Strengthening Farm and Ranch Household Finances:

A Financial Wellbeing Toolkit

This Toolkit was adapted by a team of Cooperative Extension family resource management professionals from materials and tools available from the *Your Money, Your Goals: A Financial Empowerment Toolkit* originally developed by the Consumer Financial Protection Bureau (CFPB). As Extension professionals, the team has used the CFPB materials in their classrooms and work. They realized that there was a need for a similar resource for the unique financial needs of farm households. The team conducted interviews with farmers and agriculture service providers to identify the topics of concern and specific needs of farm audiences with respect to household financial management. The result was the development of the Strengthening Farm and Ranch Household Finances: A Financial Wellbeing Toolkit.

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Disclaimer

This work was adapted from materials and tools available from the *Your Money, Your Goals: A Financial Empowerment Toolkit* developed by the Consumer Financial Protection Bureau (CFPB). It was developed as a resource for the public, and the material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional.

The tools included in the Toolkit may ask participants to provide sensitive information. We recommend not to include names, account numbers, or other sensitive information and that users take precautions to protect their personal information.

This Toolkit includes links or references to third-party resources or content that consumers may find helpful.

Acknowledgement

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WESTERN EXTENSION RISK MANAGEMENT EDUCATION

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Getting Started Introduction to the Toolkit and Unwinding Farm and Household Finances

The *Strengthening Farm and Ranch Household Finances: Financial Wellbeing Toolkit* was designed with you in mind. A farm or ranch household's finances can be complex, uncertain, and stressful. While it may seem easier to have one bank account or credit card for both business and household, when they are intertwined there are risks to the financial security of both. By having clear financial boundaries, farm businesses and households can make informed decisions that set them on a path to sustainable growth and financial wellbeing. The goal is that farmers/ranchers will take control of the household finances in a way that will unwind them from the farm business. The toolkit is the path to the goal.

Throughout this Toolkit we use the term “farm” in the most expansive way. The tools are appropriate no matter the type of farm, ranch, aquaculture, fishing, poultry or other operation you may have. The authors recognize and respect the diversity of operations but for simplicity reasons and to minimize words, we are using “farm” to describe your enterprise.

We also recognize that different types of operations may be structured differently. If your enterprise has separate accounts than the household accounts, this Toolkit may help you improve household financial decision-making, planning and communication. If the enterprise and household finances are co-mingled, this Toolkit will help you organize, plan and communicate about your household finances. Regardless of your business structure, this Toolkit offers tools to help you take control of your household finances.

Additionally, throughout the Toolkit we use the term “household”. The authors recognize that individuals living within a household may be family or may not be. When using the tools developed in the Toolkit it is assumed that members in the household may need to work together to understand income, savings, spending and debt in a collaborative manner and that to meet household goals, these financial decisions and goals need to be differentiated from the enterprise goals so that both can be achieved.

This Toolkit is based on a resource developed by the Consumer Financial Protection Bureau (CFPB) but was modified to better reflect the unique characteristics of farming households. The writing team consisted of Extension professionals with expertise in family and household financial management, resource management and consumer education. We interviewed farmers and those working with farm audiences to better understand the needs of farming households and adapted the CFPB materials to make them more relevant, timely and useful for busy farmer audiences.

How to Use this Toolkit

This Toolkit provides information and worksheets (tools) to help you successfully take control of and manage your household finances. The modules are arranged in an order that allows you to start at the beginning and move through the topics in order. The Money Conversations module is offered because conversations about money are often stressful and frequently avoided. This module helps you better understand how you can have effective conversations about money; especially when there are different concerns and priorities among household members. We encourage you to start here.

You are free to begin with whichever module you think would be most helpful. Consider what you need right now and start with that module. Be patient with yourself and complete the module. From there, think about the next financial priority and complete that module. You may complete them all over time, or you may just use one or two. This Toolkit is for you; use it to create financial success for your farm household.

We have included visuals throughout the Toolkit to help guide you.

This indicates the beginning of a new module in the Toolkit.

This symbol indicates a tool you can use to take control of your financial matters.

Additional resources on the internet.

Introduction to Unwinding Farm and Household Finances

Farm households are unique for so many reasons. Financial matters are a key area where there can be unique interplay between the needs, wants, resources, obligations and goals of both the farm enterprise and those of the household. This relationship is unique to farm audiences because it takes time, organization, communication and recordkeeping to ensure that the goals, wellbeing and success of household and farm enterprise are met.

This Toolkit helps you identify ways household and farm assets and resources interplay and provides you with resources to assist in unwinding, organizing, prioritizing and communicating about household finances in a way that can help you take control of your financial resources.

At a Glance

This Introduction section identifies the unique characteristics of farm household finances and provides two tools to begin to illuminate how your enterprise and household finances are interconnected.

Tools in the Introduction section:

Tool 1: Household Annual Financial Planning Chart or Cash Flow Statement

Tool 2: Who is Paying for What?

Sources and Consistency of Income

In some situations, farm income and resources may solely support the family and household while in others there may be off-farm income that brings in resources that support both. Alternatively, farming may be a part-time enterprise and off-farm income is the main source of support for the household members. There are some farm enterprises that have income three months of the year while others have income weekly, once per year or several large amounts at different times per year. Another consideration is how someone is paid for their farm labor. Regardless of how or when, these periodic income sources are expected to cover all farm and at least some of the household expenses. Planning finances throughout the year in these situations is important. Combine this with the unknown about how much may be coming in, adds to the strain for managing finances.

An example of co-mingling of sources and consistency of income might occur when household food is provided from the farm activities instead of paying wages for the household members working on the farm. This example clearly shows a connection between farm and household finances and the choices made about how resources are used to support the household expenses over time. This scenario is not optimal in that the true costs of farm inputs and outputs are not being recorded properly for farm and household tax purposes.

Additionally, the seasonality of income can complicate having to pay the household's annual, quarterly, monthly or weekly bills. Getting a handle on the annual income and expense flow is important in planning. "Introduction Tool 1: Household Annual Financial Planning Chart or Cash Flow Statement" provides a location to identify, organize and plan for the flow of income and outflow of expenditures seasonally. This tool, once completed, provides a big picture view of your household financial situation and can help you plan across the year.

To help tackle the job of completing the "Introduction Tool 1 – Household Annual Financial Planning Chart or Cash Flow Statement" Tool, there are Modules and Tools to help fill this out. It may take some time, but the effort is well worth it.

There are separate tools within the Modules to help you look at tracking your income, savings, expenses and debt. By looking at these separately, and then filling in the "Introduction Tool 1- Household Annual Financial Planning Chart or Cash Flow Statement", you will be able to keep track over time, prioritize financial decisions more easily, and reduce stress about money issues. Topics included in the Toolkit are:

Unwinding Farm and Household Finances
Money Conversations
Module 1 - Setting Goals
Module 2 – Savings for Farm Households
Module 3 - Tracking Income
Module 4 - Paying Bills
Module 5 - Getting Through the Month
Module 6 - Dealing with Debt
Module 7 - Credit Reports
Module 8 - Choosing Finance Products
Module 9 - Protecting Your Money
Glossary Terms

Shared Assets, Resources, and Obligations

Another unique aspect of a farm household is the sharing of some of the assets and resources. Knowing who is paying for what is key to setting financial boundaries. For example, the household electric and the farm truck may be used for the household chores; all paid for by your farm's budget. Alternatively, the off-farm income may help pay some of the farm bills or debts during the time of year when there is little farm income. Tracking and knowing how your money flows is critical to the success of the farm enterprise and the household finances. From a farm and household tax perspective, these examples should be handled carefully with the correct percentage of use by both the household and enterprise being paid for out of respective budgets and claimed properly on farm and household taxes.

Another common example may be that there is only one checking account to pay both farm and household bills. Although this is not recommended, these examples illustrate the interconnected nature of farm and household expenses. It can be helpful when the farm pays for some household costs. But if the farm does not make enough money, it can be hard to keep paying for those costs. Alternatively, if the off-farm income is used to offset expenses of the farm, then household and family expenses may not be met. These activities can have legal implications from a tax perspective.

Some farm households combine all sources of income into one checking account for ease of managing bill payment and other obligations. However, there are benefits to keeping household and farm income and expenses separate by establishing a farm business plan and recordkeeping system that parallels a system for the household finances. Alternatively using Quicken or some other recordkeeping tool that allows you to track expenses and separate them for different types of reports or tax recordkeeping could also be used.

Keeping good records makes paying taxes easier. It also helps you understand your business money, manage your farm better and keep track of the farm cash flow. The same outcomes would happen within the household finances as well. Additionally, it brings your business credibility, more clearly separates personal and business assets in case of liability issues and may help secure a business loan and other financial assistance for your business, if needed. For excellent resources to answer questions and better manage the farm taxes see the following resources:

Utah State University Rural Tax Education website: https://extension.usu.edu/ruraltax/

National Income Tax Workbook and find local classes: https://taxworkbook.com/

IRS Publication 225 (2025), Farmer's Tax Guide: https://www.irs.gov/publications/p225

By separating the household and business through separate bank accounts, you are better able to gain an accurate picture of where you are financially - both for your business and your household. Use “Introduction Tool 2: Who is Paying for What?,” to gain a clear picture of how to start separating household and farm expenses.

Lack of communication and priority setting when using a single banking account can lead to uncomfortable situations and overspending that leave neither the farm nor the household with a clear understanding of their financial situation. The Toolkit includes tools to help evaluate the benefits and costs of shared resources and accounts and to determine the best strategies for meeting goals and supporting household wellbeing.

Financial Stress and Wellbeing

When there is not enough income, expenses get too high, or if there are differences in priorities, household members often have financial stress as they juggle resources to meet needs, wants, and obligations to achieve financial goals. The pressure of creating a successful farm enterprise adds into the financial equation and it can be doubly stressful when there is uncertainty. In fact, farm audiences say their number one stressor is finances.[1] This Toolkit will help you take control of, communicate about, and manage your household finances.

Another stressor is managing the unexpected; especially if it has a hefty price tag. Setting aside funds for an emergency is key toward reducing financial stress. Whether it is something that needs to be fixed, a trip to the hospital or an unplanned household event, having money set aside helps to reduce the financial stress of the unexpected.

There is an added element of farm resources and equipment which is a stressor unique to farm households. Decisions about purchasing or leasing land, constructing buildings, buying equipment, and land use add to the complex decisions farm managers make that contribute to financial stress. Using the tools in this Toolkit and developing a farm business plan aid in reducing stress and increasing wellbeing.

Lastly, when money is tight it is hard to plan for your future. Setting aside funds for your health and wellbeing as you age is an important part of reducing future stressors. Knowing you have a secure future financially planned and implemented helps you feel more confident today and more able to manage financial challenges and your wellbeing in the future.

Time to Manage the Finances

Farming is often a time intensive, year-round job. Coupling that with off-farm work, taking care of household members, it can be hard to find the time and the mental capacity or concentration to keep records and manage finances for both the household and the farm operation. Recordkeeping is key to strengthening your financial wellbeing and being resilient to unexpected events. There are a lot of reasons to keep records and manage finances, including:

- To set, create, and achieve goals
- To manage income and expenses including debt
- To avoid credit card or identity theft
- To have the funds to make major purchases like a house, car, family vacation or college education
- To prepare for taxes by reducing your tax obligations and maximizing expenses you can claim

The reality is recordkeeping does not have to be time consuming on a daily or weekly basis. Oftentimes, it is about putting into place a system that works for everyone involved and making the time to look at and manage finances as a routine. One example is putting paper and/or electronic receipts in one place as they come in and then once a month scheduling time to

[1] From: Daghagh Yazd, S., Wheeler, S. A., & Zuo, A. (2019). Key Risk Factors Affecting Farmersbal Mental Health: A Systematic Review. International Journal of Environmental Research and Public Health, 16(23), 4849. https://doi.org/10.3390/ijerph16234849

categorize them based on budget lines and adding them to your spreadsheet or record book. Organizing to pay bills on a weekly or twice a month timeframe is important for financial management. Setting up your accounts so that you know there are funds in your checking account at the time you pay bills will make this process easier. The Toolkit has information about tracking expenses in “Module 4 - Paying Bills.”

Shared Priorities and Communication

Shared goals and priorities within the household can improve interpersonal relationships. However, it can be challenging when there are different personal goals, family/household goals and farm business goals competing for limited resources. For example, a family goal may be to go on a family vacation while a personal goal might be to take a class to improve skills and the farm goal may be to upgrade a piece of equipment. All are important but the unresolved conflicts among them can impede your financial success and wellbeing. Communication and planning are key. Tools in this Toolkit provide guidance on how to discuss and prioritize goals. See “Module 1 - Setting Goals.”

Another complication arises when the person paying bills does not know which account to use; does the farm vehicle loan get included in the household or the farm budget? Which account should pay it and will it be paid on time? Setting up avenues of communication helps to reduce stress and supports household and farm success.

When multiple household members across generations are involved, communication can get complicated. Concerns about different expectations and needs and understanding who is responsible for what, different communication styles, and family dynamics often make it difficult to bring up concerns. It is important to remember that each person and each generation communicates and handles conflict differently. To minimize misunderstandings, try to:

- Educate Yourself and Household Members: Knowledge is the first step towards understanding, so work on learning about how different generations communicate and support each other.
- Foster a Culture of Respect: The key to collaborating with other generations is to understand, accept, and respect that they are different from your generation. Cultivate an environment where everyone feels valued and can learn from one another, regardless of age or background.
- Consider the Unwritten Relationship Contracts: Be mindful of the expectations household members have about their roles, responsibilities, and the support they receive, which can vary significantly across generations. Ask if you need clarification of how best to support them and share what your needs are.
- Plan for Flexible Communication Solutions: Offer a variety of communication channels to accommodate different preferences, from email and instant messaging to face-to-face meetings.

- Seek Feedback and Adapt to Changing Needs: Regularly ask what methods of communication or management are working. Be prepared to adjust strategies as the group evolves. This helps identify problems before they become issues. The Toolkit includes sections like “Money Conversations” that cover these topics.

Short-term vs. Long-Term Planning

A balance between short-term and long-term planning is essential for household and farm stability and wellbeing. It can be easy to avoid thinking about the future if you are trying to stay afloat and juggling many tasks in the present time. Identifying and communicating about the long-term picture of where you want your family, household and farm to be can help you prioritize in a way that realigns your short-term actions and goals. By creating a vision of your future, you can begin now to help make it come true. For example, if you see yourself retiring in the future, you need to determine how to stay healthy and save enough to retire the way you envision.

If you want to help your children afford to go to college, then setting up a 529 Plan savings account for each of them may be a choice for you. If passing the farm on to your children is a priority, then what investments do you need to make in them and the farm to prepare for that future? Talking with advisors and household members, creating plans and investing in the long term are steps to creating that success. Tools in this Toolkit will help you set savings goals while others will guide you in creating spending plans that include those goals.

Moving through the Toolkit

The Toolkit is designed to be user-friendly. Each module focuses on one financial topic. To build a solid foundation begins with “Money Conversations” and “Module 1: Setting Goals to Guide Decision Making”. If you are trying to address a specific area of your finances, like expenses, jump straight to “Module 4- Paying Bills”. You will find that certain modules pull information used in an earlier module, such as the “Tool 4-1: Spending Tracker” in Module 4 will be useful in completing the “Tool 5-1: Creating a Cash Flow Budget” in Module 5. In any scenario, the Toolkit was developed for you.

Regardless of how you use the tools, here are some suggestions for success:

Create the time and space to complete the tools. This may mean scheduling an hour a week and putting it in your calendar.

Prepare yourself and your household members for conversations and the tasks to be completed for the tools. Some people need time to think, process and complete tasks. Share the tools ahead of time and then schedule time to talk about or work on them together.

Think about accountability – within households, communicate about how tasks needed to complete the tools will be completed. If one person is in charge of a specific task, how will that person report information to other household decision makers? If you are single or divorced are there others who can help you stay on task and can help you be accountable? Sometimes having someone you are scheduled to report to, can keep you motivated to continue moving forward.

Keep notes about questions – sometimes as you work on the tools, questions may come up. You may need input from a household member or a professional. Keep a list of the questions and reach out to those who can help you move forward. Some Toolkit users, have a notebook, take notes on their computer or use sticky notes on their toolkit pages.

Keep going! – some of the tools in this toolkit ask you to think deeply or write down information that you may need to search for (like expenses from a few months ago). It can be time consuming and frustrating. If it’s hard to find information from the past, then start where you are and keep track going forward, filling in information as you go. Remember the goal is to take control of your finances so that both the household and the farm/ranch enterprise succeed.

Introduction Tool 1: Household Annual Financial Planning Chart or Cash Flow Statement

This tool helps you to plan income and expenses across the year. Use the information you create from the other Module's tools to complete this worksheet and see the big picture for your household finances. Some businesses and lenders consider this a cash flow statement. As you complete the other tools, fill in this chart. You may not need all the rows and please add rows as you deem appropriate.

Once completed, you can use the information to better align income and expenses in a way that helps you determine what you need to save from income sources to pay for expenses or make a request to change when expenses come in to better line up with when there is income.

Income	January	February	March	April	May	June	July	August	September	October	November	December
Farm income that comes to the household												
Lease income that comes to the household												
Off-farm income 1 ____________												
Off-farm income 2 ____________												
Government Assistance Programs												
Alimony/Child Support												
Interest or Investment Income												
Other ________												
Total Income												

EXPENSES	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
Benefits / Taxes Withheld from Paychecks												
Housing/ Rent												
Mortgage/ Home Equity Loan												
Utilities - Electric, Gas												
Utilities- Water, Waste												
Taxes - Home												
Taxes – Property/Land												
Connectivity: Cell Phone/Internet/ Cable TV /Streaming services												
Insurance - Home												
Insurance - Auto												
Insurance - Life												
Insurance – Health												
Insurance – Disability												
Long-term Care Insurance												
Insurance – Other ______________												

EXPENSES Continued	January	February	March	April	May	June	July	August	September	October	November	December
Savings Goal _______________												
Savings Goal _______________												
Savings Goal ______________												
Investments												
Groceries/Food												
Food Away from Home												
Automobile/ Vehicle Payment												
Automobile Maintenance/Fuel												
Personal Care												
Clothing												
Child Care/ Dependent Care												
Health and Medical Out-of-Pocket												
Pets - Care, Food												
Pets - Veterinary Services												

EXPENSES	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
Education/ School Supplies												
Entertainment/ Hobbies												
Gifts/Charitable Donations												
School/ Student Loan												
Debt/Credit Card ________________												
Debt/Credit Card ________________												
Other Loan _______												
Other Loan _______												
Other Expenses ________________												
Other Periodic Expenses ________________												
Total												
Income – Expenses = Balance												

Introduction Tool 2: Who is Paying for What?

Use this list to identify whether the household or the farm business is paying for each expense listed below. Put a check mark to start thinking about where expenses might overlap. Use this tool to have a discussion about what amount or percentage of each budget (enterprise or household) is being used to pay for the expenses. If you know, add in the percentage to the correct column.

Expenses	**What Month is This Paid?**	**Household**	**Farm Business**
Taxes (Home)			
Taxes (Pasture, Land)			
Housing/Rent/ Mortgage			
Utilities - Electric, Gas			
Utilities- Water, Waste			
Connectivity: Cell Phone/Internet/Cable TV/Streaming			
Insurance – Home			
Insurance – Auto			
Insurance – Life			
Insurance – Health			
Insurance – Other			
Groceries/Food			

Food Away from Home			
Automobile/Vehicle Payment			
Auto Maintenance/Fuel			
Personal Care			
Clothing			
Child Care/Dependent Care			
Health and Medical Out-of-Pocket			
Savings Goals			
Pets - Care, Food, Veterinary Services			
Education/School Supplies			
Entertainment/Hobbies			
Gifts/Charitable Donations			
Mortgage/Home Equity Loan			
School Loans			
Debt/Credit Card			
Other Loans			
Other Debt			
Other Expenses			

Getting Started

Money Conversations

Financial decisions, no matter how well intended, are never made in a vacuum. Many things influence both our short- and long-term financial decisions. This is certainly true with farm household finances.

Your values, culture, and traditions play a part in how you spend, save, and make financial choices for farm and household. For example, you may have to choose between using your tax refund to build an emergency fund, using it to pay down your farm debts, or spending it to update a piece of equipment. The financial decisions you make have impacts on your household and farm wellbeing. Communicating effectively about finances is an important skill to develop. Below are several strategies for having positive money conversations.

At A Glance

This module focuses on understanding how to communicate about money topics and provides some strategies for improving money conversations.

Tools in this Module:

Tool 1: Get Prepared by Planning for Important Money Conversations

Tool 2: Financial Empowerment Self-Assessment

Tool 3: Use My Money Picture to Find a Place to Start Your Conversation

Listen For the Emotions Behind Financial Decisions

When people talk about money, it is not just about the numbers. They are also discussing what money means to them. Attitudes and behaviors around money are wrapped up in feelings about security, failure, family, household members, farming/ranching, love, and status. It is important to listen carefully to help you and household members understand emotional reactions to money conversations. When emotions and feelings are considered, more productive decision-making can occur.

When you are aware that your financial decisions are influenced by emotions and past experiences, you become more aware of what drives your financial choices now. This understanding can also help you better understand your unique strengths and challenges when dealing with money issues or problems. Remember that members of your household are also influenced by their own emotions and past experiences. Having this understanding is critical when having conversations about money with members of your farm household.

Instead of simply focusing on the basic numbers, try asking questions about how your household members feel when discussing farm and household finances. Use the tools in this Toolkit, to help you better understand you and your household members' notions about money.

Understanding Values Around Money

Decisions, including financial ones, are made within very powerful contexts of culture, including family, ethnicity, region, community, socio-economic status, generation, and religion. Each of these factors can influence beliefs, values, and experiences about money and the way financial decisions are handled.

Your unique values shape what you do with your time, energy, and money. In a single day, you make many choices about "what is more important" in terms of how you spend your money.

These choices are guided by your values, for example:

- The enjoyment of eating out at a restaurant versus saving money and eating at home.
- Choosing to make an equipment repair with funds saved for a vacation.
- Giving a loved one an expensive gift versus spending less and saving the difference.
- Paying for financial obligations, such as child support or farm/ranch loans/debt, before spending money for "wants".

