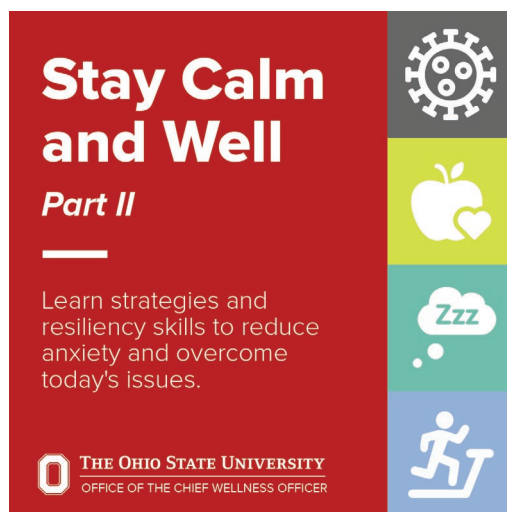


Financial Wellbeing: Managing Credit & Debt Wisely

Victor Russell

Apprisen, Operations Manager



Partners: College of Nursing, Buckeye Wellness, YP4H, OSU Health Plan, Office of Human Resources, OSU EAP in partnership with IMPACT Solutions and Office of Student Life



PERMA Skills Building - Week #2

Write down the answers to these questions and place them where you can see them on a daily basis

- What **major changes** (professionally/personally) am I coping with right now?
- Identify at least 2 **opportunities** that could come from these changes?
- Name at least 1 **short term goal** for this work week.
- Plan & do at least 1 **self-care activity** for this week.
- Make a list of 5 **things that are within your control or influence.**

(hint: attitude, thoughts, actions, skills, skills you choose to develop)





- What is debt?
- How do we get into debt?



Yesterday

- Generally paid cash
- Didn't buy until they had the money (people actually saved money)
- Borrowed only in case of extreme emergency or need
- Credit decision took weeks (no credit scoring)
- 8 Billion dollars of revolving debt

