



# Homeowner Education Class

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## Household Finance



### Training objectives for this class:

- Understand different types of predatory lending products and how they might negatively impact your financial situation in the long run.
- Understand the importance of having a will and some issues that may arise when a homeowner does not have a will
- Understand the difference in three types of insurance –Auto, Health and Life.



# Cutting Spending and Shopping Tips

- **Beware of Store Layouts – avoid impulse buying**

- Stores are laid out to take you past many items on your way to the items you are in the store for. They take advantage of your impulse to pick up items you might want, but don't need. Stick to your shopping list.



- **Remember “Sell by” dates are not “Use by” dates**

- “Sell by dates” are used by stores to remove items that have been on the shelf for too long. If you have such items in your closet, that doesn't mean you have to dispose of them on or past that date. Many packaged goods are fine well beyond that date. Disposable items, such as refrigerated items, should be disposed of pretty close to the date. If in doubt, use the smell test.

# Cutting Spending and Shopping Tips (continued)



- **Use coupons**

- Coupons can be a money saver. They are available from the newspaper, magazines, the mail or online. But compare the price you pay with the coupon to the price you would pay for the store brand.

- **Dollar Stores**

- Dollar stores, such as Dollar General, Save-A-Lot, Dollar Tree and others can save you considerably. They don't always have the items you want and you still have to watch their prices, which can sometimes be as much or more as at a supermarket. Some store have store coupons, such as Dollar General's \$5 off if you buy \$25 worth of goods.





## Cutting Spending and Shopping Tips (continued)

- **Don't shop when you are hungry**
  - This is sometimes difficult if you do shopping on your way home from work. But it has been proven that people tend to spend more on food if they are hungry.
- **Take your lunch to work**
  - This is a no-brainer. Keep track of what you spend for lunch out each day for a week. Then figure out how much it cost to make your lunch and take it with you. If you save \$20 a week, that's \$1000 a year.
- **Don't buy extended warranties**
  - An extended warranty is an insurance policy that covers the item you are buying from the end of its regular warranty to some other time in the future. If something is going to go wrong with that item, it probably will within its initial warranty period. Therefore, extended warranties are usually a waste of money. If you are accident prone, you may want to consider a warranty on an item that is easily breakable.

# Credit and debit cards



## Debit Cards

- By using a debit card, you are not accumulating any debt. The money is coming directly out of your bank checking account at the point of sale.
- Each time you use the card, check the bottom of the receipt to make sure cash wasn't taken out of your account without your knowledge. A quick look at the bottom of the receipt is enough.

## Credit Cards

- Different types of credit cards
  - Rewards can be miles, cash back, etc.
  - Look for low interest rate
  - Charges on credit card can be disputed



# Credit Cards (continued)



## Pros

- If you pay off the full amount of your card at the end of each month, look for cards that give you rewards, such as miles or cash back. Some even have a bonus when you sign up.
- One of the biggest advantages of using a credit card is that any charge can be disputed, whether it is a fraudulent charge or something where you were misled by the vendor and returned the purchased item. Call the credit card company and they will investigate.

## Cons

- If you use a credit card that is accumulating debt, find the card with the lowest interest rate.
- Some cards will give you an initial rate of 0% for the first six months or a year.
- But be careful you can pay off that card at the end of that period before the interest rate goes sky high.

# Predatory Lending

- Cash advance stores will lend you money short term, supposedly, to tide you over until you get your next paycheck.
- The charge for that loan seems small enough. You may run into a situation where you don't have the money to pay it back when it is due.
- The store will give you an extension and charge you another fee.
- They don't tell you that the interest you are paying is in the thousands of a percent.
- **This is one of the worst ways to borrow money.** Your best bet is to go to your bank or credit union and ask for a personal loan.





# Predatory Lending (continued)

## “Buy here, Pay here” Plans

- “Buy here, pay here” plans are just as bad.
- Furniture and appliance stores like to finance your purchases so they can take part in the financing.
- In the end, you quite often pay two or three times for the items you bought.
- Wait until you have enough saved to pay cash for these items.
- If you run into an emergency, again, go to your bank or credit union for a loan.





# Beware of Scams



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- Watch out for the scams that can come in any form.
  - Federal agencies (IRS, Social Security, policing agencies, etc.) will never contact you by phone or internet.
  - Don't promise them any money or give them any private information.
  - They will try to trap you by asking you to verify your information. Don't give it to them.
  - Some will claim they are calling from a company name you recognize, saying they are blocking your account because of suspicious activity. Do not talk to them.
  - Verify your account with that company is ok by logging on the way you normally do. You will no doubt find that your account is ok.



