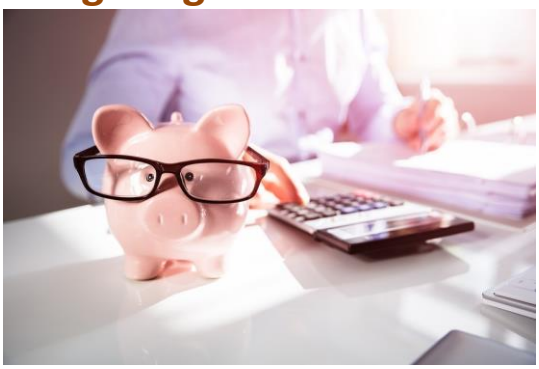
October 2019

Budgeting Basics



Date/time to schedule: Thursday, Oct. 10, 2019 @ 7:30 p.m.
Preheader Text: First steps in creating a budget that works.
Facebook Share Text: If you've never created a budget, or if you've never been able to stick to a budget, this article may help! It provides some practical steps to getting started. However, know that we're always here & happy to help too!

Body Copy:
If you're new to budgeting, it's important to understand what a budget is and how it helps you examine what you earn and how you are spending that income. A budget is a financial plan that takes income and expenses into account and provides estimates for how much you make and spend over a given period of time.

A recent article from the site *Practical Money Skills* provides some practical advice when you're creating a budget for the first time.

1) Distinguish between needs and wants.
Addressing your financial situation and distinguishing between needs and wants is an important first step before creating your annual budget. Acknowledging areas where you are overspending can be an eye-opening experience.

2) Know the terms.
Grasping a basic understanding of some key components of budgeting will help you create your budget.

- **Fixed expenses** are expenses that stay the same from month to month, such as rent payments.
- **Flexible expenses** are expenses that change from month to month, such as how much you spend on utilities.
- **Total expenses** are the combined amount of your fixed and flexible expenses.
- **Total monthly income** is the income from your job or other resources including investment dividends, pensions, Social Security benefits, rental income and more.
- **Disposable income** is the money you have left over after you subtract your income taxes from your income.

3) Create a budget.
The next step is to sit down and create your monthly budget. Use the categories above and place dollar amounts into each category, ensuring the total dollar amount does not exceed your income. Be sure to also set-aside at

least 10% of your income, if possible, as savings. If you need help with this step, let us know! We’re happy to help.

If you find you are not able to stick to your budget, it may mean you are spending beyond your means or that your budget is not flexible enough. Take the time to review and readjust your budget monthly until you find a plan that works for you.

Click here to read the full article.

Timing your car shopping

Date/time to schedule: Tuesday, Oct. 22, 2019 @ 3:15 p.m.
Preheader Text: The best times to go car shopping.
Facebook Share Text: In this article you'll find the best times to go car shopping to help get you the best deal possible. (Hint, it's now.)

Body Copy:
According to Derek San Filippo, contributing writer for *CU Insight*, there a few factors to keep in mind when trying to get the best price on a car.

Time of Year
First, using the sales quotas of the sales representative will be one of your best tools in getting your car. Sales quotas can break down into three separate categories; monthly, quarterly, and yearly. If you use this as a factor, best practices dictate to buy a car later in the year and at the latter part of the month.

If quotas need to be met, car salesmen might be more pliable with their pricing on vehicles. According to Edmunds, the most discounted months are October through December. This happens to coincide with what is generally seen as the new model-year car releases. When new models hit the dealer floor, the less expensive the older models are.

Time of Week
The second thing to keep in mind is that individual attention can mean better deals. While this isn't the rule, if there is heavy traffic going through a dealership, it could make it very difficult to talk a salesperson down from a sticker price. Shopping in the early part of the week, like Monday or Tuesday, will offer you better opportunity to have that personalized conversation, hopefully securing that better deal.

Holiday Shopping
The third thing to keep in mind are holiday sales. This is a mixed blessing. Obviously, sales create lower prices, but they also create more traffic. More traffic won't simply mean less attention from sales reps; more cars are potentially being snatched up, as well. The most common is Black Friday. Just keep in mind the insanity that day often entails.

Also, keep in mind New Year's Eve. That could be the end of the end of the end of quotas for a salesperson. So, if it's possible, stop by your local dealership and see what kind of deal you can get.

Finally, do your research, and check in with dealers every now and then to monitor deals, but above all, have fun getting your new vehicle!

Click here to read the full article.

Consolidating vs. Refinancing Your Student Loans

Date/time to schedule: Sunday, Oct. 27, 2019 @ 8:30 p.m.
Preheader Text: Which is better?
Facebook Share Text: 70% of college students graduate with student loan debt. If that's you (or someone you know), this article is a must-read.