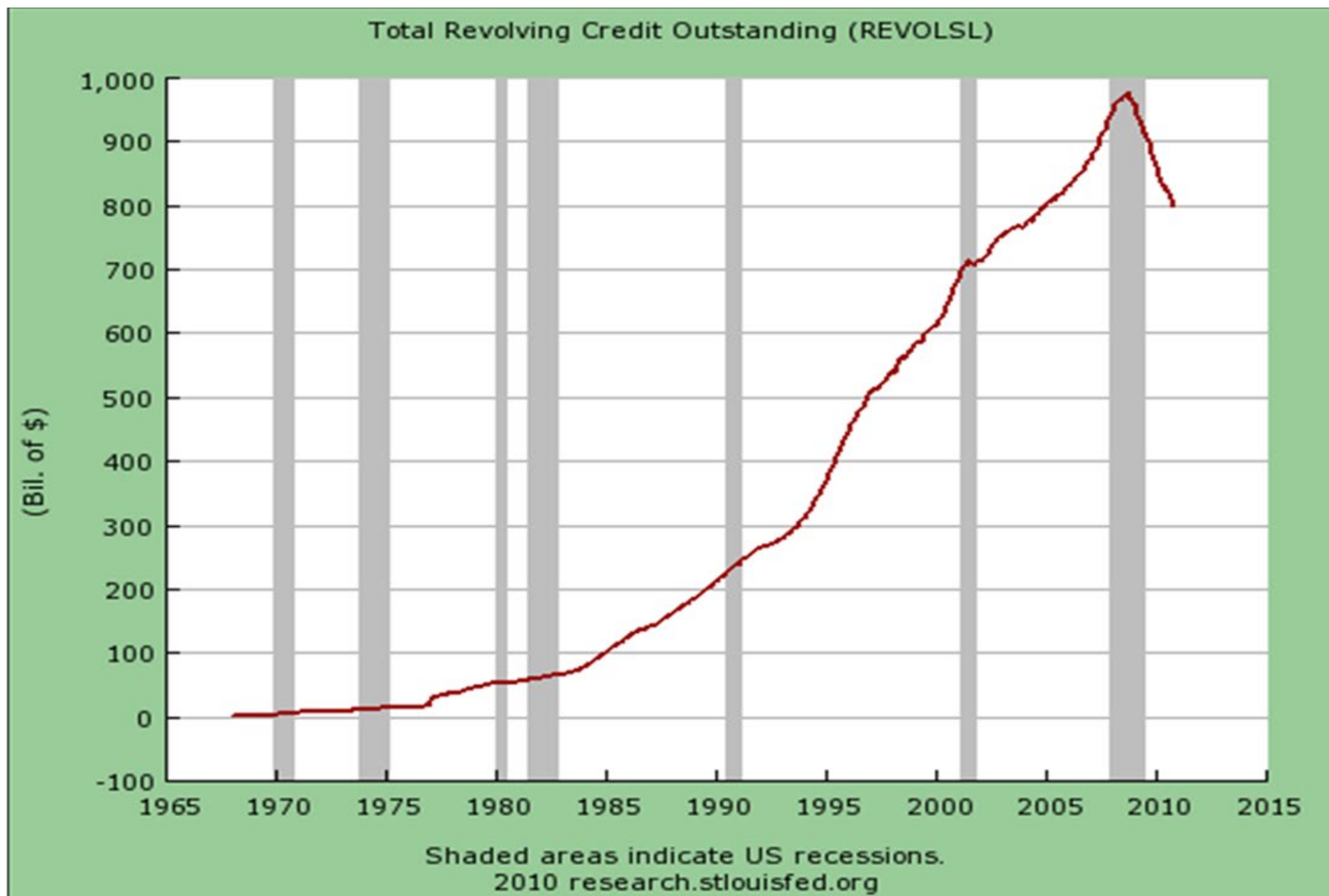
Today

- Instant credit is routine
- We spend more than we earn
- Borrow for any and all purposes
 - Credit widely available
 - Credit scoring
- New credit products
- 884.8 Billion dollars of revolving debt ++