**Save,  
Save,  
Save**

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- Saving money is very important for several reasons. You need an emergency fund for unexpected expenses, such as car repairs or health emergencies.
- You also should be saving something toward retirement. Depending on Social Security for your retirement isn't enough.
- The easiest way to save is through a savings or investment program your employer may offer. If an amount is deducted from your paycheck before you see it, you don't have the opportunity to spend it. You will be surprised how quickly it adds up.
- If your employer doesn't have such a program, use your bank or credit union.
- Check out [bankrate.com](http://bankrate.com) on the internet for the banks that are paying the highest interest rates on savings.



# Auto Buying and Financing



- **“Buy here, pay here” loans**
  - If you need a vehicle, start out by going to your bank or credit union and finding out how much you can borrow and finance through them. Don’t let the dealership talk you into doing the financing through them. They will contact the lenders they use and the interest rate will be higher than you can get through your bank. Another downside is every time a lender checks your credit your score is driven lower.
- **New cars depreciate very fast**
  - If you are buying a new car, or even one that is one year old, the value of it drops substantially as soon as you drive off the lot.
- **Beware of leases**
  - Stay away from auto leases unless you really know what you’re getting into. With a lease you are renting the car, not buying it.





# Insurance

## • Auto

- Shop around for your particular car
- Cost depends on age and make of car
- Just because a friend tells you they got the best car insurance deal with a particular company, doesn't mean you will.
- Rates vary a great deal between companies depending on the age and make and model of your car.
- **Thezebra.com** gives you the opportunity to enter your car's information and get quotes from various insurance companies.
- Some companies base your rate on your credit score.

## • Health

- HSA (Health Savings Account) and FSA(Flexible Spending Account
- You usually get these accounts through your employer. They allow you to put aside pre-taxed money for health expenses.
- HSA is a little better because it will carry leftover money from one year to the next.



# Insurance



- **Life**

- Term life insurance is the cheapest. It allows you to be insured for a certain amount of money for a certain period of time, such as \$100,000 up to age 65.
- This is a good way to insure your Habitat home so that mortgages would be paid off in the case of your death, and the home would go to whoever you designate in your will.
- So-called mortgage insurance is expensive and only pays off the existing balance of the mortgage at the time of your death.
- Permanent (Whole life) – accumulates cash value
- Whole life insurance is nice to have for your heirs, if you can afford it. Advantages are that it accumulates a cash value so that, after a set number of years, you can cash it in and get some of your money back. You can also borrow against its cash value and keep the policy intact.





# Social Media and Solar Panel Warning

- Social media has become the way most people communicate these days, especially since we are stuck at home a lot of the time.
- Be careful when you are communicating with friends, relatives and others on social media platforms. Whatever you say online can be seen and read by almost anyone that accesses that media. And, with few exceptions, your comments are out there forever.
- After you move into your Habitat home, you may be tempted to listen to some salesman who is selling solar electricity to reduce your electric bill. What the salesman won't tell you is that
  - putting solar panels on your roof will raise the value of your home, thus increasing the cost of your property taxes and, possibly, your property insurance.
  - It will also void the warranty on your roof. If the installers accidentally put holes in your roof, the repairs will be up to you at your own expense.
  - Solar power is great. Just remember to take these things into consideration.



# Legal Documents

## Four legal documents everyone should have

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- The first three are your wishes while you are still alive and the last is your wishes after your death
- Living Will
- Designation of Health Care Surrogate
- Durable Power of Attorney
- Last Will and Testament





## Living Will

States what extraordinary measures you wish to be done, or not done, in case you are unable to make those decisions for yourself



- **Designation of Health Care Surrogate**

- Designates a person to make health care decisions for you before your death, if you are unable to do so for yourself



- **Durable Power of Attorney**

- Designates a person to make financial and legal decisions for you, if you cannot make those decisions for yourself, or are found incompetent to do so. This Power of Attorney stops upon your death. (Be careful who you designate.)

## Last Will and Testament

Your wishes upon your death, including distribution of property (including your home), who you wish to take care of your children, etc.

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You can complete the forms on your own, however, we encourage new homeowners to see an attorney to complete them.

\* Sample documents are available on our website for your review.







*This completes “Household Finance” class, please follow this link for a short quiz to receive credit*

<https://forms.office.com/Pages/ResponsePage.aspx?id=4Wz47ybOu0-OSA96KvhFiGLtsnh7IpRAI16CzdOlgRUMzg5UTION1FDTDJWR0JIW1Q5S0xFVky3Qi4u>

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*Disclaimer: The contents of this class serves only as an educational guideline for our Homeownership Program. Change at Habitat for Humanity of Citrus County is inevitable. Therefore we expressly reserve the right to interpret, modify, suspend, or cancel, with or without prior notice, any part of our program guidelines at anytime. Changes will be effective on the dates determined by HFHCC*