checks. Close your checking and/or savings accounts and obtain new account numbers.

When creating new passwords, avoid common numbers and names; i.e., last 4 digits of social security number, telephone number, birth date or mother’s maiden name.

6. Contact the Local Postal Office

Notify the local Postal Office if you suspect a change of address was filed with the post office or mail was used to commit fraud.

Notify the local Postmaster, find out where mail is being fraudulently sent and forward all mail in your name from that address to your own address.

7. Contact the Social Security Administration (SSA)

Call the Fraud Hotline at 1-800-269-0271 to report the fraudulent use of your Social Security Number (SS#).

The SSA will only change your SS# as a last resort if you fit their fraud victim criteria. Order your Earnings and Benefits Statement and review it for accuracy.



8. Contact the Passport Office

If you own a passport, notify the Passport Office in writing to watch for anyone ordering your passport fraudulently.

9. Contact Your Phone Company

Contact your phone company to report stolen calling cards, fraudulent charges and fraudulent accounts.

Cancel the account and open a new one.

Documentation: Keep a log of all conversations, including dates, times, names, and phone numbers. Send correspondence by certified mail (return receipt requested). Keep copies of all letters and documents.

For more information on what identity theft is and how to prevent it, visit: **The Federal Trade Commission at www.ftc.gov**

For practical tips to help guard against phishing and Internet fraud visit: **www.OnGuardOnline.gov**

Credit Bureau Information

Equifax: www.equifax.com

To report fraud: Call 1-800-525-6285
and write to: PO Box 740256, Atlanta, GA 30374

To order a credit report: 1-800-685-1111

Experian (Formerly TRW): www.experian.com

To report fraud: Call 1-888-397-3742
and write to: PO Box 2002, Allen, TX 75013

To order a credit report: 1-888-397-3742

TransUnion: www.transunion.com

To report fraud: Call 1-800-680-7289 and write to:
PO Box 6790, Fullerton, CA 92834

To order Credit Report: 1-800-888-4213



Community Resources

In an emergency, there are some options you can look into. If you need food, go to a food bank, usually located at churches or a soup kitchen. Your local department of social services may be able to give you a voucher for food or housing and the names of shelters that also provide food. Often the shelters have staff that can help you with your situation or give you the name of someone who can. Check the phone book for emergency numbers such as crisis hotlines to call to get help with your situation.

If your income is below a certain amount, the Food Stamp program administered by the U.S. Department of Agriculture is another way to put food on the table.

NOTE: This pamphlet is part of the Need to Know Series and intended for informational purposes only. This pamphlet should be used as a general guide to help youth make “smart” choices when it comes to spending and saving money. We recommend that youth consult with a financial advisor before acting on the information contained in this pamphlet.



For More Information

New York State income tax: 1-800-225-5829 or www.nystax.gov

Federal income tax: 1-800-829-1040 or www.irs.gov

New York State Office of Temporary and Disability Assistance – Programs and Services: www.otda.state.ny.us/main/programs.asp

Local Departments of Social Services: www.ocfs.state.ny.us/main/localdss.asp

Federal Trade Commission: 1-877-438-4338 or www.ftc.gov/idtheft

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