

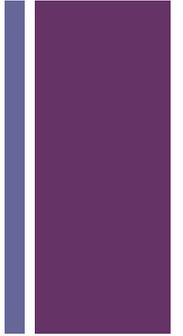


Personal Finance

Mao Ding & Tara Hansen



Banking Accounts



■ Checking Account

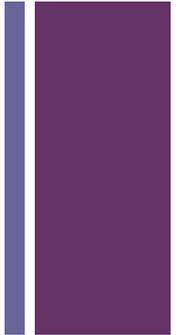
- Checking account is either zero interest or very low interest bearing
- Checking account can have infinitely many transactions
- No Minimum balance limit

■ Saving Account

- Offers higher interest rate
- Limited number of transactions you can do per month
- Has a minimum balance limit



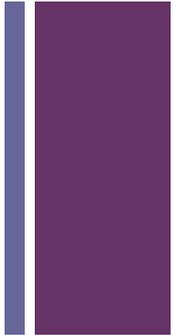
Debit Card



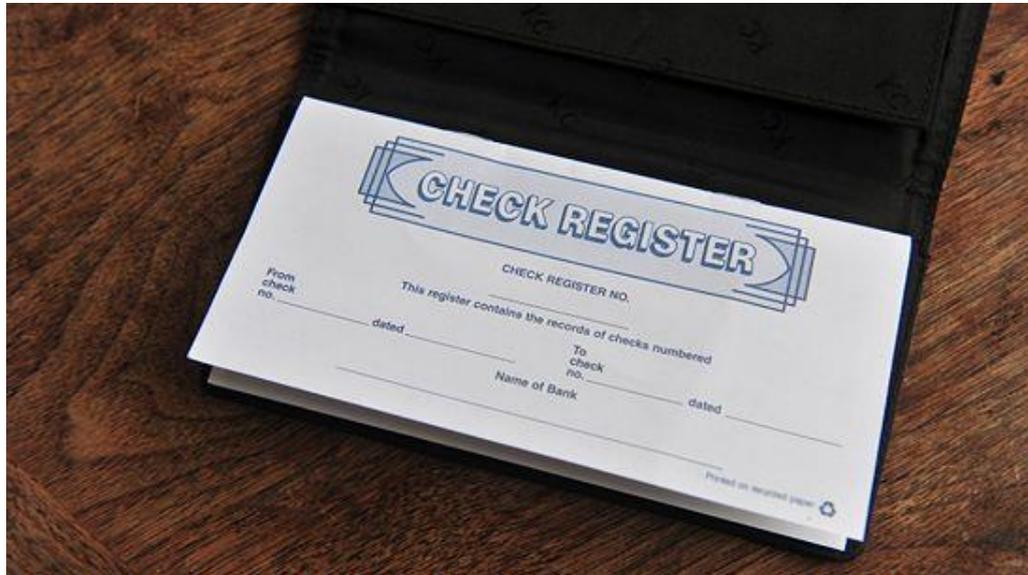
- Money is deducted directly from checking account
- PIN-based cards provide protection against identity theft
- Liability if it's stolen: \$50 if you notify bank within two days; \$500 if you notify bank after two days
- Fees: Some banks charge for use of debit cards
- Returns can be tricky, because retailers treat transactions like cash
- It is better to buy online with credit than debit
- Be careful not to overdraw your checking account



How to Balance A Checkbook

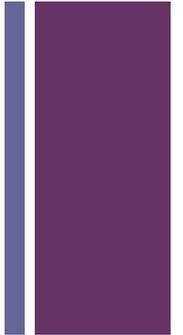


- Use the check register





How to Balance A Checkbook Cont.

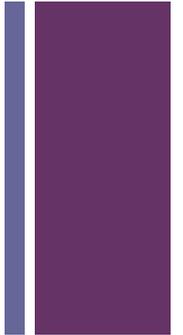


- Find out your current balance
 - Online Banking
 - Call or visit your bank
 - Check current balance using ATM

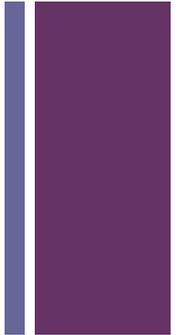
- Record all the transactions
 - Subtract all checks your wrote
 - Subtract any withdrawals or payments from the account
 - Add any deposits or payments to the account
 - You get the ending balance



How to Balance A Checkbook Cont.