You can enhance trust and build relationships by acknowledging people's important values and the strengths they bring to the situation. When you spot what might be someone's core value, name the value and ask follow-up questions to help define the value:

- It sounds like being a source of support to your siblings is really important to you. Would you agree with that?
- What makes helping your siblings important to you?

Navigating Differences in Money Values

Differences in cultural values can affect financial behavior. For example, Western culture is often considered to value individuality and personal wellbeing, which means it is generally considered appropriate for each person to support themselves financially. In other cultures, family or community members support each other financially throughout their lives. If someone chooses to spend their extra income on their extended family or neighbors instead of saving it in an emergency fund, this does not mean that they have bad financial habits. They may be making financial choices based on their cultural value that is different from your own.

It is important to understand cultural influences without being judgmental. This can help you discuss financial decision-making in a way that makes the people you live and work with feel understood and respected. They might agree to a financial plan that makes rational sense at the time, but this is often not enough to override their feelings or cultural context in the moment when decisions are actually made.

This can make it much more difficult to stick to a plan that does not align with their values or cultural norms. Remember, priorities that may be surprising to you may make perfect sense for someone else given each person's background, values, and culture.

Conflicts Around Culture and Values

You may find that you and your family members are sometimes caught in the middle of conflicts around money. Your family culture may value saving and avoiding debt. But your broader community may value investing in the farm or ranch, which could lead to taking on additional debt to make a purchase. Or the culture in which a person was raised might value caring financially for parents as they age, while another person, based on their family circumstances and traditions, might not be expected to take on that same responsibility. There can also be differences across generations; how time and money are valued and measured are areas where there can be differences. These kinds of conflicts can be stressful and confusing. They can lead to decisions that are based more on emotions or outside pressures, rather than on what is in your financial plan. When these differences are recognized, reviewing the financial goals of the farm, individuals and household can help determine what decision is made.

Asking Questions to Understand What is Behind Decisions

When talking about finances and financial behaviors, try to uncover the motivation behind peoples' answers. Take time to ask questions that can help you discover the underlying attitudes, needs, goals and challenges.

Ask questions like:

- How and by whom are finances handled in the household and why?
- How did your family/household handle financial matters when you were growing up? Did you discuss money openly?
- How do your friends view money? How do you think this may influence you?
- What do you want your children to learn about money? What do you think they are learning from you now?

It is often difficult for people to open up about money, but taking the time to talk about and understand your values and attitudes about money can provide you and the people you live and work with new insights. These insights can help make lasting and productive changes that help all of you reach goals.

Once you understand the values, generational differences and cultural factors that guide someone's behavior, you can identify ways to make financial choices align with important values, desires, and goals.

Recognizing How Personal Values Influence Conversations

As you talk with the people you live and work with, it is important to remember that you have your own attitudes and feelings toward money. Your own values about money and financial issues may affect the way you approach financial wellbeing and decision-making. Your attitudes and feelings may be different than the people you are working or living with, and that may mean your ideas about what is "best" can be different from theirs. As you have money conversations, it is important to recognize your personal values and be open to hearing and trying to understand the perspective of others. Sources of conflict about money often occur when people do not understand each other's money preferences and values.

It can sometimes be tempting to "set someone's priorities straight," or tell them what you would do in their situation. Ultimately, this is not a successful strategy. Information, advice, and other support will only help when it is aligned with a person's own deeply rooted beliefs and values. You also cannot assume that just because you are married to them or that they are your children that they believe what you believe. In fact, imposing your own values on someone else can be counterproductive. They might feel judged and stop talking with you about money and financial decisions.

To maintain open and effective communication, ask questions that clarify the potential risks and rewards of each option:

- If you/we continue on this path, what is the short-term gain or the long-term impact?
- Does this financial choice help us and our household get to where you/we want to go?
- Who in your/our life will be affected by this course of action and how?

Then, stop and listen. Let the person tell you what is important to them and ask follow-up questions. People can often be led to the best choices by just talking through the "risks and rewards" of their options.

It is ok to share your values and beliefs if it is part of the decision-making processes you and your household members/co-workers need to sort through in order to make an important financial decision. Through your discussions, you will want to come to solutions that meet the needs of all parties and balance the core values and goals for both farm and household.

When serious differences occur, it may mean that professional conflict resolution assistance is needed. Farm businesses can take advantage of professional mediation services offered as part of the USDA's Agricultural Mediation Program, usually at no cost. To find a service provider in the USDA's list of participating programs contact your state's USDA Farm Services Agency or Department of Agriculture.

Balancing Values and Goals

Through your discussions, work to understand and respect each person's perspectives and values. Many households have goals and often the reasons for and pathways to these goals will support your values. As you begin to make financial decisions about achieving your goals, be sure to discuss costs and benefits and the potential short-term and long-term consequences of each decision. Choices made today can either expand or limit future options for supporting a household member in need, sustaining the farm/ranch business, or providing for the household member's wellbeing.

Once you understand the important core values and how they influence financial choices, you can better understand how to adopt a new or different financial behavior to help achieve the goals you have decided upon. By connecting to what is important or valued in accomplishing the goal, it is easier to take ownership and implement the goal. By working together, you create support for successfully achieving your farm and household members' goals. Revisit goals as needed to keep on track and adapt to changes you encounter.

Planning the Conversation

While household members communicate casually most days, creating time to have deeper conversations can be helpful when talking about your money, values, and goals. There are resources in this Toolkit that can be used to start or focus conversations. Establishing a routine time and frequency for households to have these conversations eliminates waiting until a crisis point erupts or a conflict occurs. Household meetings provide a time where household members can plan to talk through their financial goals, concerns and progress. This type of meeting can help the household and multiple generations of a family communicate openly about the current and future financial well-being of the operation. Here are a few tips to create an effective household meeting.

Tips for Planning Household Meetings

1. Schedule Meetings Consistently and Respect Time

- Hold meetings at a regular, pleasant time, such as after dinner. Try not to exceed the scheduled meeting time, unless the all choose to continue. For more detailed planning meetings, set enough time to actually achieve the goal.

- Begin and end on time to respect everyone’s time and maintain engagement.
- Assign a timekeeper to give a 10-minute warning before the meeting ends. If needed, decide as a group whether to extend the time or schedule a follow-up meeting.

2. Rotate Roles and Responsibilities

- Create leadership roles like discussion leader, timekeeper, secretary, or rule-keeper.
- Parents or senior household members can model leadership skills at first, then rotate roles to include older children as they gain confidence.
- Roles should match developmental abilities; for younger kids, consider co-leading with a parent or assigning simpler tasks.
- The note-taker can record key decisions, upcoming events, and goals on a shared calendar or in a household journal to review at the next meeting.

3. Create a Safe, Respectful Environment

- Encourage all household members to speak openly without fear of punishment, criticism, or being interrupted.
- Use "I" statements to express feelings (“I feel frustrated when…”), which helps avoid defensiveness and encourages empathy.
- Set and explain clear ground rules, such as “one person speaks at a time” and “listen to understand.”

Example Ground Rules Could Include:

- ➢ Everyone participates – No one person dominates
- ➢ Listen to understand – not to criticize
- ➢ Check your understanding by asking questions
- ➢ Listen without interruption
- ➢ Wait to be recognized
- ➢ Individual’s silence will be interpreted as agreement
- ➢ Minimize interruptions and side conversations and turn off cell phones
- ➢ What is said here stays here
- ➢ Challenge problems or ideas – not people
- ➢ Respect each other’s point of view
- ➢ Encourage differences of opinion
- ➢ Stay on time and on task
- ➢ Be concise
- ➢ Seek group consensus on major decisions
- ➢ Take private meetings outside
- ➢ If you need a break – take a break

4. Focus on One Issue at a Time

- Stick to topics that impact the whole household. Avoid turning the meeting into a space for scolding or bringing up past mistakes.
- The leader should gently redirect off-topic comments and summarize when needed to keep the conversation on track.
- Allow different ways for people to express themselves. Talking, writing, drawing, or role-playing may be helpful.

5. Use a Collaborative Problem-Solving Approach

- After identifying a specific issue, begin the discussion by reflecting on positives/successes related to the issue
- Brainstorm solutions together and agree on a plan. Remember to use "I" statements and consider everyone's needs.
- If emotions run high, anyone can call a short break to cool down before continuing.

6. Make Decisions by Consensus

- Aim for decisions that everyone can live with—not just what the majority wants or what one person decides.
- Confirm consensus by summarizing: "So, we're all agreeing to… Does anyone have any major concerns?"
- If someone raises an objection, revisit the issue and explore other options.

7. Celebrate Progress and Share Positives

- Acknowledge successes, efforts, and improvements.
- Use meetings to distribute allowances or rewards if applicable, and recognize personal and family achievements.
- Share upcoming family news or events to keep everyone informed.

8. Reflect and Improve

- Before ending, invite feedback: "What worked well today?" or "What could we do better next time?"
- End with something fun like a game, snack, or favorite family activity. This can build positive associations with family time.

Next Steps

There are a number of tools offered in this module. Once you have completed "Tool 1: Get Prepared by Planning for Important Money Conversations," the remaining tools provide ways to identify which modules in the Toolkit you might consider reviewing and may help you clarify which money topics you want to learn more about.

As you complete the Tools, think about how best to set up a household meeting to talk about important financial topics and a strategy to use the Tools in this Toolkit to help you succeed.

Conversations Tool 1: - Get Prepared by Planning for Important Money Conversations

This tool will help you identify important money conversations to have with your household members, document decisions you make, and plan steps to implement these decisions. Taking care of day-to-day financial management often overshadows the time and need for important and, in many cases, longer-term financial conversations and decisions. You can make plans to make these important decisions by identifying the money conversations you need to have. Then, schedule time on the calendar to discuss the topics. Try to include all people who need to be part of the conversation and set up a time that offers a quiet space for the discussion. Reducing distractions will help set you up for success.

What to Do

- Complete Tool 1 worksheet to identify the money conversations you think are important to have.
- Set aside time to have these conversations and determine decisions you need to make.
- Write down the decisions you make or additional information you need to make decisions.
- Write down the next steps you need to take to implement your decisions.

A Step Further

- If you filled in the tool by yourself, the next step is to share it with your household members to see what they would like to talk about.
- Complete Tool 2 and continue to share with household members.
- Set aside time to talk about important topics you identified.

Conversations Tool 1: Get Prepared by Planning for Important Money Conversations

1. Make a copy of this Tool for each household decision maker. Make time to read each money conversation.

2. Mark Yes or No next to those “Conversations You Need to Have”.

3. Once all household members have completed the Conversation We need to Have check mark, schedule a time to have a family meeting to discuss. You won’t be able to talk about all the money conversation topics in one meeting so you’ll want to schedule time to do so.

3. Once you’ve discussed a conversation topic, write down the decisions you made or additional information you need to make decisions. Use additional paper or a notebook to keep track.

4. List the next steps to implement the decision under "Action Steps."

Money Conversation	**Conversations We Need to Have (Yes/No)**	**Our Decisions**	**Additional Information Needed**	**Action Steps If Needed And Who Is Doing What**
We have financial topics we need to talk about.				
We have set financial goals.				
We have created separate household and farm business accounts (checking and savings). We know who manages which account. We know who has access to the accounts.				
We have a method to track the household and farm expenses				

Money Conversation	**Conversations We Need to Have (Yes/No)**	**Our Decisions**	**Additional Information Needed**	**Action Steps If Needed And Who Is Doing What**
and we have designated a person to manage expenses. We have created a cashflow to help avoid overspending.				
We have discussed how income will be distributed to cover household and farm expenses.				
We have a plan in place to cover unexpected household and farm business expenses.				
We have found a tax and/or accounting professional who understands our small farm business and household situation. If not, we know who will be responsible for managing the tax documents and payments for the household and farm business.				
We are in agreement about what it means to be financially responsible.				

Money Conversation	Conversations We Need to Have (Yes/No)	Our Decisions	Additional Information Needed	Action Steps If Needed And Who Is Doing What
We have discussed and have a plan for how to balance the needs of the household and the needs of the farm business.				
We have a plan for how we talk about and make money decisions for the household and the farm.				
We have discussed how we will identify money topics and how we will discuss them in the future.				
We will set aside time to discuss succession planning and end-of-life decisions and expenses.				
We have identified legal and financial planning professionals who can assist us.				
We have discussed how to manage changes in farm income that may be temporary or permanent.				
We have discussed and have plans for how to manage off-farm unemployment or underemployment in both the short and long- term.				

Money Conversation	Conversations We Need to Have (Yes/No)	Our Decisions	Additional Information Needed	Action Steps If Needed And Who Is Doing What
We have discussed how much debt is too much for the household to take on for the farm.				
We have discussed how to know when something is important enough to go into debt for.				
We have identified what priorities are worth saving for.				
We have discussed how to plan for the care of dependent household members like children, members with disabilities, and/or aging parents.				
We have discussed and planned for how can we save for retirement.				
We have discussed and planned for how we pay for health insurance and out-of-pocket health care costs.				
We had discussed and put a plan in place to help us stay on top of our farm and household finances?				

Money Conversation	**Conversations We Need to Have (Yes/No)**	**Our Decisions**	**Additional Information Needed**	**Action Steps If Needed And Who Is Doing What**
We discussed a plan to cover out-of-pocket medical emergency costs. We have discussed a plan to cover medical deductible costs and other out of pocket medical costs.				
We have discussed how to pay for household upkeep and repairs.				
We have discussed and agreed upon whether we want to keep our farm as it is for now or have created a plan for expansion or have created a plan for closure.				
We have discussed the role of fringe benefits offered by employers to help cover medical insurance, retirement and other benefits.				
We have discussed planning for and paying for child care.				
We have discussed and have an understanding of our net worth as it relates to the farm and household.				
Other?				

Conversations Tool 2: Financial Empowerment Self-Assessment

Take this self-assessment to better understand your own financial knowledge, skills, and overall confidence.

As a member of a farm or ranch household, it is important for you to understand your own level of financial empowerment. The questions asked in this assessment are directly related to the topics contained within this Toolkit. This tool has three parts:

- Part 1: What you know helps you benchmark your knowledge, so you know where to build upon and fill in the missing gaps.
- Part 2: How you feel helps you identify your own emotions and mindset about your financial life.
- Part 3: Your experiences help you understand which financial products and services you are familiar with and which are new to you.

How to Use the Tool:

- Answer “True” or “False” for the statements in Part 1 and compare your responses with the answer key. If you did not answer an item correctly, review the Toolkit Module listed next to the answer for more information.
- Answer “Agree” or “Disagree” for the statements in Part 2. There are no right or wrong answers here because it is about your own financial knowledge, feelings, and situation.
- Answer “Yes” or “No” to the statements in Part 3. There are no right or wrong answers here because you are identifying your experiences. This is important because the people you farm and/or ranch with may have experienced situations or used products and services you have not.

A Step Further:

If parts 1 or 3 of this tool reveal topics you are not familiar with, take a look at the relevant Modules. This information can help you build knowledge and confidence.

Conversations Tool 2: Self-Assessment: Part 1: What You Know

Decide if each of the following statements is true or false.

Statement	**True**	**False**
1. Only income and expenses matter when you are making a budget.		
2. Have enough money for an emergency that would include 3-6 months of living expenses.		
3. If you make and stick to a budget, you will be able to pay your bills on time.		
4. If you cannot pay all of your bills and debt collectors are calling, just pay the one who calls the most.		
5. The only way to receive employment income is a paycheck.		
6. Credit is when you owe someone money.		
7. Your total monthly debt payments may affect your ability to borrow more money.		
8. A poor credit history can keep you from getting an apartment or loan, and in some states, insurance or even a job.		
9. The only cost of having a checking account is the monthly service fee.		
10. As a consumer, you have almost no rights when it comes to financial products.		

Conversations Tool 2: Self-Assessment: Part 2: How You Feel

Use check marks to show how you feel today about each statement. Then tally up the total number of check marks in each column at the bottom.

Statement	Agree	Disagree	Not Sure/ Does not Apply
1. I have enough money set aside for emergencies and goals.			
2. I am not worried about how much money I owe.			
3. I am confident about how to make sure the information on my credit reports is correct.			
4. I do not worry about being able to pay my bills and expenses.			
5. I understand how credit works.			
6. I feel confident talking about money topics and about managing my financial challenges.			
7. I know where to get help if I have an issue with a financial product or service.			
8. I know where I can go in my community to get financial counseling and tax filing assistance.			
Totals:			

Conversations Tool 2: Self-Assessment: Part 3: Your Experiences

Use check marks to show your level of experience with the concept described in each statement.

Statement	**Yes**	**No**	**I Do not Know**
1. I have a savings or checking account at a bank or credit union, and I use it regularly.			
2. I have applied for, received, and used a credit card.			
3. I have used a loan to help me purchase a car or a home.			
4. I have taken out a high-risk (high interest rate) loan to help pay for monthly household expenses; such as a payday or auto title loan.			
5. I have requested my own credit report and reviewed it.			
6. I make and stick to a budget.			
7. I have used a check cashing business.			
8. I have been contacted by debt collectors.			
9. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.			
10. I receive income via a method other than a paycheck (payroll card, direct deposit, or cash, for example).			

Answer key for Part 1: What You Know

Check your answers for "Part 1: What you Know." If there are any you are unsure of or that you answered incorrectly, review the module listed for more information. Reading through the modules can help you build your financial knowledge and confidence.

Statement	True	False	Modules
1. Only income and expenses matter when you are making a budget.		X	1 Setting Goals
2. To have enough money for an emergency, you must save at least 3 to 6 months' worth of living expenses.		X	2 Saving
3. If you make and stick to a monthly budget, you will be able to pay your bills on time.		X	5 Getting through the Month
4. If you cannot pay all of your bills and debt collectors are calling, just pay the one who calls the most.		X	4 Paying Bills
5. The only way to receive employment income is a paycheck.		X	3 Tracking Income and Benefits
6. Credit is when you owe someone money.		X	7 Understanding Credit Reports and Scores
7. Your total monthly debt payments may affect your ability to borrow more money.	X		6 Dealing with Debt
8. A poor credit history can keep you from getting an apartment, and in some states, insurance or even a job.	X		7 Understanding Credit Reports and Scores
9. The only cost of having a checking account is the monthly service fee.		X	8 Choosing Financial Products and Services
10. As a consumer, you have almost no rights when it comes to financial products.		X	9 Protecting your Money

NUMBER CORRECT OUT OF 10? __________________

CIRCLE THE TOPICS TO LEARN MORE ABOUT

Answer Key for Part 2: How You Feel

There are no right or wrong answers for "Part 2: How You Feel." The answers are your opinions about your own financial knowledge, feelings, and situation. Take a look at the total number of statements with which you agreed and disagreed, at the bottom of the assessment page.

☺ If the total of Agree is greater than the total of Disagree, you feel good about many aspects of your financial life.

😐 If the total of Disagree is greater than the total of Agree, you may be feeling stress about many aspects of your financial life.

There are modules in the Toolkit you can review that may help you feel more in control of your financial situation. Take a look at the modules or information that correspond with any statement with which you disagreed.

Statement	**If You Disagree, Check Out These Modules**
1. I have enough money set aside for emergencies and goals.	1 Setting Goals to Guide Decision Making 2 Saving for Farm Families
2. I am not worried about how much money I owe.	6 Dealing with Debt 7 Understanding Credit Reports and Scores
3. I am confident about how to make sure the information on my credit reports is correct.	7 Understanding Credit Reports and Scores
4. I do not worry about being able to pay my bills and expenses.	4 Paying Bills 5 Getting through the Month
5. I understand how credit works.	7 Understanding Credit Reports and Scores
6. I feel confident about helping people begin to manage financial challenges.	Money Conversations - Consider reviewing some or all of the module's content.

7. I know where to get help if I have an issue with a financial product or service.	9 Protecting Your Money
8. I know where I can go in my community to get financial counseling and tax filing assistance.	See the information in the *Your Money, Your Goals* Implementation Guide about creating a strong referral network at https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/training-implementation/ These online resources could also be helpful: https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/online-resources/

Answer Key for Part 3: Your Experiences

There are no right or wrong answers for "Part 3: Your Experiences." It helps you identify the financial products, services, and situations you have had experience with. This is important because the people you are working with may have experienced situations or used products and services you have not. If you are not familiar with some of these topics and want to learn more, you can use the modules listed in the right column. You may also find it helpful to review those modules even if you have experience with these situations, products, services, and providers.

Statement	**Module of Interest**
1. I have a savings or checking account at a bank or credit union, and I use it regularly.	8 Choosing Financial Products and Services
2. I have applied for, received, and used a credit card.	6 Dealing with Debt 7 Understanding Credit Reports and Scores
3. I have used a loan to help me to purchase a car or a home.	6 Dealing with Debt 7 Understanding Credit Reports and Scores 8 Choosing Financial Products and Services
4. I have taken out a high-risk loan such as a payday loan or a vehicle title loan.	6 Dealing with Debt 8 Choosing Financial Products and Services
5. I have requested my own credit report and reviewed it.	7 Understanding Credit Reports and Scores
6. I make and stick to a budget.	3 Tracking Income
7. I have used a check cashing business.	3 Tracking Income 8 Choosing Financial Products and Services
8. I have been contacted by debt collectors.	6 Dealing with Debt
9. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.	9 Protecting Your Money
10. I receive income via a method other than a paycheck (payroll card, direct deposit, or cash, for example).	3 Tracking Income 8 Choosing Financial Products and Services

Conversations Tool 3: My Money Picture

This tool gives you a picture of where you are and where you want to go financially. This can help you choose a good place to start within the Toolkit. You can complete the tool on your own or with members of your farm and/or ranch household. Reading the questions together and having a dialogue may be more productive. Another way to use this tool is for each household member to draw their own picture, then you can discuss the similarities and differences and how to align everyone's goals and make plans that assist everyone collectively and individually.

What to Do:

- Each person involved should answer the questions based on their current situation and attitudes. There are no right or wrong answers.
- Review your answers together and match your answers to the modules in the Toolkit. This can help you determine which chapters will be the most useful right now.

A Step Further:

Once you decide which modules you would like to review, determine which you might review on your own and which you might review together.

Conversations Tool 3: Use My Money Picture to Find a Place to Start Your Conversation

If you could change one thing about your financial situation, what would it be?