Body Copy:
No matter where you went to college, one thing most graduates have in common is a significant amount of student loan debt. In 2017, CNBC reported that 70% of college students graduate with student loan debt. That's approximately 44 million, or one in four, Americans.

In an article on the site *MoneyCrashers.com*, contributing author Sarah Graves spells-out some solid ways to know when it may be time to consolidate your student debt, and when it's time to refinance. In this article, we'll look at the pros and cons of consolidating. Next month we'll discuss the pros and cons of refinancing.

Consolidating Student Loans
In student loan consolidation, you take multiple loans and combine them into one convenient monthly payment. If you choose to consolidate your student loans, there are several potential benefits.

PROS OF CONSOLIDATING:

1. It Simplifies Your Payment
If you have several servicers, this can quickly become complicated. Keeping track of what you owe each month, when you owe it, and to whom can get confusing, and you may even miss payments trying to juggle it all. If you'd prefer to worry about only one servicer, one loan, and one monthly payment, consolidation can allow you to do this.

2. Your Monthly Payment Might Be Lower
If you're struggling to make your monthly payment, consolidation can help lower it by extending the length of time in which you're required to pay back your debt. The trade-off, of course, is that by accruing interest over a longer period of time, you'll end up paying back far more than if you'd stuck to the 10-year repayment schedule. But if your current monthly payment is straining your budget, this can give you a little more breathing room. And you can always pay more than the minimum once you're earning more to get rid of your debt faster.

3. You Have a Fixed Interest Rate
If you have older federal loans, you may have some with variable interest rates. That means your payment and the interest on it can fluctuate with market conditions. If you'd prefer to have the stability of always knowing what your payment will be, as well as the ability to lock in one rate that won't go up over time, loan consolidation can provide that.

4. You Might Have to Repay Less Overall

Because market conditions are subject to change, if any of your loans currently have a variable interest rate, a fixed rate over the life of a consolidation loan could prevent your interest rate from increasing down the line, saving you some money.

5. You Gain Access to Income-Driven Repayment Plans & Public Service Loan Forgiveness
All Federal Direct Subsidized and Unsubsidized loans are eligible for IDR plans, which include access to loan forgiveness programs such as Public Service Loan Forgiveness (PSLF). However, other types of loans must be part of a consolidation loan to qualify. These include subsidized and unsubsidized Stafford loans, federal PLUS loans for graduate and professional students, and Federal Perkins Loans.

When you consolidate your loans, these all become part of the FDSLP. That means that going forward, they will be eligible for IDR plans and loan forgiveness.

CONS OF CONSOLIDATING:

1. It Takes Longer to Pay Off Your Student Loan Debt
Although it's certainly possible to consolidate your loans and stick to the standard 10-year repayment schedule, most borrowers don't. Typically, those who consolidate their loans take advantage of longer repayment terms that can extend their repayment schedules to as long as 30 years. In fact, CNBC reports that many student loan borrowers are still paying back their student loans into their retirement years.

2. You Pay More Money in the Long Run
Simpy put, repaying a loan over a longer period means paying far more in the long run due to accruing interest.

3. Your Principal Balance Might Increase
When you consolidate multiple loans into a single new one, any outstanding interest on your former loans becomes part of the principal balance on your consolidation loan. Because the interest owed is calculated based on the principal balance, that means you'll start accruing interest on the new consolidation loan at a higher amount than you may have on your old loans.

4. You Might Lose Some Borrower Benefits
Although consolidation may give you access to some borrower benefits you may not have previously qualified for, the reverse is also true; you may lose some benefits, including interest rate discounts, principal rebates, or loan cancellation options. Keep in mind, though, that you don't necessarily have to consolidate all your loans. You can choose to consolidate only some of them and leave out any loans that have benefits you don't want to lose.

5. You Can't Be Strategic About Loan Payoff
Traditional methods for paying off debt as quickly as possible often involve paying off debt with the highest interest rate first. But if you consolidate all your loans, you can't be strategic about how you pay off your debt. If you want to consolidate, but you have one or more high-interest loans, you might want to consider leaving those loans out so that you can get the best possible interest rate on the rest of your loans. Then, put everything you can toward getting that high-rate loan paid off as fast as possible.

6. You Can't Consolidate Private Student Loans
Only federal student loans are eligible for the Direct Loan Consolidation Program. If you have private loans you want to consolidate, the only way to do so is to refinance them.

Watch for our article next month as we summarize the pros and cons of refinancing your student loan debt, or simply read the full article now.