++ Federal Reserve Bank - December 2012

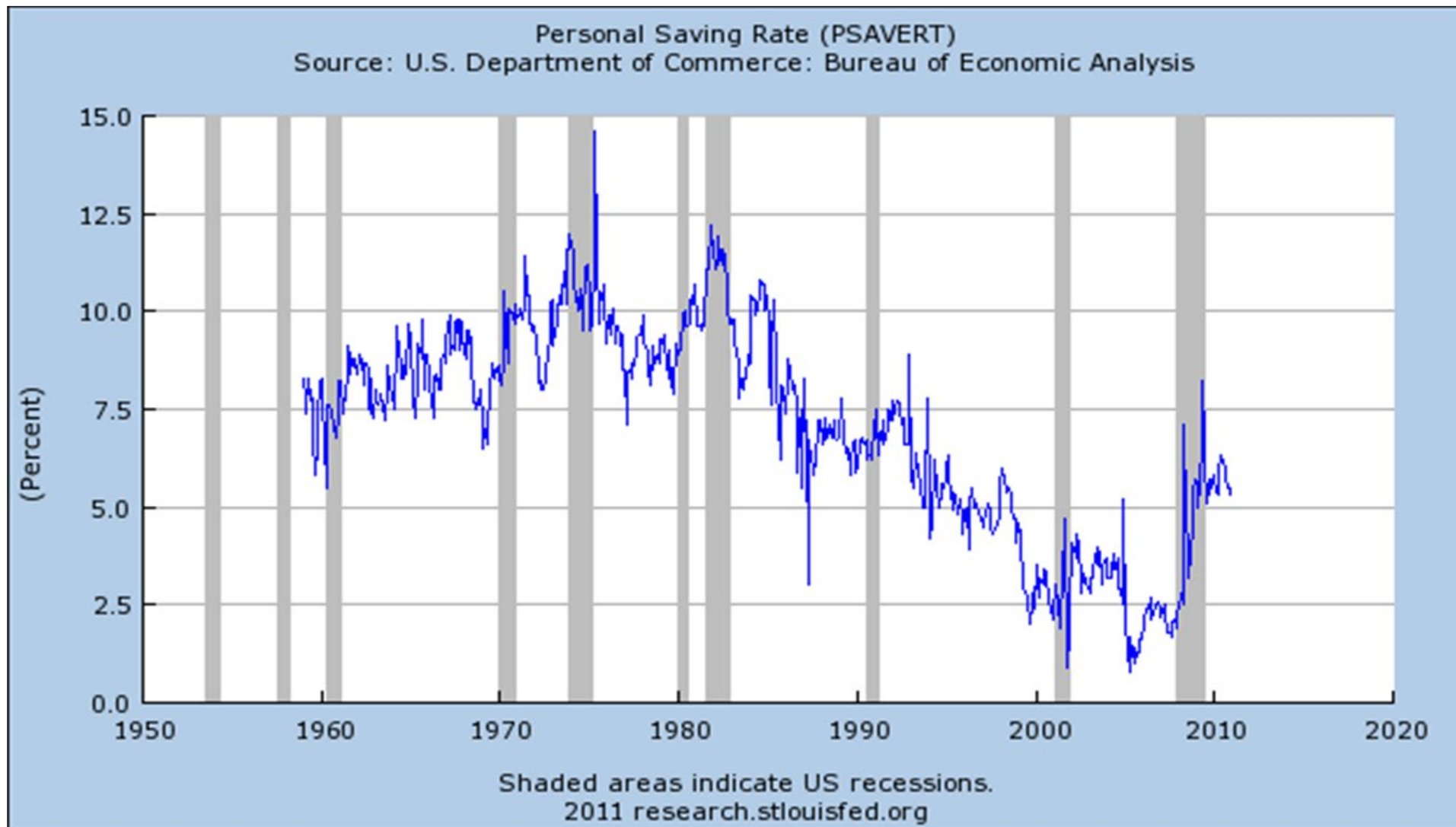


Total U.S. Credit Card Debt





America's Savings Rate





Challenging Questions

- Is there “good” debt?
- What is bad debt?





Good Debt Builds Wealth

Debt can build assets

- Home Purchase
- Rental Properties
- Purchase an Appreciating Asset

Debt can lead to opportunities

- School Loans
- Transportation
- Invest in Your Business



Debt to Reconsider

What are “Bad Debts”?

- Debt that doesn't help to build assets
- Debt with high interest rates
- Debt used for disposable items (food)
- Purchasing more than you need



Debt Can be an Obstacle to Building Wealth

Truth in Lending Disclosures

- Annual percentage rate
- Fees
- Grace period
- Balance/Interest computation





Types of Credit/Debt

Installment Loans

- Car, Boat, RV loans
- Generally, a fixed payment for a fixed amount (includes principal and interest) for a fixed amount of time
- Example: Car loans can be financed from 36-72 months. Be very cautious about financing for longer terms.





Types of Credit/Debt

Mortgage Loans

- 15-30 years
- Fixed
- Adjustable
- Interest Only
- Equity Loans





Types of Credit/Debt

Revolving Credit

- Credit Cards
- Department store cards
- Home equity lines of credit (HELOC)
- Costs to consider:
 - Interest rate
 - Fees
 - Grace period





Challenging Questions

- How do we manage debt wisely?
- What is an acceptable amount of debt?





How Much is Too Much?

General rule of thumb:

Your debt payments, not including your mortgage, should not exceed more than 15-20% of your take home income. Including the following:

- Car Loans
- Personal Loans
- Student Loans
- Minimum Payments on Credit Cards
- Home Equity Loans



Finding Your Debt Ratio

It's a simple calculation:

- Debt Ratio = Average Monthly Debt Payments / Take Home Pay
- Example for a family bringing home \$2200 each month and having debt payments of \$400

$$\text{\$400}/\text{\$2200} = 18\%$$



Credit Card Payments

On Revolving Credit Cards

- Most minimum payments are generally 3% – 4% of balance
- Minimum payment covers finance charge and a small bit of the principle
- To pay off credit card more quickly, pay more than minimum



Cost of Making Minimum Payments

The chart assumes a minimum payment of 3.5%, that you are not making additional purchases and that you are making your monthly payments on time.

ITEM	PRICE	APR	INTEREST PAID	THE TRUE COST OF THE ITEM	TOTAL YEARS TO PAY OFF
TV	\$500	18%	\$251	\$751	5.5
Computer	\$1,000	18%	\$626	\$1626	8.3
Furniture	\$2,500	18%	\$1751	\$4271	12



Paying extra saves \$\$

Balance • Interest Rate • Minimum Payment % • Minimum Payment
\$2500 **18%** **3.5%** **\$88**

AMOUNT PAID	PAY OFF TIME	TOTAL FINANCE CHARGES	TOTAL AMOUNT PAID
Just minimum	12 years	\$1751	\$4251
Minimum + \$10	7 years	\$1201	\$3701
\$88 constant payment	3 years	\$ 782	\$3282



Mortgage Loan Repayment

As with credit cards, the more you pay, the more you save

\$100,000	TERM	APR	INTEREST PAID	TRUE COST	TOTAL YEARS TO PAYOFF
Mortgage \$658 per month	30 Yrs	6.9%	\$137,096	\$237,096	30 Yrs
Pay an extra \$50 per month	30 Yrs	6.9%	\$106,196	\$206,196	24 Yrs
Pay an extra \$100 per month	30 Yrs	6.9%	\$87,707	\$187,707	20 Yrs



Challenging Questions

- Where can you find extra money?