____

____

____

____

Question	Yes	No
1. Do you have dreams for you or your children that require money to make them happen?		
2. Are you behind on rent, car payments, or other bills?		
3. Do you usually have about the same amount of income every week?		
4. When unexpected expenses or emergencies happen, do you have money set aside to cover them?		
5. Can you cover all your bills and living expenses each month with the money, benefits, and other resources you have?		
6. Are your farm and household finances intertwined?		
7. Are you having trouble paying student loans or other debts?		
8. Has your credit history made it hard to get a car, insurance, a phone, or a job?		
9. Do you have an account at a bank or credit union?		
10. Do you feel like you are spending too much on things like fees and interest to access and use your money?		
11. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collector, or credit report that you have not been able to resolve?		

Answer Key for My Money Picture

Use the chart to help you determine where to start financial empowerment work.

Question	Yes	No	Module
1. Do you have dreams for you or your children that require money to make them happen?	X	X	1 Setting Goals to Guide Decision Making
2. Are you behind on rent, car payments, or other bills?	X		4 Paying Bills
3. Do you usually have about the same amount of income every week?		X	3 Tracking Income
4. When unexpected expenses or emergencies happen, do you have money set aside to cover them?		X	2 Saving for Farm Families 4 Paying Bills
5. Can you cover all your bills and living expenses each month with the money, benefits, and other resources you have?		X	4 Paying Bills 5 Getting through the Month
6. Are you having trouble paying student loans or other debts?	X		6 Dealing with Debt 4 Paying Bills
7. Has your credit history made it hard to get a car, insurance, a phone, or a job?	X		7 Understanding Credit Reports and Scores
8. Do you have an account at a bank or credit union?		X	8 Choosing Financial Products and Services
9. Do you feel like you are spending too much on things like fees and interest to access and use your money?	X		8 Choosing Financial Products and Services
10. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collector, or credit report that you have not been able to resolve?	X		9 Protecting your Money

Turn your hopes, wants, and dreams into reality by setting and achieving goals. Goals are the end toward which your effort is directed. There are goals that are financially specific, like I would like to make a certain amount of money per month. There are also goals that are personal or household that may be motivated by events, people or things that are important to you that need financial resources to make them happen. An example may be that you want to take your family on a vacation because it is important to spend relaxing, fun time together. The motivation comes from something that is important to you but to accomplish this goal, you need money to achieve it.

At a Glance

This module can help you create a plan to fulfill your dreams by learning how to set, adjust, and reach your short-term and long-term goals.

Tools in this Module:

Tool 1-1: Using Values to Set SMART Goals

Tool 1-2: Putting Goals into Action

Introduction

Everyone has a different idea of the future they want to build. What do you want to accomplish in the near future? What do you want for yourself, your household, and your farm/ranch in the long term? These ideas of your future are your hopes, wants, and dreams.

But they do not just happen on their own. Accomplishing your dreams means thinking about the money and resources you need to help make them come true and discussing both farm and household priorities. There are always trade-offs and opportunity costs; the loss or potential gain from other alternatives when one alternative is chosen. In other words, decisions about the farm/ranch can impact options available to the household and vice versa.

It is also important to think about your values, the things that are meaningful to you and your household. Your core values help shape how you prioritize what you do with your time, energy, and even money. If your goals support your values, you will be more likely to prioritize them, which gives you a greater chance of accomplishing them.

Setting goals along the way is a good strategy to help you achieve your dreams. Some goals may take a few weeks or months to reach, like saving money to buy gifts for the holidays or buying a new mattress. These are short-term goals. Others may take many months or even years to reach, like sending your child to college or paying off a large debt. These are long-term goals.

Balancing Values and Goals

Through your discussions, you should work to understand and respect each person's perspectives and values. Many households set goals, and the reasons behind these goals as well as the pathways to achieve them often reflect your core values. As you begin to make financial decisions toward achieving your goals, be sure to discuss costs and benefits and the potential short-term and long-term consequences of each decision. The choices you make today can affect what you are able to do tomorrow, like supporting a household member in need, keeping the farm/ranch business running, or taking care of your family's wellbeing.

Once you understand the important core values and how they influence financial choices, you can better understand how to adopt a new or different financial behavior to help achieve the goals you have decided upon. By connecting to what is important or valued in accomplishing the goal, it is easier to take ownership and implement the goal. By working together, you create support for successfully achieving your goals. Revisit goals as needed to keep on track and adapt to changes you encounter.

Hopes and Dreams Can Be Turned into Goals

While hopes and dreams can motivate us, they are often open-ended or vague. That makes it hard to build a plan to reach them. For example, most people say they want to make a better life for their children. But you must think about the specifics of what "a better life" means for you, in order to build a plan to get there.

That plan can be made up of one or many smaller goals. When you set goals, you can:

- Prioritize how you spend your money so that it goes toward things, activities, people that align with your core values
- Measure and track your progress toward achieving your goals
- Communicate with household members to revisit and realign goals annually or as life events happen
- Take pride in bettering your life and the lives of your household members
- Celebrate success when achieving your goal(s)

Creating Effective Goals

It is great to set goals. It is even better to set SMART goals. Using the SMART goal method brings structure to your goal setting. This makes it much more likely that you will be able to achieve your goals.

All SMART goals have five characteristics: they are (S)pecific, (M)easurable, (A)chievable, (R)elevant, and (T)ime bound. Each part contributes to why this method is effective in goal setting.

Specific

A specific goal has a much greater chance of being met than a general one because it provides something defined to reach for. For instance, it is much easier to plan a trip to Boston than it is to plan a trip to the east coast.

Measurable

You should be able to track your progress toward meeting the goal. Otherwise, it will be difficult to determine if you are going to achieve it. For instance, “Save $5 a week” is measurable, “Save more money” is not.

Achievable

You might want to get out of credit card debt tomorrow or become a millionaire within a year, but for most of us, those are unrealistic goals. That does not mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible. If the goal feels like too much of a stretch, try breaking it down into smaller, more achievable goals.

Relevant

Set goals that matter to you and are a priority in your life. This makes it more likely you will prioritize the time and effort it takes to achieve them.

Time Bound

Goals should have a clearly defined time frame, including a start date and end date. This helps ensure they are measurable and that steps are taken to achieve the goal on time.

Here are two examples of unspecific and SMART goals:

Unspecific Goal	**Smart Goal**
I want to save for my child’s college education.	My child will be college age in 12 years (144 months) and I would like to have $10,000 saved by that time. I intend to save $70/ month in a college savings account (529 Savings Plan).

I would like to have $1500 set aside as an emergency fund so I do not have to rely on credit.	I will put $100/month away for 15 months into a high interest paying savings account and keep these funds set aside for household related emergencies.

Setting Goals for Life Events and Large Purchases

People often put off planning for large purchases or major life events because they are focused on making ends meet today or believe they do not have enough money to save.

But if you do not plan now for how you are going to meet these goals, you will not have the money to achieve them. This can add even more stress and uncertainty at times when a large purchase is necessary or life takes an unexpected turn.

Planning in advance for large purchases not only increases your chances to achieve your goals, it helps remove the anxiety around the purchase. Large purchases may include things like:

- Education/childcare
- Family/household events (vacations, weddings)
- A car, home or land
- Expanding your operation
- Equipment or repairs

There are also goals around things that happen in your life. Some of these life events are planned, while others happen without much warning. Creating goals around these events in advance helps you achieve what you want and reduces stress when difficult life events do occur. Life events happen across the lifespan. The earlier you start planning and saving for them means you can save smaller amounts over a longer period of time.

Here are just a few examples of the types of life events people experience that may require saving for in advance:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
- Birth or adoption of a child
- Illness or short- or long-term disability
- Loss of an income
- Celebrating a landmark birthday or anniversary, accomplishment, or rite of passage
- Farm transition
- Death of a household/family member
- Retirement
- Your own final expenses

Revising Goals

Goals are not something you can "set and forget." Revising goals is common as circumstances change. You may need to adjust so you do not feel frustrated. Instead, set a schedule to check in on your progress; this could be weekly or quarterly, depending on your goal. Here are some common reasons you may want to adjust and to revise your goals:

My Circumstances Have Changed

- Do these goals still match my current circumstances?
- Are these goals still attainable with this new circumstance?
- Could my circumstance(s) help me reach these goals faster?
- Could my circumstance(s) cause me to reach these goals more slowly?

I Cannot Meet My Savings Goal

- Can I change the total amount I am trying to save?
- Can I change the length of time I plan to save for my goal?

My Goal Does Not Feel Important Anymore

- Does this goal still support my values?
- What is important to me now?

Additional Extension Resources for Creating Farm Goals

Oklahoma State Extension
https://extension.okstate.edu/fact-sheets/goal-setting-for-farm-and-ranch-families.html

North Carolina State Extension
https://farmplanning.ces.ncsu.edu/getting-started/defining-goals/

University of Wisconsin Madison Extension
https://farms.extension.wisc.edu/articles/make-your-strategic-goals-a-reality/

University of Maine Cooperative Extension
https://extension.umaine.edu/livestock/pasture-course/lesson-1/writing-a-plan-with-goals/

New Jersey Agricultural Experiment Station
https://njaes.rutgers.edu/fs1263/

Tool 1-1: Using Values to Set SMART Goals

Goals are the end toward which your effort and resources are directed. Values provide a foundation for your goals. Understanding the values that are most important to you can help you manage your resources in ways that uphold them.

Values are the things that people consider most important in their lives. They can be individual principles or shared beliefs within a community or culture. Depending on your situation, values may be an appropriate place to begin the financial empowerment discussion. A reflection on traditional values may make the information and tools on goal-setting and related topics in Module 1 feel more relevant.

What to Do

- *Think about your community's values.* Understanding how these traditions and shared beliefs shape your decisions can reveal what influences your money decisions.
- *Identify the five values that are most important to you.* Did any of them surprise you?
- *List your goals.* Do you think they match up with the values you identified?

A Step Further

After you have written down your goal, convert it to an actionable goal with the "Setting SMART Goals" and "Putting Goals into Action" tools held within this module. Share your goals with household members who can help you achieve them.

Ask other household members to use these tools too and then have a conversation about how you can help each other achieve the SMART Goals.

Make Sure Your Goals Reflect Your Priorities By Using Values To Set Goals

Think about beliefs and values. Our beliefs and values define who we are and how we make decisions. Values are the things that people consider most important in their lives.

1. What are some values shared by the members of the farm/ranching community of which you are a part?

2. How do they influence your farm/ranch and household goals?

3. Consider your personal and household members' values and how they relate to your farm or ranch and household goals.

   3.1 How do these values influence you?

   3.2 How do these values influence your goals?

   3.3 How do these values influence the ways you use your resources?

Looking at community values can provide insight into those forces that most affect decision-making. Looking at your personal values can provide insight into how you use your personal resources and money.

Identifying Your Important Values

Use the following list to identify the top five values that are most important to you. Rank from 1 to 5 by placing a "1" by the value that is most important to you, a "2" by the value that is the next most important, and so on.

Comfortable life

Conservation

Courage

Culture and Traditions

Environment

Family

Family Harmony

Faith

Farm & Ranch

Financial Security

Freedom

Happiness

Health

Heritage

Home

Household Dynamics

Independence

Land Management

Learning

Legacy

Leisure Time

Living in Harmony with Nature

Peace

Personal Fulfillment

Respect for and from Others

Self-Determination

Self-Respect

Social Recognition or Status

Success

Sustainable Land Management

Write your own if not included in the list above:

Now reflect on your values.

1. What are your top five values? Did these surprise you?

    1.
    2.
    3.
    4.
    5.

2. What do these values say about you?

3. How do you think these values affect the way you manage your household and farm-oriented resources?

Consider sharing your values with those around you.

1.What is the best way to have this conversation? Think about who, when, and where. Then plan your next steps.

What are Your Needs, Wants, and Desires?

Needs are the things, behaviors, feelings in life that are necessary while wants express your desire to possess or do something. Wants are the things, behaviors and feelings that you want to happen or to be true. Desires include those needs and wants that you have a strong feeling about them that can motivate achievement.

Thinking about your values, write a list of things you need, want or would like to change and dreams you have. They can be short term (less than six months to achieve) or long term (more than six months to achieve).

Things I need, want or would like to change	**Dreams I have for myself, my household members and my farm/ranch**

Based on your hopes and dreams, what are some of your goals?

How do your goals reflect your identified values?

Tool 1-2: Putting Goals into Action

Before you can accomplish a goal, you need a plan for how to achieve it. This tool helps you turn your SMART goals into an easy-to-follow action plan.

Goals take time and commitment to achieve. One of the most effective ways to accomplish your goals is to create an action plan outlining the steps you will take.

Many goals also require external resources to achieve. These resources could include: needing information, tools, transportation, or even a professional financial coach or counselor to help you. These kinds of resources should be added to your action plan.

Research shows that people who write down specific goals are much more likely to reach their goals than if they do not write them down.[2] Sharing those goals with a friend and checking in with them regularly about your progress also increases the chances that you will reach your goals.

What to Do

- Break up your goal into small, actionable steps. Write each step in a separate box.
- Consider what resources you will need to take each step and write them next to that step.
- Set a deadline for each step's completion.
- Think about sharing your progress with a friend or household member. Add their name next to the step and how often you will check in with them. This can help keep you motivated.

A Step Further

Now that you have an action plan for accomplishing your goals, at "Module 2: Savings for Farm/Ranch Families" to learn more about how to save money to achieve your goals.

[2] From: Matthews, Gail, "The Impact of Commitment, Accountability, and Written Goals on Goal Achievement" (2007). Psychology | Faculty Presentations. 3. https://scholar.dominican.edu/psychology-faculty-conference-presentations/3

Make A Plan for Putting Goals Into Action

1. Pick a SMART goal that you want to achieve and break it up into steps.
2. Write down each step, the resources you will need to achieve it, and the due date for completing it.
3. Pick a friend or household member to share your goal and check in with them on a regular basis. This will help you keep yourself accountable.

Determine a SMART goal you want to achieve and write it in the space below.

To make sure your goal is SMART, write in what makes your goal specific, measurable, achievable, relevant, and time bound.

My SMART Goal is:

Use this table to help you think through and create a SMART goal by answering the questions.

SMART Characteristic	Questions to ask yourself	Your answers
Specific	What will I achieve? Who will benefit from the goal? What specific thing will I accomplish? Who do I need to connect with to help make this happen?	
Measurable	How much? How many? How will I know when it is done?	

SMART Characteristic	Questions to ask yourself	Your answers
Achievable	Is this goal something that I can actually reach? Do I have the tools and support I need to accomplish this goal?	
Relevant	Is this something that I really want? Is now the right time to do this? Why is this goal important?	
Time bound	When will I reach this goal? Is the time frame reasonable? How does the farming seasons impact my timeframe?	

Make an Action Plan for Your SMART Goal

Steps List one specific step in each row for achieving your goal	**Resources I need?** This can be things like tools, information, transportation, assistance, or money	**Date** to complete step	**Who will I check-in with?** And how often will I check-in?
1.			
2.			
3.			
4.			
5.			

MODULE 2 - Saving for Farm Households

Saving regularly can help you progress toward achieving your goals and better handle unexpected expenses when they arise. For farm and ranch households, money for household expenses and emergency savings is often available after farm expenses are paid. Savings can also be created by a variety of ways for a variety of purposes.

Often there are multiple savings goals that may require separate savings accounts so that funds can accumulate at different interest rates. For example, a savings for a child's college education costs could be invested in something that is long term for a higher rate of return as opposed to an emergency fund that needs to be accessible in the short term if something should happen.

At a Glance

This module can help you create a savings plan with scheduled targets to help you reach your goals.

Tools in this Module:

Tool 2-1: Annual Planning Tool

Tool 2-2: Savings Plan

Introduction

Savings are money you set aside today to use in the future. It could be for something you need in the next few months or years. Saving for periodic expenses, goals and emergencies is key to financial success and for reducing your financial stress. For best results consider identifying several savings categories and list them all in your budget/cash flow statement. For example, you may add a line in the budget for specific items you are saving for like an emergency fund, a future known periodic expense like an insurance payment, or vacation fund. If your income is periodic, you may want a savings category that acknowledges and sets aside money to pay for the upcoming monthly expenses.

For simplicity, the savings categories within this Toolkit's tools are listed in the "expense" section of the budget/cashflow statement. Other budget/cashflow statements may locate savings in their own section of the budget/cashflow statement. No matter where it is located, the more specific your categories are the more likely you will achieve success.

People save for many reasons, including:

- Unexpected expenses and emergencies

- A bill they know will be due every few months, like car insurance or a utility bill
- Annual expenses like health insurance premiums or children's school supplies and activities
- To fill the gaps when income is lower than monthly expenses
- To pay for their goals, like a new appliance, a car, a home, children's education, or retirement

Savings as Income for Farm and Ranch Households

Farm and ranch households who rely solely on income from the operation to pay for household expenses need to be intentional about creating a household cash flow budget.

Determine the minimum amount needed to cover household expenses and designate an amount from farm income to be used. Include expenses that would not be considered farm/business expenses. Calculate the income amount needed for the year (12 months). When income is high, save the difference in a savings account designated for household expenses that can be used during leaner months.

Since many farm/ranch families receive income just a few times per year, diligent saving and budgeting is needed to cover both household and farm expenses. Communication about how this income is to be shared between household expenses and business expenses is essential to keep both successful.

Reasons to Save

Everyone has their reasons to save, but there are common categories that most people think about when setting their savings goals.

<u>Saving for Emergencies</u>

Everyone has unexpected expenses and emergencies—a car repair, the need to travel to help a sick household member, paying the bills when you have had a cutback in hours, or even lost your job.

When you save in advance for unexpected expenses and emergencies, you are better prepared to manage them without skipping paying your other bills or borrowing money. Financial stress is reduced because you have more options for deciding how to pay the expenses.

If you must skip paying other bills to pay for an emergency, there can be negative consequences like having to pay late fees or having services turned off. If services like your electricity or other utilities do get shut off, then you must produce even more money to turn them back on.

If you borrow money for unexpected expenses, you will have to pay fees and interest on what you borrow. And on top of that, you will have to use some of your future income to repay your borrowed money. So, saving money now for unexpected expenses and emergencies can save you money later.

Everyone should have an emergency fund. Farm households should consider having separate emergency funds for both the household and their farm business. For the household emergency fund, you should strive for enough to cover at least 3 to 6 months of household expenses. This may be enough to help cover household living expenses in case of unexpected loss of income, take care of an insurance deductible for major car repairs, or pay for many household repairs. If you are considering a farm emergency fund, connect with your local extension educator for guidance based on your farm operation. [3]

Having this kind of emergency savings fund is the foundation for setting other savings goals. Once you have this set up, it is easier to focus on saving for other things without worrying about how you would manage an emergency expense.

Saving for Periodic Expenses and Goals

Once you have some money set aside for unexpected expenses, you can start planning for upcoming expenses and goals.

Many people have goals they want to accomplish that require saving money. Some goals can take several months to achieve, like saving for a new TV. Others can take many years, like paying for a child's education. If you decide to save money for a goal, make sure the money you are saving is separate from your emergency fund. That way, if an unexpected expense comes up, using your emergency fund will not come at the cost of achieving your goal.

It is also important to save for periodic expenses (those that come only once or a few times a year) like rent insurance, income taxes, car insurance, or children's school supplies. While they are expected, these expenses can be difficult to pay for all at once if you have not been setting money aside for them.

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[3] For more information about farm enterprise emergency planning see: https://www.farmraise.com/blog/emergency-fund-strategies-for-farmers-preparing-for-the-unexpected

Saving for Times When You Do Not Expect Income

Saving money is particularly important if your income fluctuates or varies monthly, quarterly or yearly. This may be a common situation for full-time farm and ranch households who depend on income solely from the business to pay household expenses. For those working off the farm/ranch part-time, your income may change depending on how many hours you are scheduled to work each week. It could also be because you work seasonally, rather than year-round. In all situations, setting aside money in weeks or months with a higher income can help you pay your bills on time when your income decreases or stops.

Saving For Retirement

Your financial plan should include some type of saving and investing for retirement. Off-farm jobs may provide retirement benefits such as a 401k. As a self-employed farmer/rancher consider saving and investing for retirement on your own. This may include Individual Retirement Accounts or other investments.

Though paying into Social Security is a business or employee expense, it is also a way to save for retirement. Having your 40 quarters/10 years of contributions and providing a realistic contribution based on your income is like saving for retirement. You can see estimated Social Security benefits at https://www.ssa.gov. For more about retirement for self-employed and small business owners, see Choosing a Retirement Solution for Your Small Business from the IRS https://www.irs.gov/pub/irs-pdf/p3998.pdf.

You can also use a retirement calculator, like the one from Financial Industry Regulatory Authority (FINRA), to estimate the amount you will need to save each year to reach your retirement goal https://retirementcalculator.nga.finra.org/calculator.

Saving for Education

Saving for college or technical training for you or your children may be one of your goals. Training and education after high school or completing a General Educational Development (GED) test can be an important investment of both time and money.

Saving for education can reduce the amount of student loans you need and may provide more options for education and training after high school. Many financial products can help you save for an education, including savings accounts, money market accounts, and certificates of deposit (CD).

There are also investment products designed specifically for this purpose. One option is a 529 savings plan. These tax-advantaged savings plans can help parents, guardians, grandparents, and others save and invest for an education. For more information on saving for education expenses using a 529 plan, visit https://collegesavings.org.

Teach Your Children About Saving

In addition to leading by example with your savings, one of the best ways to teach your children about the importance of saving is to start a savings account for them.

There are many benefits of opening a savings account for a child. This kind of account can:

- Provide a secure place for a child to put money they earn or receive as gifts
- Introduce a child to saving and using financial services
- Help to establish healthy attitudes about money and saving
- Help a child to learn to plan for the future
- Provide a way to work with your child to achieve a goal together

Check with your bank or credit union to see if they can open an account in your child's name or a joint account in the name of both you and your child. Each financial institution has its policies, so research local and online bank and credit union options.

Determining How Much to Save

You should have enough to cover at least 3 months of household expenses. Researchers have found that many Americans could not come up with enough to cover $400 in unexpected expenses. One measure of financial fragility is if there is not $2,000 to cover unexpected expenses.[4] Think about how much you could find in your budget to save. How can you adjust expenses and spending? After you pay off debt, use that money to build your emergency savings fund. Once you have reached enough to cover 3-6 months of expenses, you may want to direct extra savings toward other goals.