- Reconcile your checkbook
 - Compare your check register with the statement from the bank
 - Check off which statements have cleared
 - Add any interest that the bank has paid you
 - Subtract any fees that the bank has charged you
- Correct mistakes



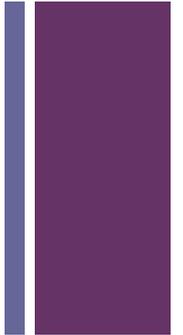
■ Finish Balancing



Source:
Wikihow

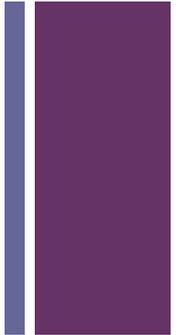


Credit Cards





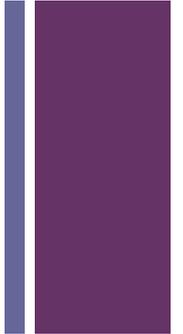
Credit Card Basics



- Differences from a Debit Card
 - Don't need a checking account
 - Don't need money stored in the card
 - There is a credit limit for Credit Card



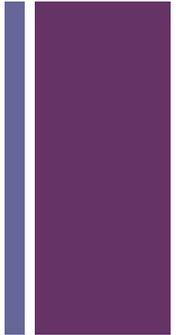
Credit Cards



- Advantages of using credit cards
 - Spend in advance without paying interest rate if making full payments in time
 - Rewards: cash rewards, travel rewards, specific product rewards, etc
 - Low risks: Credit card has very low risks as there is no money attached to it



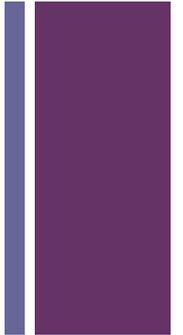
What you need to know about Credit Cards



- Annual Fee: a fee charged each year for using the card. Many cards do not have an annual fee
- Annual Percentage Rate (APR): the interest rate you will be charged if you don't pay your balance in full each month
 - Introductory APR: a low rate at the beginning of using a card, which will go up after a certain time



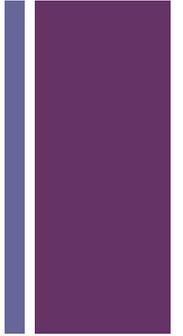
What you need to know about Credit Cards Cont.



- **Balance Transfer Fee:** a fee charged to transfer balance from one credit card to another
- **Cash Advance Fee:** a fee charged to take cash from your credit card
- **Late Payment Fee:** a fee charged if the payment is received after the due date



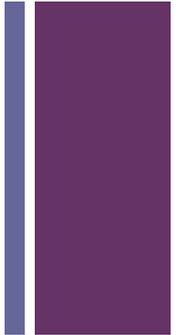
Understanding Credit Score



- Credit Score measures a person's ability to repay his or her debt
- The most commonly used credit score is FICO
- FICO ranges from 300 to 850, with 60% of people falling between 650 and 799



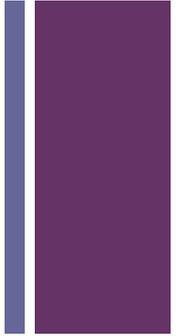
How do I establish a good credit score?



- Don't easily close down your credit card account
- Be sure to pay monthly payment in time
- Don't run up the balance on your card
- Don't spend over the credit limit
- Don't check credit reports too frequently
- Don't apply for credit cards too frequently
- Try to establish credit history earlier



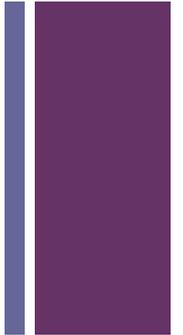
Payments



- No interest charged if you pay the full balance each month
- If you do not pay the full balance each month, there will be interest rate, based on APR
- There is a minimum amount you have to pay each month



How to calculate interest payments

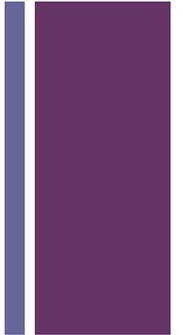


- Find out which method your credit card issuer uses to charge interest
 - Average Daily Balance: adding up daily balance divided by number of days

For example, For days 1 through 15, you have a balance of \$1,000. You make a payment on day 16 of \$500. For days 16 through 30 your balance is \$500. So, $(15 \times 1,000) + (15 \times 500) = 22,500$. Divide that by 30 and you have an average daily balance of \$750.



How to calculate interest payments



- Figure out the monthly interest rate
 - Monthly Interest Rate = $APR/12$

- Figure out the interest charge
 - Multiply monthly interest rate by your average daily balance



+ Questions?