Power Payment Plan

- Create a spending plan
- Prioritize spending
- Increase income

Any additional income or dollars found should be used to pay on debt.

**Based on materials created by Kiss, D. Elizabeth and Linda Boelter. 2000. Money 2000 and Beyond: Using Power Payments to Pay off Debt. Madison, WI: University of Wisconsin-Extension, Cooperative Extension.*



Creating a Power Payment Plan

Create a master list of creditors

CREDITOR	BALANCE	PAYMENT	INTEREST RATE	POWER PAYMENT
Bank Card	\$500	\$10	12%	\$50
Department Store	\$950	\$19	24%	\$19
Car Loan	\$5500	\$150	6.99%	\$150
Total	\$6950	\$179		\$219



Payday Lending

Be very careful

- High interest rate short term loans
- Interest rates can exceed 390% APR
- Average annual income less than \$40,000
- Typical use is for ordinary living expenses, not emergencies
- 12 million adults use payday lending annually
- Each loan averages \$375 and they pay \$520 per year in interest
- If payday lending was not available, most people would cut back on expenses

The Pew Charitable Trust (July 2012); Payday Lending in America: Who Borrows, Where and Why.



8 Rules of Smart Credit Management

Follow these steps and handle your money wisely

1. Know what you owe
2. Live within your means
3. Spend less than you earn
4. Borrow only what you can afford
5. Recognize the warning signs of financial difficulty
6. Maintain a good credit rating
7. Check your credit report annually
8. Guard against Identity Theft



Want more information?

- www.apprisen.com
- www.bankrate.com
- www.quicken.com
- www.money.msn.com
- www.annualcreditreport.com 877-322-8228
- www.credit.com
- www.scoreinfo.org (consumer site re: Fico Scores)
- www.creditkarma.com



To Access the Ohio State Employee Assistance Program

Call 24/7 for live immediate assistance: **800-678-6265**

Email: **eap@osumc.edu**

Visit: **www.osuhealthplan.com/OhioStateEAP**



Thank You

Office of the Chief Wellness Officer and
Buckeye Wellness

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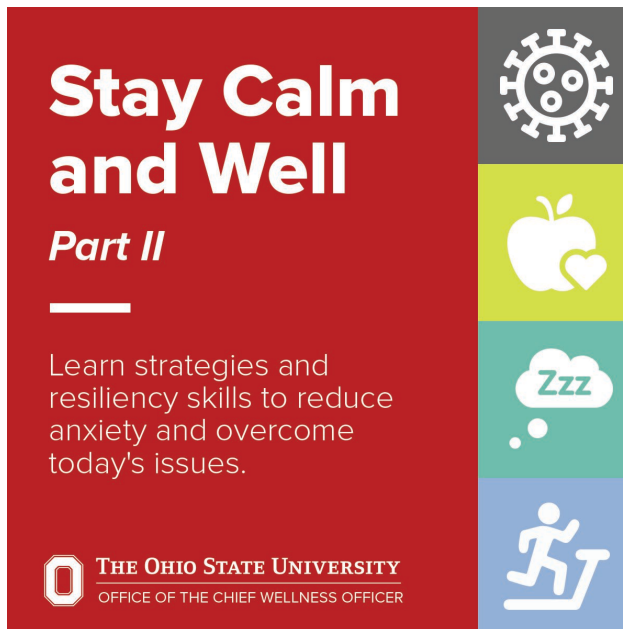
THE OHIO STATE UNIVERSITY

Next Week

September 2, 2020 12:30 - 1:00 pm

Boosting Immunity and Sustain Energy with Healthy Lifestyle Behaviors

Bern Melnyk and Megan Amaya



Skills Building - Week #3

Financial Wellbeing: Managing Credit and Debt Reminders:

- Obtain a free copy of your credit report from the credit reporting agencies by logging onto www.annualcreditreport.com or by calling 877-322-8228 to ensure accuracy regarding what is being reported about you.
- Develop and implement a strategic plan to reduce debt, specifically high interest unsecured debt. Contact the OSU EAP to request assistance as needed 1-800-678-6265
- Monitor debt payment levels and achieve a 15% debt ratio, begin saving for an emergency savings account.