[4] From: Board Of Governors Of The Federal Reserve System, (May 2022) Economic Well Being of U.S. Households in 2021. Found: https://www.federalreserve.gov/publications/files/2021-report-economic-wellbeing-us-households-202205.pdf

Taking the First Step to Saving

Saving is hard on a tight budget. After you have decided to save you have to find the money to do it. There are only two ways to find money to save: spend less or earn more.

<u>Spend Less</u>

Before you can figure out which expenses to decrease, you need to know what your expenses are. Track your spending for 1-6 months or review your spending from the past months or your expenses during the last year using your bank account records. Use an Excel spreadsheet, Quicken, or paper and pencil to categorize your expenses and determine how much is spent for each category. For example, add up the amount of money you spent on groceries. Be honest about your spending, especially for small-dollar items like snacks, app fees, or subscriptions. Once you know how you are spending your money, you can review the expenses to determine where you can cut or reduce spending.

You can decrease spending and put the money "not spent" into savings. In some cases, the easiest way to find money to save is to cut one major expense. This may mean dropping a service or membership you are paying for but do not use very often. Or it could mean reducing the level of service, like canceling cable and switching to less expensive streaming services.

If there are no "major costs" you can fully cut, you may choose to cut back a little bit in several distinct categories of spending. For example, you might cut back on eating out and combine errands to spend less on gasoline. The savings from making minor changes like this can add up.

In addition to cutting expenses, there is also the challenge of where to store your savings, so you are not tempted to spend it. If you have cash, do not store it in your wallet where it is easily spent on something else. Rather, move the money into a savings jar or envelope in a safe place in your home.

Even better, earn interest on this savings by depositing the money into an interest-earning savings account, money market account, or CD at a bank or credit union.

Consider opening multiple savings accounts for different savings goals. If your savings are used when income is low, create an account specifically for this reason. Then have another savings account for emergency savings and another for specific goals. It is rewarding to see these account balances grow over time.

Earn More

You can also increase your savings by earning more while keeping your expenses the same. For example, if you do not already, you could work a second job part-time and save some of that extra income. Look for ways to increase income from the farm such as selling eggs, making jelly, or other items that can be sold at farmers markets, farm to table restaurants, flea markets, or online markets. Be mindful of initial startup costs and evaluate if the benefits outweigh the costs.

Sometimes you experience an unexpected increase in income. For example, you may get unanticipated overtime pay, extra hours at work, a bonus, or a tax refund. Consider setting aside some of this "extra" income into your savings account.

If you get paid bi-weekly, there are two months each year when you get three paychecks instead of two. You can take advantage of this "extra" paycheck to save for unexpected expenses later in the year. These are great opportunities to save money for your emergency savings goal. That way, you have a cushion to rely on when times are leaner.

If you receive a tax refund, you could save part of it for emergencies or unexpected expenses, set it aside for predictable annual expenses, or put it toward meeting one of your goals. Using it to pay off a loan can help reduce the costs of interest in the future.

If you want to use these strategies to build your savings, be sure that some of that new income gets moved into the place you have decided to save it.

Making Savings Automatic

People who save successfully generally choose an automatic system of saving for their goals. They decide where to save, set up the system, and then save money from every paycheck without having to think about it.

If you have a bank account and direct deposit, you can arrange to automatically deposit some of your paycheck into a savings account every time you are paid. For example, if your weekly paycheck of $245 is directly deposited into your checking account, you can have $10 automatically deposited into a savings account. Once you set this system up, you may even "forget" about that $10 because you do not see it in your checking account. This can make it easier to adjust your spending to offset having $10 less per week. If you do not use the money in the savings account, you will have over $500 by the end of the year.

Check with your employer to learn more about direct deposit and other options for automatically saving a portion of your paycheck.

Automatic movement of funds from your checking account to a savings account can also be set up through your financial institution. You can often schedule dates to move money from one account to another by using a mobile app of your banking institution or by contacting them directly.

For those with periodic income, setting reminders about when and how much money should be moved into savings will help you keep on track. Put it on your calendar (mobile device or paper calendar) to help you remember.

Remember to account for automatic withdrawals in your check register. Automatic withdrawals will incur overdraft charges if the transaction causes the account balance to drop below zero.

You Can Save While Receiving Public Benefits or Government Assistance

If you receive public benefits like Temporary Relief for Needy Families (TANF), Medicaid or Supplemental Nutrition Assistance Program (SNAP) and want to start saving for emergencies and goals, you may want to know about asset limits. Assets are things that you own. Assets can include money in a savings or checking account, and things like your car, home, land, and business inventory.

Asset limits are rules about how much you can have or save before your benefits are reduced or taken away. Since assets help people achieve financial security, some assets will not count against allowable limits. The assets that may count against allowable limits are "liquid," which means they are like cash.

Some examples of liquid assets are money in a checking account, savings account, or investment accounts. While things like a home or car that you own are also considered assets, they are not liquid assets, so some program rules do not count them against the allowable limit. Different benefits have different limits, and all states have their asset limit policies. Knowing each program's asset limits may help you avoid unexpectedly losing your benefits as you are saving to reach your goals.

Tool 2-1: Annual Planning Tool

It can be hard to build a budget or cashflow statement when your income and expenses vary widely from month to month. The annual planning tool helps you think through when your income is coming in, how to plan for irregular expenses and how to calculate how much money needs to be set aside so that there are funds to pay the monthly bills.

What to Do

- *Think about your income over the course of a year*. For example, is it higher in the summer and lower in the winter?
- *Think about your expenses during the year*. Do you spend more during holidays for gifts and food or always help grandchildren with back-to-school clothes? Do you have regular and expected farm or ranch expenses at certain times during the year? Are there bills you pay annually, twice a year, or quarterly?
- *Think about what opportunities you have for saving money.* Is there a usual part of the year where your income tends to exceed expenses? Do you have increases in income around certain times, for example when selling livestock or collecting pasture rent?
- *After you have considered the timing of your income, expenses, and savings, complete the annual planning calendar*. Consider putting it in a place you will see it as a reminder of when periodic expenses are coming due.

Tool 2-1: Track Seasonal Income, Expenses, and Savings with the Annual Planner

1. Fill in the first column with the amount of income you receive during specific months.
2. Fill in the second column with the amount and timing of expenses.
3. Use your information about income and expenses to identify opportunities for saving throughout the year.

Month	Estimated Sources of Income with Approximate Dollar Amount	Estimated Spending in Dollars	Identify Opportunities for Saving
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			

Tool 2-2: Savings Plan

Making a savings plan helps make saving easier by breaking it up into manageable pieces. This can help you reach your goals and deal with unexpected expenses.

There are many benefits to having a savings plan, including:

- Your plan builds your own personal safety net a little at a time. As you build savings, you can have peace of mind knowing you have a little money set aside for the unexpected—and that means you will spend less on late fees for missed bill payments and the costs that come with borrowing money to cover expenses.
- As you watch small amounts add up, you will build confidence and move closer to reaching your goals.

What to Do

- *Pick a reason for saving*. Consider starting an emergency fund or use the tools in Module 1: Setting Goals to come up with a SMART goal.
- *Figure out how much money you will need to save for that goal.*
- *Think about your household needs to decide the best time to save*. The Annual Planning Tool can help you determine when those times might be.
- *Brainstorm some ways to decrease spending or increase income to meet your savings target.*
- *Review the strategies for tracking your progress.* Feel free to use one of these tools or create your own tracking method. Whatever helps you think about saving regularly will help you build the habit over time.

Creating a Savings Plan Can Make It Easier to Save

Make a Plan

1. On a separate piece of paper, write down the goal you are saving toward. You can also draw or print a picture of your goal if you prefer.
2. Figure out the total amount you need to save to reach that goal. Create your savings target:

   An example might be wanting to set aside $1000 as an emergency fund.
3. Review your goals and identify an amount to set aside: ______________________
4. Think about ways you can cut expenses and set aside money to reach your goal. Brainstorm strategies for setting aside money and ideas for motivating yourself and household members to save?
5. Get your household members involved and hold each other accountable. A task is always easier if everyone is involved; kids included.

Example Strategies to Save

Envelope Example - Label envelopes with the numbers 1 - 50. If you have some money you can set aside, put it in the envelope that is closest to that amount. Remember, you do not have to go in order! Once all the envelopes are full, you will have saved $1,275.

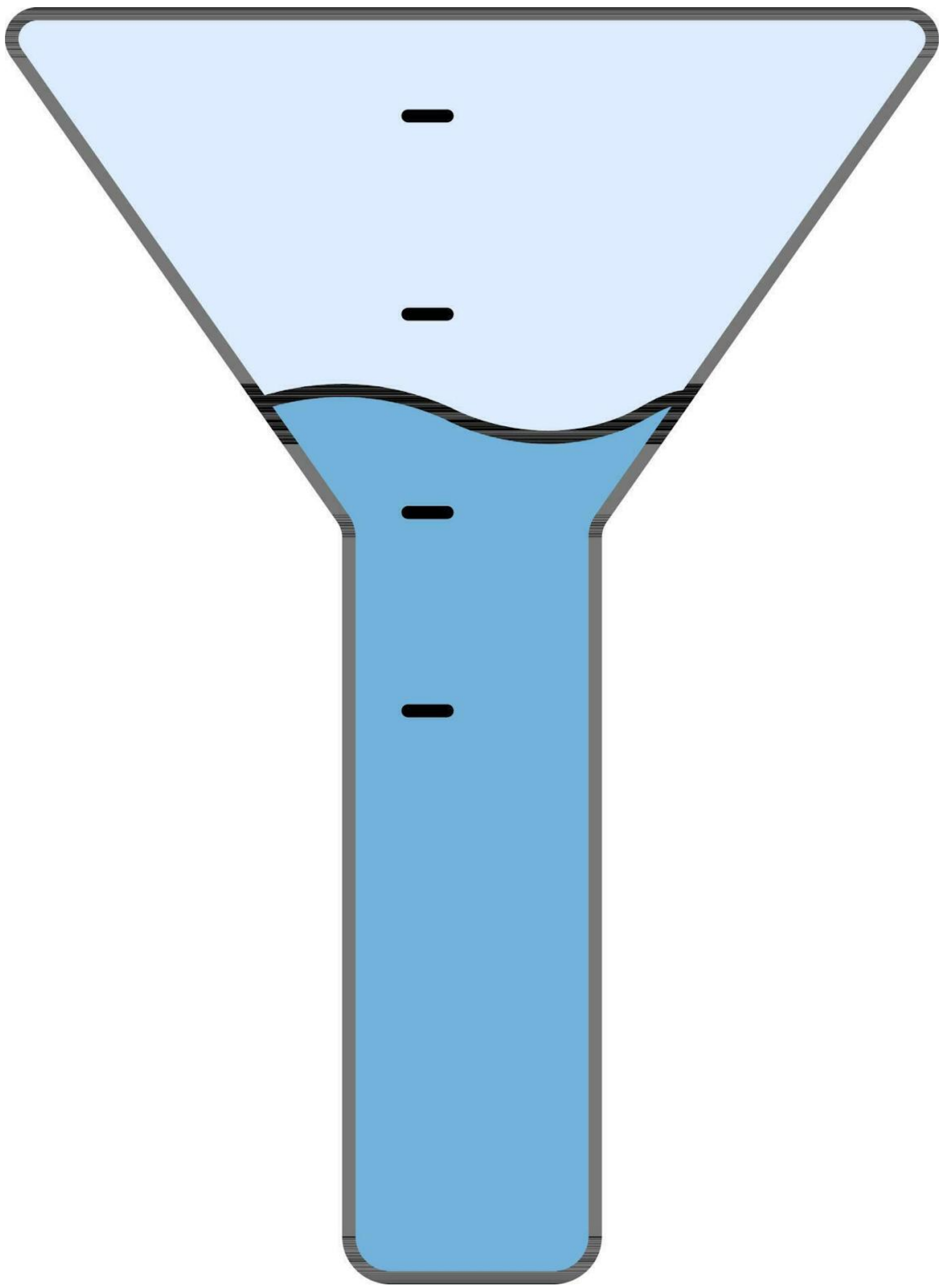
Rain Gauge - Using the image on the next page, write your savings goal at the top of the rain gauge and label the scale along the side. As you set aside money in savings, fill in the thermometer. The visual reminder of your progress can be a powerful reminder of the progress you are making!

Paper Chain - Using the image two pages from this one, create slips of paper for a paper chain. Your chain links can represent any amount of money. As you set aside money in savings, add links to your chain and watch it grow! This is also a great way to involve other household members, like children, in the process of saving for the future.

Automated transfers from checking to savings - Set up an auto transfer from checking to savings. You can set any amount to be transferred multiple times during the month. For example, if your goal is to save $100, set up a transfer of $25 four times. Make sure the amount you transfer and the timing works with your cash flow.

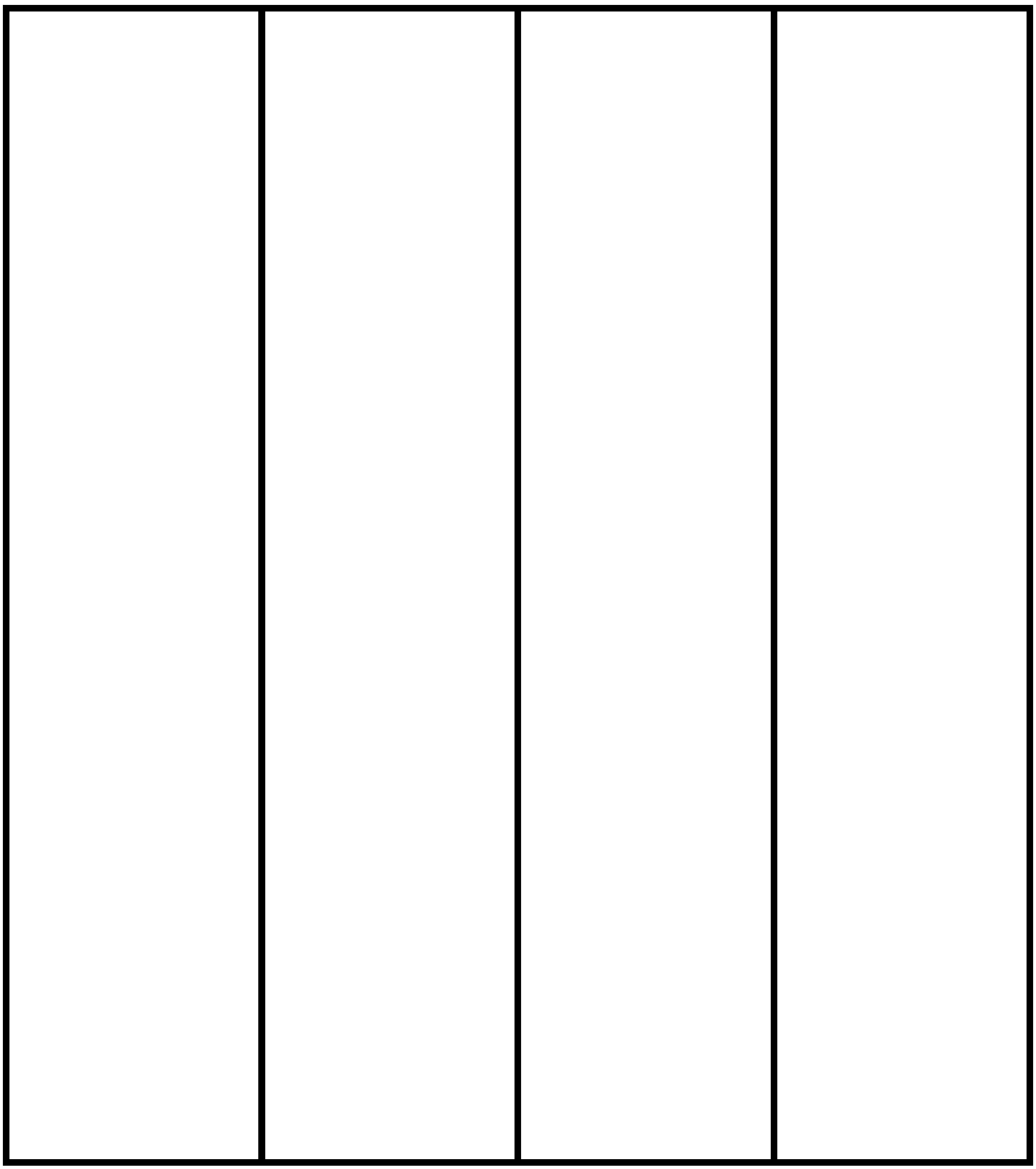
Rain Gauge Savings Tool

Using the image on this page, write your savings goal at the top of the rain gauge and label the scale along the side. As you set aside money in savings, fill in the thermometer. The visual reminder of your progress can be a powerful reminder of the progress you are making!



Paper Chain

Using the image below, create slips of paper for a paper chain. Your chain links can represent any amount of money. As you set aside money in savings, add links to your chain and watch it grow! This is also a great way to involve other household members, like children, in the process of saving for the future.



MODULE 3 - Tracking Income

You and your household members have to know what income you collect and where it is coming from before you can plan for what is being spent. For example, do you receive an income from your farm or ranch? Do you rely on income from an off-farm job for your household expenses? Having a complete picture of the money you and your household receive is the first step in creating a budget that works for your household.

At a Glance

This module can help you identify the amount of income you and your household will have to put toward household expenses. It also helps you consider the pros and cons of receiving income from your farm business as well as track any off-farm wages received by the household. Overall, the goal is to have a clearer picture of household income and whether it is separate from the farm business income.

Tools in this Module:

Tool 3-1: Income Tracker

Introduction

Income is the money you receive from part-time or full-time work, self-employment at your farm or ranch, and investments. You use income to pay for the things you need and want or save it to spend toward one of your goals. Money can also come from things like tax refunds, gifts, and inheritances, which can also be spent or saved like income.

Public benefits are payments you may receive from the government to help pay for necessities. Most benefit payments have restrictions about how they can be spent. While these payments help increase your spending power, they are not as flexible as income earned from a job.

Income

Income can be regular, coming into your household on a set schedule in an amount that you can count on. Or it can be irregular, where you cannot accurately predict when you will receive it or how much you will receive. The ups and downs of irregular income can make it hard to be sure you will have enough money to pay your household bills and expenses, like food and transportation.

Sometimes income is seasonal, meaning you may receive it only some months during the year. For example, you might have higher income in the months you sell livestock, harvest crops, or sell hay.

Finally, some income may be a one-time occurrence. Your tax refund is an example of a one-time source of income within a year. Another example would be when a lessee pays their pasture rent.

Managing income can be very challenging if it is irregular, seasonal, or one-time-only because you may not know how much money is coming in or when you will receive it. Your bills and expenses, however, continue on schedule. Covering your expenses can be stressful if you do not know when your next paycheck will be or how much you will be paid.

It can also be hard to use irregular, seasonal, or one-time income to cover expenses in the months you are not working. When you have the money, you may need or want to spend it immediately, instead of setting some aside for bills and expenses in other months.

You can use the "Income Tracker" tool in this module to track any type of income and benefit payments coming into your household. It is the first step in planning how you can better manage your income throughout the year to cover spending in months you may not have any income. This is also an important step in creating a cash flow budget, which is explained in "Module 5: Getting through the Month".

Increasing Income

There are several ways to increase your income to help offset any variations in irregular, seasonal, or one-time pay you receive. For example, you might:

- Consider having a household member working off-farm.
- Find a part-time job during slower months.
- Explore strategies for increasing farm income. With increased farm income, you might feel more comfortable drawing personal income from the farm earnings.
  - ✓ Diversify into agribusiness or agritourism
  - ✓ Lease a part of your pasture or property
  - ✓ Sell extra produce or other farm-based products

- Consider applying for public benefits, if you are eligible. This is not a complete list, check with your state and local agencies about additional resources. Some nationwide examples are:
  - ✓ Supplemental Nutrition Assistance Program (SNAP)
  - ✓ Utility assistance
  - ✓ Medicaid and the Children's Health Insurance Program (CHIP)
  - ✓ Health insurance premium subsidies, you can use your state marketplace to check your eligibility for these programs
  - ✓ Temporary Assistance for Needy Families (TANF)
- Begin claiming Social Security retirement benefits, if you are eligible
  - ✓ Choosing when to begin collecting Social Security is an important financial decision. Claiming as soon as you are first eligible can mean less money in total throughout your retirement. If you wait to claim Social Security retirement benefits until you are 70 (instead of when you become eligible at 62), your benefit increases by as much as 75 percent.
  - ✓ The CFPB's "Planning for Retirement" tool at https://www.consumerfinance.gov/consumer-tools/retirement/before-you-claim/ can help you see how your Social Security payments will grow each year that you delay claiming. For more information, consider reaching out to a financial professional to discuss your specific situation.

Deductions From Your Pay

A payroll deduction is the money that you (if you are self-employed) or your employer takes out of your pay to cover things like taxes and health insurance. Deductions can either be mandatory or voluntary. All deductions will lower the total amount of money you get to take home.

Mandatory deductions, which are required to be taken out, include:

- Federal income tax
- Social Security, which is part of FICA (Federal Insurance Contributions Act): 6.2 percent of your pay is for Social Security, with your employer contributing another 6.2 percent on your behalf (Numbers are from 2024)
- Medicare, which is also a part of FICA: 1.45 percent of your pay is for Medicare, with your employer contributing another 1.45 percent on your behalf
- State income tax (in most states)

- Local taxes (in some communities)
- Wage garnishments (in certain cases)
  - ✓ If a creditor sues you for unpaid debts and wins, they might collect the debt by garnishing your wages.
  - ✓ Your wages can also be withheld or garnished to pay back child support, defaulted federal student loans, back taxes, or other debts to a government agency, such as unpaid court costs.
  - ✓ It is important to note that the law protects certain types of income from garnishment, and also limits how much of your income can be taken. If a garnishment is causing hardship, you may want to look into your options.

Voluntary deductions, which you can decide to contribute, may include:

- Your share of costs for health, dental, or vision insurance (known as premiums)
- Your contributions to a health savings account (HSA) or flexible spending arrangement (FSA) to help cover costs for healthcare or childcare
- Your contributions to an employer-sponsored retirement account (401k or 403b plans)
- Union or membership dues
- Your contributions for life insurance premiums

Gross income is how much you earn before any mandatory or voluntary deductions are taken from your pay. Net income is the pay you actually receive after all deductions have been taken out. It is usually easier to track net income because that is the money you actually take home and have available to pay for your expenses. It is good to get into the habit of checking your pay stub to see what deductions are being taken from your paycheck. If you notice any changes, you will want to research what is going on.

Tool 3-1: Income Tracker

Get a total picture of your income and benefits to help you plan when to pay your expenses.

Your income and benefits provide you with the financial resources to pay for your household expenses. It is important to get a clear picture of how much you have coming in every month, so you can better budget to pay your bills and possibly save toward your goals.

Remember that income is not the same as benefits. While income (like from a job) can be used to pay for anything, some benefits can only be used for a particular purpose, like food or medical costs.

Income may not always come on a regular basis. Knowing what income is regular, irregular, seasonal, and one-time-only can help you be prepared for when you have less coming in.

Pay Yourself A Monthly Salary

When owning and operating a business, it may seem difficult to pay yourself a monthly salary. For farming and ranching operations where earnings are needed to pay for household expenses, the line between business and personal finances can get blurry.

Paying yourself a monthly salary is a strategy to organize your business and household finances. In this situation, those who are involved in the farm or ranch operation would be paid and would use that income for their personal and household expenses. The rest of the profit would go to the farm or ranch business and could be used for business purchases, like new equipment.

To do this, you need to determine what your monthly household expenses are and what your monthly income could be. You would also need to determine how many people should be collecting income from the farm or ranch business. Because farming and ranching income ebbs and flows throughout the year, it may be necessary to determine annual expenses and income, then divide those amounts by 12 to find a monthly amount. To manage income between the farm or ranch operation and the household, consider using two bank accounts. One designated for the business, one for the household. The strategy takes time to implement but becomes easier over time.

Advantages

- Separating farm and household income can reduce tax liability depending on how the business is set up; C Corporation, S Corporation, or a Limited Liability Company are options. For more information on the type of business structures see the IRS web page at: https://www.irs.gov/businesses/small-businesses-self-employed/business-structures

- Having reported income could help you qualify for Social Security and Medicare. To understand how best to take income in a way that increases future benefits under these programs, you should consider working with a financial professional.
- Business expenses would be easier to track
- Income would be easier to track

Disadvantages

- Initially, it may be time consuming to gather the records needed to estimate income and expenses
- More time spent doing bookwork or recordkeeping would be needed
- Expenses need to be designated as either business or household. All household members need to be aware of the designations

What to Do:

- Gather all of your pay stubs, benefits statements, and records of electronic payments.
- Enter the amount of income or benefits you receive next to the correct category in the appropriate week of the month.

A Step Further

Look at your total monthly income. If it is less than what you think you need, use the CFPB's Your Money Your Goals, "Increasing Income and Benefits" Tool for tips on how to make more. It can be found here: https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_increase-inc-benefits_tool_2018-11.pdf.

If you have not already, consider completing the "Spending Tracker" (in Module 4). This will help you build a cash flow budget, which is covered in Module 5: Getting through the Month.

For information about managing farm enterprise finances, go to one of these resources:

Ohio State University's Farm Office website: https://farmoffice.osu.edu/

For the Farm On: Ohio State University Farm Financial Management Course, you can go to: go.osu.edu/FarmOn

Income Tracker

Plan the Best Time to Save and Spend with this Income Tracker

1. Fill in the net income amount you receive each week for any category of income that applies to you. Note any income that comes at predictable times and in the same amount to help show you what income you can count on each month.
2. Include the savings you have put aside from seasonal farm income that you have allocated for household expenses.
3. Fill in any income, payments or benefits such as disability benefits, alimony or child support, SNAP, TANF, and other government assistance programs.
4. Add up the amounts you receive in each week and write that in as the weekly total.
5. Add up the weekly totals to figure out your income for the month.
6. Make copies of the tracker to follow your income from month to month.

A Step Further

For more information about government benefits you might qualify for and how to access them, please see the resources from Department of Health and Social Services: https://govfacts.org/federal/hhs/hhs-programs-overview-what-services-are-available/

Income Tracker

Income for ____________________________ (Insert your time period here)

Source of Income	Weeks of Income				
Farm Wages	Week 1	Week 2	Week 3	Week 4	Week 5
Off Farm Wages					
Off Farm Wages					
Pulled from Savings for Household Expenses					
Child Support					
Disability Benefits					
SNAP					
TANF					
Other Government Programs					
Total Weekly Income					

Total income for this month: ______________________

MODULE 4 - Paying Bills

Learn to organize, track, and prioritize your bills and expenses.

At a Glance

This module can help you better understand where your money is going and learn how to reduce expenses and pay bills more efficiently.

Tools In this Module:

Tool 4-1: Spending Tracker

Tool 4-2: Monthly Bill Organizer

Tool 4-3: Cutting Expenses

Tool 4-4: Periodic Spending Calendar

Also included is an example that describes using a bill calendar.

Introduction

According to the Consumer Financial Protection Bureau, Your Money Your Goals Toolkit, "To stay financially healthy, you should spend less than you earn." This simple rule may work for many people, but it is not very helpful if you cannot afford to pay all of your bills and living expenses.

How people use their money is often a reflection of their individual, family, and cultural values. This may be especially true for farm and ranch households who must often balance the expenses of family and household living against the expenses of the operation. Balancing personal priorities, expectations, and the demands of the operation can sometimes be a challenge. Tracking household spending and expenses for a period of time gives you a picture of where your money is going and the choices that were made. It can also help you to plan ahead for times when there may be heavy spending on household needs and heavy spending on needs for the farm or ranch operation.

If your income is seasonal or irregular, you need to develop a system to have money when you need it for monthly and periodic expenses.

Tools in this Module will help to determine expenses, ways to cut costs and provide options for managing paying your bills on time.

Planning For Bills

It is impossible to know if you are going to be able to afford all your bills unless you are familiar with how much you are expected to pay each month. Make sure you know what bills are due, how much they usually are, and what time of the month they are due.

The more you can prepare for the bills you know are coming, the better you can plan for them. Having a system in place for paying bills can make it easier to pay and help reduce stress. Before you can make a plan, you have to first know how much income is coming in, how much spending is going out, and what bills are due when.

Tracking your spending is a good way to plan for bills. When you categorize and write down how you are spending your money, it makes it easier to know where you might be able to cut back. It also helps you think about how much of your spending is on needs versus wants.

For example, before you make a purchase you can stop and ask yourself if it is something you need or want. You can also think about if making that purchase is going to make it harder for you to pay all your bills this and future months.

Wants Versus Needs and Obligations

Separating needs, obligations, and wants can empower you to set priorities and understand more clearly where you can make changes if you decide your spending is not matching your priorities.

Needs are the things you must have to live. These include shelter and utilities, food, medication, clothing, and transportation. Even with needs, deciding what you can afford, maintain, and are able to pay for can be a challenge.

Obligations include debts you owe and payments you have been ordered to make, such as child support, spousal support, taxes, and other judgements.

Wants are things you would like to have but can survive without. For example, a reliable car to get to work is a need. A new car might be more of a want. But it is not always so clear-cut. One person may view something as a want, and another person may see it as a need.

Making Paying Bills Easier

If there is just not enough money to pay all your bills every month, you can try to cut expenses by making changes in your life. You might bring food with you and plan your trips off-farm to reduce fuel and food costs when you conduct off-farm errands or pick up children. Using coupons when shopping at the grocery store or setting up automated payments to avoid late fees can also reduce costs. Even small changes can make a difference on being able to pay all your bills. Look at the “Cutting Expenses” Tool in this Module for more ideas.

Another thing you can do to make paying bills more manageable is look at when you have income coming in versus when bill payments are due. If you get to the end of the month but your bills are due at the beginning, it could make it hard to pay them on time. Some financial institutions will work with you to change the due date to make it easier for you to make those payments. Using the “Periodic Spending Calendar” Tool in this Module to identify periodic expenses and income will help to understand and manage cash flow. Below is an example of how you might use a monthly calendar to outline when income is coming in and when expenses are happening throughout the month. This can be an excellent tool to assist with communication among household members, including which budget/account - farm or household- is covering a particular household expense. If you have not completed the “Who is Paying for What?” Tool in Introduction, now would be a good time to return to that.

Sample Bill Calendar Tool:

You can also think about what methods you and your household members use to manage money and pay bills. Will you pay with cash, check, money order, or online or mobile payment? Each method has its own advantages and disadvantages. It is important to understand what options are available, so you can decide what works best for you.

Month:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5 Pay electric bill – due 10th	6 $ 10 kid’s allowance	7 Grocery shopping
8	9	10	11	12 Pay car payment – due 18th	13 Pay cell phone bill – due 18th Pay quarterly trash bill – due 20th	14
15	16	17	18 Family hair cuts - $75	19	20 $ 10 kid’s allowance	21 Grocery shopping
22 Pay credit card - due 27th Pay cable/ internet bill – due 28th	23	24	25	26	27	28
29 Transfer money from savings to checking account for next month’s expenses	30	31				

Protecting Your Information On Digital Money Apps

It is becoming more popular to use mobile apps to keep track of your bills and other spending or a digital wallet to make payments. While they can be convenient, there are some things to keep in mind about protecting your money and information when using digital tools.

First, find out if there is a fee to use them. Some apps that appear to be free may have fees when you try to use them to send money or take a percentage of money that is sent to you.

It is also important to safeguard your personal information. Some financial apps require you to enter the information that you want the app to use, like billing address or credit card information. Others pull information automatically from your financial accounts, but only after you give permission for the app to do that.

Ways to safeguard your personal information on digital money apps:

- Do not conduct financial transactions on public Wi-Fi.
- Password-protect your mobile device and any financial accounts you have access to. Do not save your passwords to financial accounts on your mobile device.
- Make your password longer and stronger to make your information more secure. Do not repeat passwords, do not save them in web browsers, and do not use common words or phrases that can be guessed.
- Use two-factor authentication to help protect your accounts. This is a two-step process in which you have to enter your password and then a code sent to you via text or email. Many banks and other financial service providers now offer (or may require) this extra layer of protection. Take advantage of it.
- Most devices have a remote access feature. You can lock your device, delete sensitive information, or activate the alarm if it is lost or stolen. Make sure you activate this feature on your device.
- If your device is lost or stolen, you may need the make, model number, and serial number. Go to your phone settings and look for the “About” or “About phone” feature, which will display all of this information. Take a screenshot and email it to yourself, so you will have it if you need it later.
- If your device is lost or stolen, contact your wireless carrier immediately. If you use a digital wallet, contact the financial institutions that issued those cards. Also contact any financial institution for which you had a username or password saved on your phone.

If your regular bills or account statements are not arriving on time, you could be the victim of identity theft. Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting Your Money.

Tool 4-1: Spending Tracker

Before deciding on changes to your spending, it is a good idea to understand how you use your money now.

Keeping track of what you earn and everything you spend money on for a month, rather than just a week or two, lets you see all of your income and expenses in one place. Many people who track their spending for a month discover that they are spending money in small ways that add up and sometimes do not match their priorities. Once they track their spending, many people can find money to save for emergencies, unexpected expenses, and goals. Others are able to balance their budgets.

What to Do

- Get a small container or envelope. Every time you spend money, get a receipt and put it into the case or envelope. If the receipt does not list what you purchased, take a few seconds and write it on the receipt. If you do not get a receipt, write down the amount and what you purchased on a piece of paper and add it to the stack. If you use a mobile device to keep track of your spending, make sure you read the "Protecting your Information on Digital Money Apps" tips in Module 4.
- Analyze your spending. Go through your receipts and enter the total you spent in each category for each week. Add the weekly amounts per category. Write these down in the "Category Totals" column. Once you have these totals, add them together to get your total spending for the month. If tracking your spending for a whole month seems too difficult, try it for just one or two weeks.
- Notice trends. Circle items that are the same every month (like rent, car, or cell phone payments). These are often your needs and obligations. This will make creating your budget easier. Identify any areas you can eliminate or cut back on— these will generally be wants.

A Step Further

Once you have tracked your spending, be sure to add it into your budget or cash flow budget. Learn more about cash flow budgets in Module 5: Getting through the Month.

Categories Used in the Spending Tracker	
Benefits Withheld	Total amount withheld from the paycheck including taxes, savings, FICA etc.
Housing or Rent	Rent, mortgage, or lease land fees
Utilities	Electricity, gas, water, and sewage
Connectivity/Cell/Internet	Landline, television, Internet service, and cell phone services
Insurance - Home/Auto	Home and automobile insurance premiums
Insurance - Life	Life insurance premiums
Insurance- Health	Health insurance premiums
Insurance- Disability	Disability insurance premiums
Groceries/Food	Food and beverages brought into the home, including household supplies (diapers, paper towels, etc.)
Food Away From Home	Any meals, snacks or beverages purchased outside of the home
Auto Payment	Monthly payment for automobile loan
Auto Fuel/ Maintenance/Transport	Gas and maintenance of automobiles and other vehicles. Also included are any expenses for transportation, like bus or train fare, etc.
Personal Care/Clothing	Haircuts, clothing and other personal items for household members
Child Care/Dependent Care	Childcare costs, school supplies, school materials fees, field trips, other activity fees or costs of care for loved ones
Health and Medical	Co-payments, medication, eye care, dental care and other medical expenses
Helping Others	Donations to religious organizations, other charities or fundraisers
Savings	Savings for identified goals
Pet – Care, Food, and Vet	Food, toys, veterinarian bills
Debt Payment/Credit Card	Credit card payments, payday loan payments, pawn loan payments, auto title loan payments, and other loan payments
Other	Other expenses not included in any of the above categories
Periodic Expenses	Expenses that happen periodically. (See next tool.)

Tool 4-1: A Spending Tracker Can Help You Analyze And Change Your Spending Habits

1. Get an envelope to collect your receipts.
2. Use the table on the next page to track your spending in the categories listed. Do not forget about bills you share with others or payments made online, using a credit card, debit card, or autopay.
3. 5 weeks are offered to capture months that have 5 weeks in them.
4. At the end of the month, add up each category.

Spending for the month of:_______

Use the table on the next page

to track your expenses, answer the questions below to reflect on what you've learned.

Once you have completed your tracker. Reflect on what you learned.

Were you able to pay all your expenses?

Were you able to pay expenses on time?

Were there any expenses you did not need to purchase? If yes, what were they?

Was there money left over you could put toward savings goals?

Expenses	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**	**Total**
Taxes Withheld						
Benefits Withheld						
Housing/Rent						
Utilities						
Connectivity/Cell/ Internet						
Insurance - Home & Auto						
Insurance - Life						
Insurance - Health						
Groceries/Food						
Food Away From Home/Eating out						
Auto Payment						
Auto Fuel/Transport & Maintenance						
Personal Care & Clothing						
Child Care/Dependent Care						
Health and Medical						
Helping Others / Donations						
Savings Goals						
Pet – Care, Food, & Vet						
Debt						
Credit Card						
Periodic Expenses						
Periodic Expenses						
Other						
Other						

Total for the Month: $__________________

Tool 4-2: Monthly Bill Organizer

You may be able to stay financially organized, reduce financial stress and avoid late fees and other consequences of missed or late payments if you set up a bill calendar so you can see when payments are due.

Most people have recurring bills and expenses like rent, utilities, car payments, and insurance. Most of these bills have a fixed due date. If you are late, even by a few days, you will likely pay an extra fee. You may also risk a negative entry in your credit record.

Figuring out which bills to expect helps you plan to have enough money on hand. Some people find that thinking ahead helps reduce the stress when bills arrive.

What to Do

- Gather all the bills you pay in one month or use the information from your spending tracker. Remember to include any bills that are paid automatically.
- Write the date when you must send the payment or when the money must be taken out of your account, in advance of the due date. If you are paying by mail, mark the due date at least seven days before it is due. For in-person or online bill payment, mark two to five days before the due date to ensure you are not late.
- Write down the name of the company or person you owe the money to and the amount that is due on the date the bill must be sent to arrive on time.
- Put this calendar where you will see it every day.

A Step Further

Once you have finished adding your bills, add your sources of income as well. Write in the dates and amounts you get paid or when you receive other income. Use the "Bill Calendar" to compare your weekly bill totals to your weekly income totals. If you have more bills than income in a given week, consider asking to change the due dates of some of your bills. See the cash flow tools in “Module 5: Getting through the Month” for more information on balancing your income with your bills and expenses.

Month:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

Tool 4-3: Cutting expenses

Finding ways to reduce your expenses can help you better afford the necessities you cannot live without. It can also give you more money every month to save for your goals.

You may still find yourself short on money to pay your bills even after tracking your expenses and cutting back. This is even more likely to happen if your hours at work get cut or you are temporarily out of work.

Here are some tips and suggestions that can help you try to match what is going out with what is coming in. They focus on ways to decrease spending or uses of income and other financial resources. Note that some of these may not apply to you.

What to Do

- Read through the list of expenses and the strategies for how to reduce them.
- Mark the ideas that may be possible for you. Use this as a plan for getting more information or resources.

Share options you have identified with others in your household and start implementing the strategies as soon as possible.

Strategies for Reducing Expenses

Expense		Strategy
Home Energy Expenses	☐	I will find out if I am eligible for energy assistance, weatherization programs, or discounted utility rates.
	☐	I will set my thermostat lower during the winter and higher during the summer.
	☐	I will unplug appliances when not using them.
	☐	I will research if my household qualifies for a free energy audit from my electric company
Insurance	☐	I will increase the deductible on my car insurance to lower my premium payment.
	☐	I will ask about a good student discount for any young drivers in my household.
	☐	I will check rates at other companies and look for discounts for moving home and car insurance coverage to one company.
Late Fees	☐	I will pay bills on time to avoid penalties or late fees.
	☐	I will request a new due date for some of my bills to make them better align with my income.
Memberships	☐	I will cancel my gym membership if I do not use it regularly.
	☐	I will cancel discount store memberships if I do not use them.
Phone	☐	I will check to see if I qualify for a "Lifeline" phone rate. (visit lifelinesupport.org/do-i-qualify).
	☐	I will consider prepaid or fixed-rate cell-phone plans.
TV, Internet, & Streaming Services	☐	I will check with my providers about lower-cost plans.
	☐	I will discontinue my cable or streaming services.

Expense		Strategy
Vehicle Expenses	☐	I will renew my license and registration on time to avoid late fees.
	☐	I will get regular oil changes and keep my tires inflated to reduce car repair expenses.
	☐	I will plan off-farm trips to reduce fuel costs.
Eating Out	☐	I will bring lunch to work instead of buying it.
	☐	I will avoid buying fountain drinks.
	☐	I will find out if local restaurants have cost-saving specials like “kids eat free” or “senior discount” nights and will check what is included.
Financial Service Fees	☐	I will research if my accounts charge maintenance fees, ATM or overdraft fees, or fees to cash checks.
	☐	I will look into switching to lower-fee or no-fee accounts.
	☐	I will switch to a different credit card with no, or a lower, annual fee.
Furniture and Clothing	☐	I will buy clothing and furniture second-hand or wait for sales.
Groceries and Supplies	☐	I will use coupons.
	☐	I will join with other household members or friends to buy groceries and supplies in bulk (if the cost per serving saves money).
Other		

Tool 4-4: A Periodic Expense Calendar

Some spending happens periodically, meaning it does not happen each month. These expenditures can be planned or unplanned. It is important to incorporate these expenditures into your financial planning so that you have the money when you need it and do not have to rely on credit to pay for them.

Planned periodic spending can include items like household vacations, a quarterly auto insurance bill, a property tax bill, birthdays or holiday celebrations. Anything that is typical spending for your household because of family traditions, gatherings or bill payment processes.

Unplanned periodic spending can include unexpected events like being invited to a wedding or a home repair bill. In these cases, you did not expect it but it is nice to have money set aside to cover them if need be. We discussed an emergency fund in the "Module 2: Saving for Farm Households" .

There are benefits to building these expenses into your monthly budget. Important household events and paying periodic bills can happen without stress if you know the money is available when you need it. By anticipating and estimating these expenses, you can create a more realistic financial plan.

What to Do:

- Use the spending calendar tool to identify events or bills you are expecting and label it within the calendar month. Then estimate how much it will cost and add that information to the table. For example, you might decide that for household or family birthdays that occur in March, May and August, you will spend $25 for each birthday gift and $3 per card. In those months, place the name of each person and $28 in the "Birthday" row.
- Use last year's bills to estimate how much you might need to have available for this year's expenses. For example, if you spent $1500 on a household vacation last year, you might set the same spending limit amount for this year. Label it in the calendar month as household vacation and note the amount of $1500.
- Once you have completed your calendar, add up the amounts for each spending category across the row. Then divide by the number of months until that event or by 12 (months) to determine how much you need to set aside each month to have enough for that category.

Having determined how much you need to set aside for each category, decide how you will manage the money so you have it when you need it. Options include:

- Set up one or multiple savings accounts for the spending categories you have identified. Based on the totals needed, deposit funds each month into this/these account(s). Be sure to use your checking account for all the normal monthly expenses. When a periodic expense occurs, move the money into your checking account.
- Use an envelope method. Set up envelopes for each of the periodic expense categories. Label each one with the total you would like to have AND the amount that needs to go into it each month. When you get paid, deposit cash into the envelopes and keep them in a safe place.

Tool 4-4: A Periodic Expense Calendar

Periodic Expenses	***Jan***	***Feb***	***Mar***	***Apr***	***May***	***June***	***July***	***Aug***	***Sept***	***Oct***	***Nov***	***Dec***	***Total***
Holidays													
Birthdays													
Reunions, Gatherings, or Vacation													
School Supplies													
School/Work Clothes													
Car Registration													
Car Insurance													
Other Periodic Insurances													
Property Taxes													
Repair or Maintenance Fund													
Periodic Support for Household or Community Members													

Periodic Expenses	***Jan***	***Feb***	***Mar***	***Apr***	***May***	***June***	***July***	***Aug***	***Sept***	***Oct***	***Nov***	***Dec***	***Total***
Club/ Professional/ Membership Dues													
Conferences/ Professional development													
Planned major purchases – home, tools, garden, and appliances													
Other													
Other													
Other													
Other													

Getting Started

MODULE 5 - Getting Through The Month

Tracking when your money comes in and goes out helps you understand if you will have enough each week, month, and year.

At A Glance

This module helps you understand your cash flow by looking at how money flows into and out of your household. It also provides suggestions for how to improve your cash flow if you are having trouble making ends meet.

Tools in this Module:

Tool 5-1: Creating a Cash Flow Budget

Tool 5-2: Adjusting your Cash Flow

Tool 5-3: Household Annual Financial Planning Chart or Cash Flow Statement

Introduction

When it comes to money, timing matters. If the timing of your income does not match the timing of your expenses or is unplanned, you may come up short. Looking at finances from a cash flow perspective allows you to meet the needs of farm and household finances from multiple levels: weekly, monthly, and yearly.

In Module 4, you determined your monthly and periodic expenses. This information guides the development of your cash flow budget and annual financial plans; the tools we introduce in this module. In farming, there is often seasonal income that supports the household expenses. One of the challenges in farm household finances is estimating the income and/or setting this income aside so that the household is not overspent on a weekly or monthly basis. Whether this income stays in the farm banking account and is withdrawn on an as-needed basis, is provided as salary or is taken periodically as a "household draw or distribution," the amount needs to be determined for planning and to ensure that household cash flow is positive.

In Module 2 you identified savings goals. The tools in this module provide a place for you to add these goals. The savings categories are listed in the “expense” section of the budget/cashflow statement and you are encouraged to be specific with the amounts of each of these goals with your cashflow statement.

Making A Cash Flow Budget

A cash flow budget projects what money you expect to come in and how much you think you will spend each week and when you expect the expenses to occur. It is different from a regular budget because it breaks down your monthly budget week by week. It accounts for when money and other financial resources are expected and when they must be used on needs, wants, and obligations.

The first steps in making a cash flow budget are tracking your income, expenses and savings. Ideally, you should do this for an entire month. You can use the "Income Tracker" tool in Module 3 and the "Spending Tracker" tool in Module 4 to get started.

Once you have completed these two tools, you can use the "Creating a Cash Flow Budget" tool to bring your income and spending information together and show you how they interact with one another from week to week.

Analyzing Your Cash Flow

A cash flow budget helps you identify where you are falling short each week. It can help you figure out if you have the financial resources on hand to cover the most important expenses, so you do not fall short covering the rent, for example. A cash flow budget can also help you target areas where you can cut back or postpone expenses.

For people who have irregular, seasonal, or one-time income, a cash flow budget is even more important. It can help you plan ways to spread the income you receive over future weeks or months when you do not have money coming in.

Take a look at your total income and benefits and your total expenses for each week. Do you have enough to cover all of your expenses each week? Are there things you can adjust or postpone so you have enough to cover your needs each week?

You can use strategies to keep your cash flow positive each week. That may mean cutting expenses or changing the timing for when some of your expenses happen. Strategies might include:

- Negotiate a new due date for your bills with the company so they are due after you receive income.
- Negotiate splitting a large monthly payment into two smaller ones due at different times.
- Look for ways to consolidate your debt.
- Change large lump-sum payments into smaller monthly payments on things like car insurance.
- Check to see if you qualify for an energy assistance program in your area.

- Look to make sure that you are withholding enough tax from your paycheck(s).
- Automatically deposit a monthly amount into a savings account or savings wallet feature of a prepaid card, so when a large lump-sum payment is due the money is already saved.
- Explore level payment plans for utility bills.
- Talk with your lender about a loan modification - auto, student loan, or mortgage.

If you find you want to cut back in some other areas, put these new target levels of spending on the calendar in the "Adjusting your Cash Flow" tool. For example, if you spend $350 per month on groceries, you may decide to buy some foods in bulk, decreasing the amount you spend on groceries to $325.

There are expenses, such as your vehicle payment, which you cannot easily reduce. These are commonly called fixed expenses. Cutting back on these expenses requires major changes, such as selling your vehicle. Sometimes you can work with your lender to adjust when these expenses are due, which can improve your cash flow. For instance, can you make your payment on the fifth of the month or even split the payment into two smaller ones, due on the first and fifteenth of the month?

Your cash flow budget is about setting targets for how and when you will spend your income going forward. It is important to be realistic when you set targets and focus on the things you have control to change.

Yearly Financial Planning

Depending on your farm operation, income and expenses can be seasonal or sporadic. Yearly financial planning can be important in keeping a positive household cash flow. Knowing when farm income and household expenses occur throughout the year allows you to manage a weekly cash flow. For a farm operation, income that occurs during one time of the year may need to be set aside to support the farm household cash flow budget for the entire year. The “Household Annual Financial Planning Chart or Cash Flow Statement” in this module is the same as the one in the introductory section of the toolkit.

Tool 5-1: Creating A Cash Flow Budget

A cash flow budget is all about tracking the timing of your income and expenses to make sure you have enough from week to week.

Before you can build a cash flow budget, you will need to track your income, resources, and expenses for at least one month. Use the "Income Tracker" in Module 3 and the "Spending Tracker" in Module 4 to help you get started. You will need the information from both of these tools to create your cash flow budget.

What to Do

- Enter your beginning balance for the week.
- Add all of the income and benefits you receive that week. Subtract all of your expenses for that week. Include the money you spend on everyday expenses, bills, and savings. Also include benefits you use to pay for things that would otherwise be paid for with cash, such as SNAP and TANF, also known as government assistance programs. Remember that some benefits may only be used for specific expenses. For example, SNAP benefits can be used for food, but not household items, like paper towels. If you receive a housing subsidy, include the full value of the subsidy under income and resources and the full market rate of your rent under expenses.
- What is left is your ending balance. If it is positive, you have enough income and benefits to make it through the week. If it is negative, you are falling short.
- Copy your ending balance for the week to the beginning balance of the next week.
- Repeat these steps for the rest of the weeks that month.

A Step Further

If it looks like there are weeks where your expenses are more than your income and benefits, you can use the "Improving Cash Flow" tool in the CFPB Toolkit to brainstorm some strategies for getting back on track. It can be found here: https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_improve-cash-flow_tool.pdf

To access a dynamic and fillable version of this tool, visit https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/toolkit/

Consider Expense and Income Timing by Creating a Cash Flow Budget

Steps for completing "Your Cash Flow Budget" Tool on the next page (these steps are identified by number in the first column in the example below):

1. Enter your starting balance for the month under Week 1. This is the total amount of money available to you from cash on-hand, prepaid cards, and checking and saving accounts.
2. Write down the amounts you receive during Week 1 from the categories listed. If you have income from other categories, add them together and write them under "Other."
3. Add up all your income for Week 1 and enter under "Total income."
4. Write down the amounts you spend during Week 1. If you have expenses from other categories, add them together and write them under "Other."
5. Subtract all the expenses for Week 1 from the "Total income" for Week 1. Write this amount in "Ending weekly balance."
6. Copy the amount from "Ending weekly balance" from Week 1 into the "Starting balance" for Week 2. Repeat steps 2 through 5 for the remaining weeks in the month.

Note: Keep in mind that some income and expenses may be part of the farm business operation. In that case, that income/expense would not be included in the household cash flow budget.

BEGINNING WEEKLY BALANCE		1	Starting balance $250	$400	$	$	$
ADD MONEY YOU RECEIVE EACH WEEK		2	+ 300				
			+ 100				
			+				
	Total income	3	= 650	=	=	=	=
SUBTR ACT YOUR WEEKLY EXPENSES		4	— 200				
			— 35				
			— 15				
ENDING WEEKLY BALANCE		5	= 400 60	=	=	=	=
			WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5

Cashflow Budget		Week 1	Week 2	Week 3	Week 4	Week 5
Beginning Balance	Your starting balance is a total of your cash and account balances.	Starting balance $	Wk. 1 ending balance $	Wk. 2 ending balance $	Wk. 3 ending balance $	Wk. 4 ending balance $
Add Income From The Farm	Farm Income	+				
	Lease Income	+				
Add Other Income	Off-Farm Income	+				
	Off-Farm Income	+				
	Govt Assistance	+				
	Govt Assistance	+				
	Savings from Seasonal Income	+				
	Other	+				
	Total income	=	=	=	=	=
Subtract Monthly, Periodic, Or By Paycheck Expenses	Taxes + Benefits Withheld	—				
	Housing/Rent	—				
	Utilities	—				
	Internet/ Phone	—				
	Insurance:	—				
	Insurance:	—				
	Groceries/Food	—				
	Food Away from Home	—				

Cashflow Budget		**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**
Beginning Balance	Your starting balance is a total of your cash and account balances.	Starting balance $	Wk. 1 ending balance $	Wk. 2 ending balance $	Wk. 3 ending balance $	Wk. 4 ending balance $
Cashflow Budget Continued		**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**
	Automobile Payment	—				
	Auto Maintenance/Fuel	—				
	Personal Care	—				
	Clothing	—				
	Child Care/ Dependent Care	—				
	Health and Medical Out-of-Pocket	—				
	Savings Goals:	—				
	Savings Goals:	—				
	Pets	—				
	Education / School Supplies	—				
	Entertainment/ Hobbies	—				
	Gifts/Charity	—				
	School Loans	—				
	Debt/Credit Card	—				
	Other:	—				
	Other:	—				
	Other:	—				

Cashflow Budget		**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Week 5**
Beginning Balance	Your starting balance is a total of your cash and account balances.	Starting balance $	Wk. 1 ending balance $	Wk. 2 ending balance $	Wk. 3 ending balance $	Wk. 4 ending balance $
ENDING WEEKLY BALANCE		=	=	=	=	=

Tool 5-2: Adjusting Your Cash Flow

See how you can improve your cash flow by adjusting your expenses on this calendar. Learning about strategies for improving your cash flow is one thing, but actually putting them into action is another. Laying out your income and expenses on a calendar can help you visualize your cash flow, making it easier to make adjustments.

What to Do

- Fill in the calendar with the dates for that month.
- Use your cash flow budget to enter your income (including benefits) and expenses. It is helpful to use a pencil to make it easier to move things around.
- Try moving expenses around to better align with when you have income in places where you are coming up short.

Take action to make the changes a reality. You can do this by adjusting your spending habits, calling your creditors about changing the due dates of your bills, or splitting large periodic bills into smaller, more frequent ones to make them more manageable to pay.

Better Align Expenses With Income by Adjusting Your Cash Flow

1. Write in next month's name and dates on the calendar.
2. Enter your income sources (jobs, benefits, etc.) and amounts on the day you receive them with a plus (+) sign.
3. Enter your expenses and amounts on the day you pay them with a minus (-) sign.
4. Use ideas from the CFPB's Your Money Your Goals "Improving Cash Flow" tool to adjust the timing of your expenses. For instance, draw an arrow from an expense you can move to a date that is after you get paid. It can be found here: https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_improve-cash-flow_tool.pdf
5. Make copies of this calendar and repeat in a few months to see how you are doing.

Month: ______________________________________

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Example	Groceries -$85	Gas bill -$79		Paycheck Job1: $750			
Week 1							
Week 2							
Week 3							
Week 4							
Week 5							

Tool 5-3: Household Annual Financial Planning Chart or Cash Flow Statement

This tool helps you to plan income and expenses across the year. Use the information you create from the other Module's tools to complete this worksheet and see the big picture for your household finances. Some businesses and lenders consider this a cash flow statement. As you complete the other tools, fill in this chart. You may not need all the rows and please add rows as you deem appropriate.

Income	January	February	March	April	May	June	July	August	September	October	November	December
Farm income that comes to the household												
Lease income that comes to the household												
Off-farm income 1 ___________												
Off-farm income 2 ___________												
Government Assistance Programs												
Alimony/Child Support												
Interest or Investment Income												
Other _______												
Total Income												

EXPENSES	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
Benefits / Taxes Withheld from Paychecks												
Housing/ Rent												
Mortgage/ Home Equity Loan												
Utilities - Electric, Gas												
Utilities- Water, Waste												
Taxes - Home												
Taxes – Property/Land												
Connectivity: Cell Phone/Internet/ Cable TV /Streaming services												
Insurance - Home												
Insurance - Auto												
Insurance - Life												
Insurance – Health												
Insurance – Disability												
Long-term Care Insurance												
Insurance – Other _______________												

EXPENSES Continued	January	February	March	April	May	June	July	August	September	October	November	December
Savings Goal ______________												
Savings Goal ______________												
Savings Goal _____________												
Investments												
Groceries/Food												
Food Away from Home												
Automobile/ Vehicle Payment												
Automobile Maintenance/Fuel												
Personal Care												
Clothing												
Child Care/ Dependent Care												
Health and Medical Out-of-Pocket												
Pets - Care, Food												
Pets - Veterinary Services												

EXPENSES	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
Education/ School Supplies												
Entertainment/ Hobbies												
Gifts/Charitable Donations												
School/ Student Loan												
Debt/Credit Card ________________												
Debt/Credit Card ________________												
Other Loan _______												
Other Loan _______												
Other Expenses ________________												
Other Periodic Expenses ________________												
Total												
Income – Expenses = Balance												

MODULE 6 - Dealing with Debt

Learn about ways to manage and pay off your debt. The more you know about how debt works, the easier it will be to make choices that are right for you.

At A Glance

This module will help you get a picture of what and who you owe, identify your payments, and suggest ways to manage your debt. This module focuses specifically on loans related to personal finance.

Tools in this Module:

Tool 6-1: Creating a Debt Log

Tool 6-2: Debt To Income Ratio Calculator

Tool 6-3: Debt Action Plan

Introduction

What is debt? Debt is money you owe to another person or business. Whether you took out a loan, used a credit card, or got behind on a bill payment, that is debt and an obligation.

Debt can be hard to face when it feels like a barrier to your goals, but it is important to remember that there are resources you can use to help you take control of your debt. Even small steps toward paying down debt can make a big difference in making it feel more manageable.

Debt can be complicated. There are many terms and concepts related to debt that are important to understand to help you better tackle your debt. This is especially true for farmers/ranchers, as debt can be owned by the individual or the farm operation. Balancing ownership of assets and debt with the security of farm and household are important considerations when taking on new debt.

Regardless of whose name is on the debt, it is best practice for farm/ranch operating debt to be taken on and managed through the farm/ranch enterprise and paid for from operating funds. The same should be considered for household debt. This debt should be paid from household funds and be kept separate from the enterprise.

Good Debt or Bad Debt?

Sometimes people label debt as "good" or "bad" debt. Some debt can help you reach your goals or build assets for the future. People will often say that borrowing to buy a home, strengthen your business, or purchase a reliable car can be a good use of debt.

But it is not always that simple. You need to look at things like whether the benefit of that debt's outcome (like increased income, reliability, or productivity) will outweigh the cost of the actual debt. But those beneficial outcomes are not guaranteed.

For example, taking out a loan to buy land, a home, or other property may be a way to reach your goals by helping you to expand your farm/ranch operation. But if you are unable to keep up with the payments or if you end up owing more than the home or property is worth when you sell it, the debt may set you back for a long time.

Taking out a loan to buy a reliable piece of farm/ranch equipment could help generate more product or complete farm tasks in less time, which could help you to increase your income, pay your bills, and save for goals. However, if you take out an equipment loan that has a longer pay off term than the remaining life of the piece of equipment, you could still owe money on the old equipment when you need to borrow for a new one. Or if you buy equipment that is more expensive than you need, you will have less money for other bills. While it may help you get more work done, it might keep you from reaching your other financial goals. AND if this truly is an operational loan than it should be paid for from the enterprise budget, not the household budget. It is important to look at the bigger financial picture; both household and operation.

Borrowing to Further your Education

This type of debt may be a good use of debt because earning a certification or degree could help you learn new strategies and tools for improving your farm or ranch. But if you take on the debt and are not able to make changes that improve the operation, this student debt has set you back instead of helping you reach your goals.

Some people consider loans such as credit card debt, short-term loans, and pawn loans "bad" debt. They may carry fees and interest, and if they are used for things you consume (like meals out, gifts, or a vacation), they do not help build assets. But these sources of debt can help cover a gap in your cash flow if you have a way to repay them that fits within your budget and does not require borrowing again to pay for that original debt.

There is no one type of debt that is "good" or "bad" for everyone. That is why it is important to first understand your goals before you borrow. Then you can shop for the best way to pay for what you need, especially for large purchases, before you make the final decision on your purchase.

Secured And Unsecured Debt

Another way to understand debt is whether it is secured or unsecured. Secured debt has an asset attached to it. The asset is given as collateral for the loan. When debt is secured, a lender can take that asset if you get too behind on payments.

Here are some examples of secured debt:

- A home mortgage loan is secured with the home you are buying. If you do not pay your loan, the lender can foreclose on your home, sell it, and use the money from the sale to cover some or all of your loan. In some states, the lender can ask you to pay the balance if the sale does not pay off the loan.
- An auto or equipment loan is secured with your car or equipment. If you do not pay your loan, the lender can repossess (repo) your car or equipment and sell it to cover some or all of the loan. In some states, they can also ask you to pay the balance if the sale does not pay off the loan. Often large equipment loans work the same way, where the equipment is collateral for the loan.
- A pawn loan is secured with the item you have pawned. The lender physically holds the item during the loan. If you do not make the payment when it is due, the pawned item becomes the property of the pawn shop and is eventually sold.
- An item purchased under a rent-to-own agreement must be returned or it will be picked up by the store if you do not make the regular rental payments. When the terms of the rental agreement have been reached, then you own the item.
- Debt from a secured credit card is secured by funds you deposit at a bank or credit union when you open the card. Your credit limit will generally equal your deposit. For example, if you deposit $300, your credit limit will be $300. If you do not pay back the credit card, the bank can pay itself from your deposit. You can use a secured credit card to build up your credit history. This can help you qualify for an unsecured credit card in the future.

Unsecured debt does not have an asset attached to it. If you do not pay these loans, they often go directly to collections, since there are no assets associated with the loan to repossess.

Examples Of Unsecured Debt Include:

- Credit card debt (most credit cards are unsecured)
- Store charge card debt (for example, a Tractor Supply Co. credit card)
- Veterinary services debt (including CareCredit cards)
- Medical debt
- Student loans

Co-Signers: Agree To Repay The Loan

If you are considering co-signing a loan, you should first understand what you are agreeing to. A co-signer is a co-borrower and has the same obligation to pay a debt as the primary borrower. You owe the money that you co-sign for even if you do not receive any of it. Lenders sometimes ask for a co-signer when they are concerned that a prospective borrower will not be able to repay a loan. The co-signer helps decrease a lender's concern about repayment.

Co-signing a loan is not simply serving as a character reference for someone else. If you are the co-signer, you have to pay back the loan if the borrower does not pay it. In most cases a lender or creditor does not even have to first try to seek repayment of a debt from the borrower before seeking repayment from you as a co-signer. Your credit scores may also be affected if the borrower is late with or fails to make one or more payments.

Co-signing a loan may also affect your ability to obtain a future loan because a creditor may take into account the increased amount of debt that you have as a result of co-signing for a loan. For example, if you were to co-sign a loan for your farm or ranch business, it would also affect your personal credit and ability to take out any new loans. Later in this module, you will see a "Debt-to-Income Ratio Calculator" Tool, make sure to include any loans on which you have co-signed in this tool, as it will affect your ratio overall.

If you decide to co-sign for a loan, you should read the terms of the loan and consider carefully before taking on the risk of co-signing.

A joint account holder for a credit card has the same responsibility to pay as a co-signer on a loan. Any past due balances of the other joint account holder will also add to your debt and affect your credit scores.

However, if someone is added to a credit card account as an authorized user, they are not generally responsible for paying past due balances. But they are still able to use the credit card. Be careful when adding authorized users to your account, because they can create added debt that you will then have to pay.

Types of Debt

Different types of debt have different rules about borrowing and repayment. It is important to know these details so you can best prepare for how to better handle your debt.

In this module, we will review student loan debt, medical debt, short-term loans, auto/equipment title loans, and rent-to-own arrangements.

Student Loan Debt

Many people take out student loans to help pay for their own education or someone else's education, like a parent taking out a loan for their child. There are two general types of student loans: federal student loans and private student loans. Be sure to read your loan documents carefully to understand what kind of student loan you have and how long you have to repay it. With both federal and private student loans, late payments will affect your credit history and may result in collections.

Federal Student Loans

These loans are made or guaranteed by the federal government. They usually have names like Direct Loan, Stafford, Parent PLUS, or Perkins.

Federal student loans usually offer **more flexible repayment options** than private student loans. The interest rate on federal student loans is set by the government and is fixed, which means it will stay the same for the length of the loan. Also, with certain types of federal student loans (called subsidized loans), the government will pay the interest on your loan while you are in school at least half-time.

Repaying Federal Student Loans

There are many options for repaying federal student loans to help make them more affordable to pay. Paying your loans on time and being in good standing are important to help you qualify for these repayment plans. **So do not ignore student loan payment notifications.** Missing payments on your federal student loans can hurt your ability to qualify for an alternative repayment plan that could lower your monthly payments. Contact your loan servicer if you fall behind.

You may not be eligible for an alternative repayment plan, based on the type of the loan you have and your financial circumstances. If you do apply for a different repayment option, it is important to continue making your loan payments under your current payment schedule until you receive written notification that you have been approved. This ensures your loan will continue to be in good standing.

Finally, you may also apply for loan forgiveness, cancellation, or discharge. If your loan is forgiven, cancelled, or discharged, you are no longer expected to repay the loan. This can only happen in certain situations, including:

- Your school closes permanently or shuts down before you complete your program
- Teacher loan forgiveness if you are a teacher working full-time in certain educational settings for five complete and consecutive academic years

- Public Service Loan Forgiveness (qualify while working in the public service sector, for a government agency or non-profit organization, making 120 loan payments on a Direct Loan under a qualifying repayment plan)
- Total and permanent disability
- Death (someone would apply on your behalf after death)
    - Except in these circumstances, it is very difficult to eliminate federal student loan debt, even in bankruptcy. If you are thinking about filing for bankruptcy, you may want to talk with a bankruptcy lawyer or legal aid organization.

<u>Private Student Loans</u>

Private student loans are made by a lender such as a bank, credit union, state agency, or a school. They may have names like "alternative" or "institutional" loans. Most private student loans have variable interest rates, which means that your interest rate could increase or decrease over the life of the loan.

Private student loans do not generally offer the flexible repayment terms or borrower protections featured in federal student loans. You might also need a cosigner to qualify for some private student loans.

<u>Repaying Private Student Loans</u>

Private student loan repayment options are generally more limited than federal student loans. **If you are having difficulty paying back a private loan, then it is important to communicate with your loan servicer.**

Private lenders may offer forbearance options that allow you to delay some payments on the loan. They may also offer alternative repayment plans, including plans where payments start low and gradually increase over the loan term (known as "graduated payment plans"). Some private lenders may also modify loans based on a borrower's financial circumstances, on a case-by-case basis. Finally, some lenders will cancel or forgive debt upon the death or disability of a borrower. To learn more about these options, contact your private student loan servicer.

<u>Unpaid Student Loans</u>

It is important to note that unpaid federal student loans can be collected in special ways, while private student loans are collected using regular debt collection practices. For instance, the Department of Education can garnish some federal benefits, such as Social Security and certain Veterans' Assistance benefits without a court order if you owe back-payments on your federal student loan. They can also take unpaid federal student loan debt payments out of your tax refund. If you are afraid that your federal benefits could be garnished to pay off missed payments on unpaid federal student loans, consider talking to a lawyer.

Debt collectors or private student loan collectors cannot garnish your exempt federal benefits. On both federal and private student loans, a loan servicer or debt collector can report the bad debt to a credit reporting company and can sue you in court to try to collect the remaining debt.

The CFPB has a section on its website dedicated entirely to helping you plan for ways to pay for education and training after high school. Whether you are preparing for college, attending school, or already repaying your student loans, CFPB has tools and resources to help you make the best decisions for you. Tools at http://www.consumerfinance.gov/paying-for-college can help you:

- Choose a loan
- Compare financial aid packages and college costs across more than one school
- Manage your money while in college
- Repay your student loans

Medical debt

For many people, a large portion of the money they owe is medical debt. Thirty-seven percent of working-age adults in America reported having trouble paying medical bills or having medical debt in 2016.[5]

Medical debt has increasingly been a major factor in the decline of credit scores for some people. The three major credit reporting companies— Equifax, Experian, and TransUnion — have recently begun to make changes to the way they report medical debt. In general, they wait longer to include medical debt on the credit report than they would for other types of debt. The federal government has also been considering new regulations around the reporting of medical debt on credit reports. If you are dealing with medical debt, be sure to check the most current

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[5] S.R. Collins, M.Z. Gunja, M.M. Doty, and S. Beutel, How the Affordable Care Act Has Improved Americans' Ability to Buy Health Insurance on Their Own, page 15, The Commonwealth Fund, February 2017. See: https://www.commonwealthfund.org/publications/issue-briefs/2017/feb/how-affordable-care-act-has-improved-americans-ability-buy

regulations by the federal government and your state government[6]. You will want to make sure you understand how this debt should be reported and make sure that it was reported correctly.

If you are having difficulty paying a medical bill out of pocket, you may be offered different payment plans and options. It is important to read and understand the terms of these repayment options. Some involve paying off the medical debt with a credit card, like CareCredit. Usually, they offer an interest free period to allow time for you to repay the debt. However, if you use a credit card or other credit product, the debt is no longer medical debt. This means that it can be reported to the credit bureaus. Be sure to carefully consider all your repayment options.

If there are mistakes on the explanation of benefits from your health insurance company or you are billed for medical services you never received, the biller may have made a mistake, or you may be the victim of identity theft. Contact the biller right away.

Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

Short-Term Loans

Short-term loans are generally for $500 or less and are sometimes called payday loans, cash advance loans, or small dollar loans. The lender might give you the money as cash, load the funds onto a prepaid card, or electronically deposit the money into your checking account.

Payday loans, also called cash advance loans, are generally due on your next payday or have to be repaid within two to four weeks. You must either give the lender access to your checking account by electronic debit or write a post-dated check for the full balance in advance, so the lender can deposit your check when the loan comes due. Lenders sometimes require a borrower to provide a pay stub or benefits receipt or provide the amount of their income.

Depending on state law and individual lender practices, other loan features can vary. For example, payday loans are often structured to be paid off in one lump-sum payment, but interest-only payments ("renewals" or “rollovers”) are possible in some states. In some cases, payday loans may be designed so that they are repayable in payments over a longer period of time, called “payday installment loans.”

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[6] Two resources provide information about medical bills and credit reports: Found: https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/

Found: https://www.npr.org/2025/07/15/nx-s1-5468438/medical-debt-credit-reports-ruling

The cost of the loan may range from $10 to $30 or more for every $100 you borrow. So, a typical two-week payday loan with a $15 fee per $100 borrowed equals an annual percentage rate (APR) of almost 400 percent.

See: https://www.consumerfinance.gov/ask-cfpb/what-are-the-costs-and-fees-for-a-payday-loan-en-1589/[7]

You may also have to pay additional fees to your bank or credit union if there is not enough money to cover the loan payment when the payday lender tries to take the money you owe out of your account or cash the postdated check. This is on top of fees you are already paying the lender.

State laws and other factors can influence how much you can borrow and the fees you are charged. Some state laws restrict or prohibit payday loans and other short-term lending options. Reach out to your state Attorney General's office for information on state-specific laws and consumer protections.

How Do Short-Term Loans Work?

Here is an example of how a 14-day loan may work. Note: 14 days is used for example purposes only. Repayment may fall on the next payday or another period as specified by state law or loan agreement.

A borrower visits a storefront lender or an online lender website and completes an application. There is generally no traditional credit check. Usually, the borrower only needs a bank or credit union account. The borrower writes a post-dated check or provides electronic access to the account.

The borrower gets the loan (the average loan amount is $350) and pays $10-$30 per $100 borrowed ($15 per $100 is the average fee for storefront payday loans; fees for online payday loans may be higher).

The borrower provides the lender with a 14-day post-dated check for the amount of the loan plus the fee ($350 + $52.50 = $402.50). The lender may also seek the borrower's authorization to take the money out of their bank or credit union account.

In 14 days, the loan is due. If the borrower does not have $402.50 to make the payment, s/he could renew or rollover the loan. Then s/he will pay the $52.50 fee again. Every 14 days, the borrower must pay the full amount or renew the debt by paying another fee of $52.50. The

[7] Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. To pay off this credit card balance in full, the individual will have to make $25 payments for 15 months, and then pay just over $15 in the sixteenth month.

average borrower takes out five loans in a row before repaying the full original loan amount (and not borrowing again shortly thereafter). In this loan example, that would mean the borrower will have paid a total fee of $262.50 to borrow the original $350.

Auto or Equipment Title Loans

An auto title or equipment title loan is another type of short-term loan. You are typically required to own your vehicle or equipment free and clear (without an auto/equipment loan or lease) and must give the lender the title to your vehicle or equipment in order to borrow money. If you are unable to repay the loan, the lender can seize or repossess your vehicle or equipment and sell it if you do not repay the loan, even if your vehicle or equipment is worth more than the loan amount.

Auto or equipment title loans are often for amounts that are equal to 25 to 50 percent of the total value of the vehicle or equipment. A typical auto/equipment title loan is about $700. These types of loans tend to have an annual percentage rate of about 300 percent for a 30-day single payment loan. Auto/equipment title loans can be repaid in a single payment or in regular installment payments. If the state you live in permits these loans, you may be able to choose between repayment options or you may be limited to just one or the other. The majority of borrowers (about 80 percent) are not able to repay a single payment auto/equipment title loan without re-borrowing. More than half of auto/equipment title borrowers take out more than three consecutive loans before they can repay the original amount.

If you cannot repay the loan in full either in a single payment or after taking out repeated loans, your vehicle or equipment can be repossessed. If that happens, state laws determine what repossession fees may be added and how long you have to pay off the balance due in order to get your vehicle or equipment back. If your vehicle or equipment is repossessed and you cannot afford to pay back your loan plus the repossession fees, your vehicle or equipment may be sold at auction. In some states, if the sale price does not cover what you owe, you may still have to pay the difference.

If you borrow personally for items being used mainly for business purposes, for example a tractor or farm truck, it is important to recognize that you are leaving your personal credit more vulnerable. If you are borrowing through the business and you default on a loan, your personal finances are somewhat shielded in that situation. This is yet another example of the importance of unwinding your personal or household finances from your farm business finances.

Rent-to-Own Arrangements

Some people use a rent-to-own arrangement to get consumer goods, like furniture, electronics, and appliances. This is where you rent the items and typically have the option to purchase the items in one of two ways: by continuing to make payments for a specific period of time or by paying off the balance during the term of the contract.

Items rented or purchased this way tend to be more expensive in the end than if you had bought them outright. In addition, if you miss a payment the rent-to-own company can take the item back.

You also have the option to return the item at any time. If you return the item or the rent-to-own company takes it back, you do not get a refund of any money that you already paid.

Avoiding Problems with Debt

Sometimes people do not have the money to repay a loan and the finance charges when they are due. This can happen with short-term loans that have to be paid back in just one or a couple of payments. In this situation, some people take out another loan to pay off the first one.

It can be difficult to escape the cycle of borrowing to cover the loan payment and still be able to pay for other expenses like food, rent, and transportation. If you are considering a short-term loan product to meet an immediate need, it is important to think about how you will pay off the loan before you borrow.

The kinds of loans that often lead to frequent re-borrowing have many things in common:

- Small dollar loans, generally under $500
- Must be repaid quickly (14 days is a typical payday loan term, for example)
- Require you to provide your bank account information to your lender, so that the lender can automatically take payments from your account. If you do not have sufficient funds in your account at the time of the automatic payment, you may have to pay fees to your bank or credit union for non-sufficient funds in the account.

Make sure you know how you will repay your loan and how much the loan could ultimately cost you before agreeing to use any form of credit. If you find that you cannot make your loan payment and cover your other expenses without taking out a new loan, ask the provider for a repayment plan that gives you more time to pay off the loan. Some lenders may not offer you any options.

Alternatives To Short-Term Loans

If you are short on cash, consider some alternatives to borrowing small amounts of money for a short period of time.

- Negotiate for more time to pay if the loan is to pay a bill that is due.
- Think about what you are borrowing the money for. Is it a need, an obligation, or a want? If it is a want, consider whether it is possible to spend less money for it, not purchase it, or wait until you have the money for it.
- Use a credit card if you have one that is not maxed out— while it will increase your monthly card payment, it could be cheaper in the long run depending on interest rates and fees.
- Use lower-cost, short-term loan alternatives from a credit union or bank. If you do not qualify for this type of loan, consider using the "Getting and Keeping a Good Credit History" tool in Module 7.
- Use your own emergency savings. See the "Savings Plan" tool in "Module 2: Saving for Farm Households" for tips on how to build an emergency savings fund.
- Discuss the situation with a credit counselor or financial coach.

  You can find a credit counselor at https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/.

- Borrow from a friend, family, or household member. A community-based lending circle can formalize this sort of borrowing with a group of friends and neighbors.

Consider this scenario using different options for taking care of an emergency expense. It looks at the costs of paying for an unexpected car repair with emergency savings, a credit card, or a payday loan.

Example Payment Options For The Cost Of Unexpected Car Repair = $350

Cost Information	Emergency Savings	Credit Card	Payday Loan
Amount needed	$350	$350	$350
Annual Percentage Rate (APR)	None	15.99 percent APR	$15 for every $100 borrowed for 14 days— equals a 391 percent APR
Repayment Terms	You can decide when you rebuild your savings	Must pay at least a certain amount each month—for this example, we are using a fixed monthly payment of $25	Must pay back loan amount ($350) plus fee ($52.50) within 14 days
Time to Repay	None	16 months [8]	14 days
Total Interest and Fees	$0	$40 over 16 months	52.50 for every 14-day loan
Total Cost of the repair	$350	$390	$402.50 if repaid on time

The total cost of a payday loan depends on how long it takes you to save up to pay back the entire loan. In the example above, if you renew or roll over this loan four times, you would be in debt for a total of 10 weeks and could pay up to $262.50 in fees plus the $350 you borrowed, for a total of $612.50.

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[8] Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. To pay off this credit card balance in full, the individual will have to make $25 payments for 15 months, and then pay just over $15 in the sixteenth month

Debt Settlement Services

Debt settlement companies say they can renegotiate, settle, or in some way change the terms of your unsecured debt to a creditor or a debt collector. That may include reducing the balance, interest rates, or fees you owe. It is possible for you to try to do this yourself by contacting your creditors.

Debt settlement companies charge fees, but it is generally illegal for them to charge up-front fees. Some debt settlement companies advertise that they will help consumers, but they ask you to stop paying your debts while you save up money to settle the debts. Not paying on your debts can create problems for you.

You should avoid doing business with any company that promises to settle the debt if the company:

- Charges fees before it settles your debts
- Promotes a "new government program" to bail out personal credit card debt
- Guarantees to you that it can make the debt go away
- Tells you to stop communicating with the creditors
- Tells you it can stop all debt collection calls and lawsuits
- Guarantees that the unsecured debts can be paid off for pennies on the dollar

Dealing With Debt Collectors

If you are experiencing challenges with debt and are receiving calls from debt collectors, it is important to understand your rights under the Fair Debt Collection Practices Act.

For more information about this law and what debt collectors can and cannot do, please review the law here: https://www.ftc.gov/legal-library/browse/rules/fair-debt-collection-practices-act-text. The Consumer Financial Protection Bureau also has resources about debt collection for a variety of topics. Start by visiting this website: https://www.consumerfinance.gov/consumer-tools/debt-collection/.

If you receive calls from debt collectors about debts that do not belong to you, you may be the victim of identity theft. Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

Tool 6-1: Creating A Debt Log

Before you can make a plan for paying your debt, you first have to know what you owe.

A debt is money you owe. For things like rent-to-own arrangements, credit cards, payday loans, student loans, and mortgages, the total amount you borrowed is your debt. So, your total monthly payment (including interest or fees) is part of your debt payment. The focus of this tool will be personal or household debt. Debt that is related to the business of the farm or ranch should be kept separate.

There are other kinds of debt besides loans. For instance, your monthly electric bill is not a debt, but if you are past due on your bill, that amount and any fees become debt. That past-due amount should be counted in this tool as part of your monthly debt.

The first step in managing and reducing your debt is to make a list of who you owe money to and how much you owe them. Be sure to include debts owed to friends, family, or household member, credit card companies, banks, department stores, and payday lenders. Also include any money you owe for past due, court-ordered child support payments, past due rent, and past due payments to local, state, or federal government for things like property taxes and back income taxes. You can gather this information from your free credit report, bills, and loan statements.

What to Do

- Gather all of your bills and loan statements to help you figure out what you owe.
- Get a copy of your credit report. Use the "Requesting Your Free Credit Reports" tool (in Module 7) if you do not have a recent copy. This can help you find any debt you may have forgotten about or has been sent to collections.

A Step Further

If you are worried about debt or thinking about adding to your debt, it helps to first understand your total level of debt. Use the "Debt-to-Income Ratio Calculator" to measure exactly how much debt you have compared to your income. You can also use the "Debt Action Plan" to help prioritize payments.

Documents That Can Help You Complete The "Debt Log"

If you do not have all the information you need to complete the "Debt Log," these documents can help you fill in the blanks. Here is the type of information you can find on each.

Credit Reports

- Your monthly payment amounts
- The balance (the amount you still owe)
- Whether you are up to date or more than 30 days late on payments
- Your status as owner, co-signer, or authorized user (if you are an authorized user on someone else's account, the debt showing on your credit report may be money they have spent that you are not responsible to pay; only include that amount in this tool if it is money you are responsible for)

Credit Card Statement

- Payment date
- Minimum payment amount
- Interest rate
- Payoff date if you continue to make minimum payments

Loan Or Mortgage Agreement

- Interest rate
- Payment date
- Fees
- Payoff date

Court Orders

- Payment amount
- Due date
- Any other terms

Billing Statements

- Past-due amounts
- Late fees

Steps to Creating a Debt Log:

1. In the table below, list all the debts you have, including who you owe them to. Fill out the table to see your total monthly debt payments.
2. Repeat this exercise every few months to track if your debt is growing or shrinking.

Common Debt Types to Include in your Debt Log

- Vehicle or Equipment Loan
- Back Child Support
- Credit Card Debt
- Friends, Family, or Household Members
- Medical Debt
- Mortgage or Past-due Rent
- Past-due Fees and Fines
- Payday Loan
- Student Loan

Debt and who pays it (Household or Farm)	Payment amount and date	Payment is up to date?	Total amount left to pay	Interest rate (if any)	Payoff date or goal
I.e. Jeep Car Loan, Household	$ $230 Date: 15th	yes	$ $15,000	4.5 %	3 years
	$ Date:		$	%	
	$ Date:		$	%	
	$ Date:		$	%	
	$ Date:		$	%	
	$ Date:		$	%	
	$ Date:		$	%	
	$ Date:		$	%	
Total Monthly Debt Payment	$				

Tool 6-2: Debt-To-Income Ratio Calculator

Figure out your debt-to-income ratio to see how much of your income goes toward paying debt each month. Determining your debt-to-income ratio is one way to check the overall health of your finances. It measures how much pressure debt is putting on your budget, which helps you decide if you can handle more debt.

For example, if you have a debt-to-income ratio of 36 percent, then 36 cents of every dollar earned is going to pay for debt, leaving you 64 cents to pay for everything else.

A high debt-to-income ratio could affect your ability to get additional credit because creditors may be concerned that you will not be able to handle your debt on top of what you already owe.

You can also use the debt-to-income ratio as a benchmark for reducing your debt—as your debt decreases, so will your debt-to-income ratio. This means money is being freed up to use on other things like saving, expenses, and emergencies.

What to Do

- Complete the "Debt Log" to figure out your total monthly debt payment. If you have court-ordered fixed payments, such as child support, count these as debt for this purpose.
- Figure out your gross monthly income (before taxes or insurance). This includes money earned from a job or child support payments you may receive. If your income varies from month to month, estimate your income on a typical month (it is better to estimate lower for the purposes of this tool).

A Step Further

If your debt-to-income ratio is above the guidelines, use the "Debt Action Plan" to help reduce your debt and lower your debt-to-income ratio. A low debt-to-income ratio is ideal because lenders use your debt-to-income ratio when considering loan applications.

The Debt-to-Income Ratio Calculator gives you a benchmark for planning

1. Enter your total monthly debt payment on the first line of the equation. You can copy it from the "Debt log."
2. Enter your gross monthly income on the second line. If your income varies from month to month, estimate what you receive in a typical month.
3. Calculate your debt-to-income ratio and review the recommended ratios to see how yours compares.

Calculate Your Debt-To-Income Ratio

Your total monthly debt payment includes your mortgage, equipment, credit card, student, auto, and other loan payments, as well as court-ordered fixed payments, like child support	
Divide by your gross monthly income, which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current debt-to-income ratio	%

Here are some guidelines to think about:

Homeowners – 36% or less	Renters – 15 -20% or less
Consider maintaining a debt-to-income ratio for all debts of 36 percent or less. Some lenders will go up to 43 percent or higher. Your home mortgage is included in this ratio.	Consider maintaining a debt-to-income ratio for all debts of 15-20 percent or less. Your rent is not included in this ratio.

If your debt-to-income ratio is higher than the guideline (as either a homeowner or renter), you may want to think about ways to lower debt to put less pressure on your budget. Use “Tool 6-3: Debt Action Plan" for help.

Calculate Your Mortgage Debt-To-Income Ratio

Mortgage lenders look at your debt-to-income ratios for both total debt and mortgage debt when considering your loan application. If you are a homeowner, you can also calculate your mortgage debt-to-income ratio.

Your total monthly mortgage debt payment includes only the principal and interest on your mortgage. Your property taxes, insurance, and condo or homeowner association fees may or may not be included in your monthly mortgage payment, but are not included in this calculation	
Divide by your monthly gross income which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current mortgage debt-to-income ratio	%

If your ratio is higher than the guidelines, and you want help, consider contacting a certified HUD housing counselor.

Find a certified counselor by visiting http://www.consumerfinance.gov/find-a-housing-counselor.

Tool 6-3: Debt Action Plan

Picking a strategy to repay your debt can help you start reducing it and make progress toward achieving your goals. It can be difficult to make a dent in your debt if you only pay the minimum balance every month. If you have money left over in your budget to pay more than the minimum, there are two basic strategies on how to best apply it.

You can either pay your debts from smallest to largest or focus on repaying the ones with the highest interest rate first. One strategy is not better than the other; they each have pluses and minuses to consider.

University of Utah Cooperative Extension has developed a tool called PowerPay that will give you the tools to develop a personalized, self-directed debt elimination plan. Discover how quickly you can become debt free, and how much you can save in interest costs by following your debt reduction plan. Utah State University Extension is pleased to provide this debt management tool without any cost to consumers worldwide. This tool can be found at: https://extension.usu.edu/powerpay/.

PowerPay will ask you to provide information about your debt by providing the interest rate, balance and monthly payment. It can help you calculate a debt payment plan using either of the repayment methods. Use the form below to help gather your information.

Choose the strategy that helps motivate you the most, so you feel encouraged to keep paying down the debt.

What to Do

- Pick a repayment method that works best for you.
- List your debts in order based on the interest rate or the overall size of the debt.

Start Reducing Your Debt By Making A Debt Action Plan

1. Review the pros and cons of each strategy for paying down debt.
2. List your top debts, sorted based on the strategy you chose—either by smallest total dollar amount or highest interest rate

<table>
<tr><th></th><th>Pay Smallest Debt First</th><th>Pay Highest Interest Rate First</th></tr>
<tr><td>Description</td><td>After you have made all your minimum payments, increase your payment on the smallest debt. After it is paid off, add that extra amount to your minimum payment on the next smallest debt.</td><td>After you have made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it is paid off, add that extra amount to your minimum payment on the next highest-rate debt.</td></tr>
<tr><td>Pro</td><td>If you have many small debts, you might see progress quickly by reducing the number of debts you owe.</td><td>By paying off the debts that charge you the highest interest and fees first, you save money overall.</td></tr>
<tr><td>Con</td><td>If the interest rate and fees are high on your larger debts and you pay the smaller ones first, you might pay more in total over the length of the debt.</td><td>You might not feel like you are making progress very quickly, especially if the first debt is large.</td></tr>
<tr><td></td><td>I will pay down the smallest debt first, in this order:
<table>
<tr><th>DEBT</th><th>AMOUNT</th></tr>
<tr><td>1.</td><td>$</td></tr>
<tr><td>2.</td><td>$</td></tr>
<tr><td>3.</td><td>$</td></tr>
<tr><td>4.</td><td>$</td></tr>
</table></td><td>I will pay down the debt with the highest interest rate first, in this order:
<table>
<tr><th>DEBT</th><th>INTEREST RATE</th></tr>
<tr><td>1.</td><td>%</td></tr>
<tr><td>2.</td><td>%</td></tr>
<tr><td>3.</td><td>%</td></tr>
<tr><td>4.</td><td>%</td></tr>
</table></td></tr>
</table>

MODULE 7 - Understanding Credit Reports and Scores

Building a positive credit history (which is measured through credit reports and credit scores) can help you get a loan, seek off-farm employment, or purchase an automobile, equipment, or house.

Having a positive credit history is important for your farm business too. For an operation that is a sole proprietorship, your credit report for the family is the same as the business. In other words, financial decisions can impact the availability and cost of credit for both household and the farm enterprise. For example, purchasing a piece of farm equipment can impact the interest rates and ability to purchase a car for the household. This module explains credit reports, credit scores, identity protection through credit freezes, how to fix errors on your credit report, and steps you can take to improve your credit score.

At a Glance

This module explains the importance of credit reports and scores and reviews ways to improve and maintain your credit history.

Tools in this Module:

Tool 7-1: Requesting Your Free Credit Reports

Tool 7-2: Reviewing Your Credit Reports Regularly

Tool 7-3: Disputing Errors On Your Credit Reports

Tool 7-4: Getting And Keeping A Good Credit History

Introduction

The concept of “credit” can be complicated. People sometimes confuse the words debt and credit because they both have to do with borrowing money.

A simplified way to tell them apart is to think of credit as the ability to borrow money and repay it later, while debt is the money that you have to repay when you have used credit. You can have credit available to use without having debt. For example, you may have a credit card that is paid off—meaning you have credit available to use but do not owe any debt.

For farm/ranch audiences, especially sole proprietors and LLCs (Limited Liability Companies), it can be even more complicated in that credit and debt may be associated with the household as well as the farm/ranch enterprise and your ability to access credit and pay the debt will be interconnected. Many small businesses separate accounts and establish credit in the business name to build a credit history and protect household credit access. This can be essential when applying for credit for farm equipment from an equipment dealer or Farm Credit Services or seeking grant assistance from a Farm Services Agency.

Why Do Credit Reports And Scores Matter?

Some people say credit reports and scores do not matter to them because they do not plan to get a loan. But the information in your credit reports is also used to make other kinds of decisions about you.

A poor credit history can make it difficult for you to:

- Get a job
- Get and keep a security clearance for a job, including a military position
- Get an apartment
- Get insurance coverage
- Pay lower deposits on utilities and get better terms on cell phone plans
- Get a credit card
- Improve your credit score (because the information used to calculate your scores comes from your credit history)

Having a poor credit history or low credit scores can create obstacles for you, such as costing you more money in terms of the price you will pay for loans, credit cards, and other services.

One reason it is important to pay bills on time is to create a positive credit history and boost your credit scores. You also need to pay attention to what is in your credit reports. Since credit scores are calculated based on the information in the reports, take the time at least once a year to make sure the information in your reports is accurate. You can do this for free. Use the “Requesting Your Free Credit Reports” tool in this module to get started.

Understanding Credit Reports

What is In A Credit Report?

Credit reporting companies collect information about you from many sources, including "furnishers." ***Furnishers*** are people or companies that provide information about your credit, banking, payment history, and other behavior.

Each of the three major nationwide credit reporting companies — Equifax, Experian, and TransUnion — collects information about you to make their own credit report. There are also lesser-known credit reporting companies. So, if you have credit, you will likely have more than one credit report. It is important to make sure that the information listed about you is accurate with at least the three largest companies listed above. Sometimes information about you is not reported to every credit reporting company, causing differences among your reports.

The three nationwide credit reporting companies are required to ensure that new and existing public record information that they use comes from sources that include specific information about you. This includes your name, address, and either your Social Security number or date of birth. This is to help keep the information accurate. The credit reporting companies update this every 90 days.

How Is My Credit Report Used?

Lenders use credit reports to help them decide whether to loan you money and what interest rates they will offer you. They also use your credit reports to determine whether you still meet the terms of an existing credit account.

Other businesses might use your credit reports to determine whether to offer you insurance; approve you to rent a house or apartment; or provide you with cable TV, Internet, utility service, or a cell phone plan. If you agree to let an employer look at your credit report, it could also be used to make employment decisions about you.

Negative Information on your Credit Report

Negative information, like a history of late payments or bankruptcy, can affect your ability to get credit and affect the terms of the loan offers you get. Usually, this kind of negative information can appear on your credit report only for a specified period of time—seven years for most items.

A bankruptcy can stay on your credit report for up to 10 years. For civil suits and judgments, such as back child support payments, the information can appear on your credit report for seven years or until the statute of limitations has expired, whichever is longer.

Positive information, like a history of on-time payments, can stay on your credit report forever.

While there are usually time limits on how long negative information can appear on your credit report, most consumer reporting companies are allowed to keep negative information about you in their files forever. They do this because there is no time limit on information (positive or negative) that a consumer reporting company may include in your credit report when you are applying for:

- Credit of $150,000 or more
- Life insurance with a face value of $150,000 or more
- A job with an annual salary of $75,000 or more

Having A Problem With Credit Reporting?

You can submit a complaint to CFPB and they will forward it to the company and work to get you a response.

Submit online at http://www.consumerfinance.gov/complaint or by calling (855) 411-2372.

When you take out a credit card or other loan, you create (or add to) your credit history. Sometimes when people talk about their financial situation, they say they have “good credit” or “bad credit.” This usually refers to their credit history.

Credit reporting companies gather information from your credit history into a credit report. A credit report may show some of your bill payment history, along with some public record information and a record of how often you have applied for credit. A credit report may also show how much available credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether debt collectors have reported that they are attempting to collect debt that you owe.

The information in your credit report is used to create credit scores. Many lenders use credit scores to decide how much money they can lend you and how much interest to charge. In general, the higher your credit score, the better the loan terms may be.

Example Credit Report

Each of the three nationwide credit reporting companies present information in a slightly different way. This is an example of a credit report that highlights the key sections you will find in all three companies’ credit reports. It is a sample credit report and is not based on the format of any one specific credit reporting company. Each company’s format varies in layout, look, and level of detail reported.

Definitions for terms used in the example credit report can be found at the end of this section following the sample credit report.

Header/Identifying Information

File number: 12345678 Date issued: 9/30/2025	
Personal information	
Name: Miguel Smith	**SSN**: XXX-XX-1234
Other names: Miguel S Smith Miguel Simon Smith	**Date of birth:** 12-1-1980 **Telephone number**: 555-555-1000
Employment data reported	
Employer name: Riviera Restaurants **Position**: Manager **Date reported**: 3/2020 **Hired**: 11/2019	**Employer**: Freer Chiropractic College **Date reported**: 6/2018 **Position**: Food services **Hired**: 3/2018

Includes:

- Name
- Current address
- Social Security number
- Date and place of birth
- Employment history (this may not include all past jobs, but what is listed should be accurate)

Does not Include:

- Information such as race or ethnicity

Public Record Information

Public records	
Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	
Date filed: 8/3/2019	**Amount**: $11,987
Type: Chapter 7 Bankruptcy	**Responsibility**: Individual
Big City Municipal Court Docket #200700056712 4326 Fourth Street, SW, Big City, WI 43530	
Date filed: 4/14/2017	**Amount:** $4,763
Type: Civil Judgment	**Responsibility:** Individual
Plaintiff: Bank of Big City	**Plaintiff attorney:** Lisa Perry
Collections	
Reliable collections (Y76381): Account #3629	
Original creditor: ABC Megastore	Amount placed: $2,500
Opened: 7/2/2013	Account type: Open
Balance: $1,000	**Responsibility:** Individual

Includes:

- Financial public records such as consumer bankruptcies, judgments, as well as state and federal tax liens

Does not Include:

- Records of arrests or convictions (specialty consumer reports, such as employment background screenings, often include arrests and convictions)
- Marriage records or adoptions
- Civil suits that have not resulted in judgments

Terms In This Section – Definitions for these words can be found at the end of this section.

Chapter 7 bankruptcy
Chapter 13 bankruptcy
Discharge

Collection Agency Account Information

Public records	
Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	
Date filed: 8/3/2019	**Amount**: $11,987
Type: Chapter 7 Bankruptcy	**Responsibility**: Individual
Big City Municipal Court Docket #200700056712 4326 Fourth Street, SW, Big City, WI 43530	
Date filed: 4/14/2017	**Amount:** $4,763
Type: Civil Judgment	**Responsibility:** Individual
Plaintiff: Bank of Big City	**Plaintiff attorney:** Lisa Perry
Collections	
Reliable collections (Y76381): Account #3629	
Original creditor: ABC Megastore	Amount placed: $2,500
Opened: 7/2/2018	Account type: Open
Balance: $1,000	**Responsibility:** Individual

Includes:

- Accounts with a collection agency
- The status of those accounts (both past and present)

Terms Used In This Section can be found at the end of this section

Charge off
Default
Delinquent
Payment status

Account information

Account information						
Littletown Bank (B62391), Account #2010004637						
Balance: $14,285		**Pay status:** 30 days past due				
Date updated: 7 /31/2025		**Account type:** Automobile				
High balance: $16,500		**Responsibility:** Individual				
Past due: $395		**Date opened:** 2/5/2019				
Terms: $395/month 48 months		**Payment received:** $349				
Account type: Automobile		**Last payment made**: 7/5/2025				
	8/5/25	7/5/25	6/5/25	5/5/25	4/5/25	3/5/25
Balance	$14,285	$14,680	$14,988	$15,294	$15,598	$15,901
Scheduled payment	$395	$395	$395	$395	$395	$395
Amount Paid	$0	$395	$395	$395	$395	$395
Past Due	$395	$0	$0	$0	$0	$0
Rating	30	OK	OK	OK	OK	OK

Includes:

- Open accounts you currently have and closed accounts you had before
- Date opened
- Type of account and status
- Date closed, if the account is no longer open
- The date information was reported to the credit reporting companies
- Whether you owe a past due amount and the number of payments 30, 60, and 90 days late
- Whether you are a co-signer, authorized user, or guarantor
- Last activity
- Company name and account number
- Credit limit
- Amount currently owed and, if you are late with payments, the balance due (known as “items as of date”)
- Whether the account was charged off or deemed so delinquent that the creditor thinks it is unlikely they will be able to collect the debt

Account Information Continued

Account information	
Bank of Wisconsin (B42394), Account #543298760192XXXX51	
Balance: $4,252	**Pay status:** Paid or paying as agreed
Date updated: 8/31/2019	**Account type:** Revolving: credit card
High balance: $9,869	**Responsibility:** Individual
Credit limit: $10,000	**Past due:** $0
Date opened: 6/1/2008	

	8/2025	7/2025	6/2025	5/2025	4/2025	3/2025	2/2025
Balance	$4,252	$4,295	$4,338	$4,382	$4,426	$4,471	$4,647
Scheduled payment	$122	$123	$124	$125	$127	$289	$130
Amount Paid	$122	$123	$124	$125	$127	$289	$0
Past Due	$0	$0	$0	$0	$0	$0	$130
Rating	OK	OK	OK	OK	OK	OK	30

	1/2025	12/2024	11/2024	10/2024	9/2024	8/2024	7/2024
Balance	$4,563	$4,609	$4,656	$4,703	$4,751	$4,799	$4,847
Scheduled payment	$130	$132	$133	$135	$136	$137	$139
Amount Paid	$130	$132	$133	$135	$136	$137	$139
Past Due	$0	$0	$0	$0	$0	$0	$0
Rating	OK	OK	OK	OK	OK	OK	OK

This example is fictional. The credit card payment schedule is based on a credit card with a 22% APR. In this example, the individual is paying down a balance of $4,252, paying the minimum payment each month calculated at the greater of $25 or the sum of 1% of the principal balance, finance charges, and fees and the individual is not using the card to make additional purchases.

While credit card companies use a variety of methods to determine finance charges, a simple interest calculation was used for the purposes of this example. Amounts were rounded to the nearest dollar. Making the minimum payment, it will take the consumer 17 years and 9 months to pay off this credit card debt. He will also pay $6,731 in interest assuming no late fees.

Inquiries Made To Your Account

INQUIRIES MADE TO YOUR ACCOUNT	
Inquiries that display to others The following companies have received your credit report.	
Auto Loan Store 90 President Lane, Big City, WI 43529	**Requested on:** 6/2022
Super Store 100 First Street, Anytown, IA 78691	**Requested on:** 12/2022
Promotional inquiries The following companies received your name, address and other limited information about you so they could make a firm offer of credit or insurance. They did not receive your full credit report. These are not displayed to others and do not affect your credit scores.	
Dress for Success Fashion House 31 Fashion Lane, Big City, WI 43530	**Requested on:** 7/2019
EZ Loan Store 220 4th Avenue, Littletown, MI 09876	**Requested on:** 4/2018
Account review inquiries The companies listed below obtained information from your consumer report for the purpose of an account review of business transactions. These are not displayed to others and do not affect your credit scores.	
Bank of Wisconsin 457 State Street, Big City, WI 43532	**Requested on:** 6/2019

Includes:

- **Hard inquiries** are made by lenders after you apply for credit. These inquiries may affect your credit score. This is because most credit scoring models look at how recently and frequently you apply for credit.
- **Soft inquiries** are reviews of your credit file when you have not sought to establish a new credit account. They include reviews of existing accounts by lenders, prescreening inquiries by prospective lenders, and your requests for your annual credit report. These will not affect your credit score.

Definitions Of Terms Credit Reporting Companies Use

Authorized user - A person permitted to use a credit card account, but who is not responsible for making payment on the account. The payment status of the account (positive or negative) can be shown on the credit report of both the authorized user and the account's owner.

Chapter 7 bankruptcy - A legal process in which the consumer's assets are used to pay off creditors. Any eligible debts not paid through the assets are discharged. This will be in the public records section of the credit report.

Chapter 13 bankruptcy - A legal process in which a consumer enters into a payment plan to pay off creditors using future income. These are arranged by the courts. Once the payment plan is complete, remaining eligible debts are discharged. This will be in the public records section of the credit report.

Charge off - When a business decides an account is uncollectible. However, the consumer is still responsible for the debt, and collections will likely continue on this debt. A debt may be charged off after the lender has tried to collect it for some time. This does not mean that the debt itself is erased—the consumer still legally owes the debt, and it can be collected. In many cases the right to collect the debt is taken over by a collection agency.

Closed date - The date an account is closed. An account can be closed by the business or the consumer. If there is still a balance when the account is closed, the consumer is still responsible for paying it.

Default - The consumer is not meeting the requirements agreed to when taking out the loan. An account that has been delinquent (late) for several 30- day billing cycles is generally considered to be in default.

Delinquent - An account that has not been paid on time and is late. Generally, delinquencies are expressed as being 30, 60, 90, or 120 days or more delinquent.

Discharge - When the court releases a consumer of responsibility for a debt as part of the bankruptcy process.

Dispute - Consumers have a right to challenge and require investigation of information they believe is incorrect on their credit reports. Consumers must start the dispute process.

End user - The business or individual that receives a credit report.

Information provider or furnisher - A business or individual that reports information to a credit reporting company.

Payment status - The history of the account including on-time payments as well as delinquencies and other negative items.

Getting Your Free Credit Reports

Three of the national credit reporting agencies — Equifax, Experian, and TransUnion — have permanently extended a program that lets you check your credit report at each of the agencies once a week for free.

Visit AnnualCreditReport.com (https://www.annualcreditreport.com/index.action) to request free copies of your credit reports. Other sites may charge you or be fraudulent sites set up to steal your personal information. Watch out for scammers who have labeled their website with this same, or similar, title. Use the URL provided above.

By law, everyone is entitled to one free credit report every twelve months from each of the three credit reporting agencies. In 2020, soon after the COVID-19 pandemic upended the finances of millions of people, the three agencies listed above announced they would temporarily make free reports available every week. The program was extended twice and is now permanent.

More information can be found here: https://consumer.ftc.gov/articles/free-credit-reports.

Why check your credit report? Your report shows things like how many credit cards and loans you have, whether you pay your bills on time, and whether any debts have been turned over to collections. Creditors, insurers, some employers, and other businesses use it to decide if they want to do business with you — and the terms they will offer you.

Mistakes, like accounts or bankruptcies that are not yours, can hurt your credit, increase how much you will have to pay to borrow money, and even derail your chances of getting a loan, insurance, a rental home, or a job. Mistakes can result from errors by businesses that report credit information to credit reporting agencies. They also can be a sign of identity theft. The sooner you spot a mistake, the sooner you can dispute the error (https://consumer.ftc.gov/articles/disputing-errors-your-credit-reports)or — if it results from identity theft — report it at www.identityTheft.gov.

Some websites that offer free credit reports may be trying to sell you something.

Some companies offer free credit reports, but you may have to buy another product or service to get them. Go to https://www.annualcreditreport.com/index.action to get your free annual credit report.

Federal law also allows you to get additional free credit reports during a year if:

- You are unemployed and plan to look for a job in the next 60 days
- You receive public assistance
- You believe that your credit file is inaccurate due to fraud
- Your report has recently been changed due to a disputed error
- You had a consumer reporting company place an initial fraud alert on your credit file
- You had a consumer reporting company place an extended fraud alert on your credit file
- You have been denied things like credit, employment, or insurance because of information in your credit report—in this case, you have 60 days to request your report from when you get the notice.

In a few states, state law also gives you a second free annual report. By the Fair Credit Reporting Act, a credit reporting company cannot charge more than $15.50 for an additional credit report (as of 2025).[9]

<u>Credit Reports For Minors</u>

If you are under 18, you will not have a credit report unless you:

- Are an authorized user or joint owner on an account
- Are an emancipated minor
- Live in a state that allows you to enter contracts below the age of 18 and you have done so
- Have student loans

If none of these apply to you and you have a credit report earlier than age 18, you may have been the victim of identity theft or credit or financial fraud. Federal law provides protections related to credit records and identity theft for minors under the age of 16, or "protected consumers." Persons with the authority to act for these protected consumers can request a security freeze. If the nationwide credit reporting company does not have a file on the protected consumer at the time the security freeze is requested, the company will create a record in order to freeze the record for the protected consumer. This record of the protected consumer may only be used to freeze the record to protect against identity theft and may not be used for credit purposes.

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[9] From: https://www.consumerfinance.gov/rules-policy/final-rules/fair-credit-reporting-act-disclosures/

Equifax allows the parent or legal guardian to order a minor's credit report by calling (888-378-4329).

Experian allows minors, age 14 and older (or their guardians), to obtain their own credit report by mail or by calling (800) 311-4769. Parents or guardians of minors 13 years or under may request a minor's credit report by mailing or electronically uploading a request form and supporting documents to Experian. Forms and instructions are available at www.experian.com.

TransUnion allows a parent or legal guardian to order a minor's credit report. A report is only available if the minor has a legitimate credit history (they are the joint owner or an authorized user on an account). You can send an email to childidtheft@transunion.com to see if a credit file exists. Or you can go to www.transunion.com and complete the Child Identity Theft Inquiry Form.

Read more about credit reports for minors at the link below. If you work with youth in foster care, there are special rules set up for how to get their credit reports.

https://www.consumerfinance.gov/ask-cfpb/how-do-i-check-to-see-if-a-child-has-a-credit-report-en-1865/

What to Do About Errors On Your Credit Reports

If you find something wrong on your credit report, you should dispute it. **You can contact either the credit reporting company** (most often Equifax, Experian, or TransUnion) directly **or the company that provided the incorrect information** (the information furnisher or creditor). It can be a good idea to contact both.

<u>Here is how it works:</u>

- File your dispute with the information furnisher or the credit reporting company.
- They generally have 30 days to investigate your dispute.
- If you submit additional information after filing your original dispute, they get another 15 days to investigate.
- They must send you a written notice of the result within five business days of completing the investigation.
- If the dispute results in a business changing the information it furnished or reported to a credit reporting company about you, they must notify the credit reporting companies of the change.
- If you filed your dispute with a credit reporting company and they find information to be inaccurate or incomplete, or that it cannot be verified, the credit reporting company must delete the item or correct the information in your file and notify the furnisher of the error.

You also have a right to an additional free annual credit report to ensure the errors have been fixed.

If the dispute is not handled or an error is not fixed in a timely manner, you can also submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-2372.

Use the "Disputing Errors on your Credit Reports" Tool 7-3, to help you get started with the dispute process.

Understanding Credit Scores

What Are Credit Scores?

Credit scores are calculated using the information in credit reports. A higher score makes it easier to qualify for a loan or lower interest rates. Credit scores vary because different companies may look at different information about you and use different formulas for calculating your scores. Scoring companies may also create different credit scores that are used when you apply for different types of credit. As a result, **you have more than one credit score.** Banks, credit card companies, and lenders may use different credit scores to make decisions about offering you credit.

How Are Credit Scores Calculated?

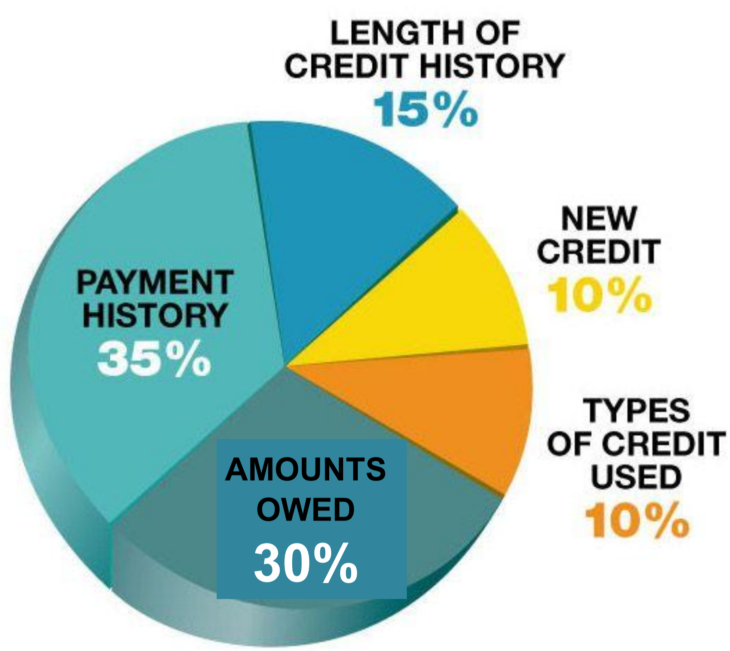
Scoring companies have different mathematical formulas to calculate credit scores, all typically starting with the information from your credit report. Two of the most commonly used credit scores are FICO (calculated using formulas from Fair Isaac Corporation) and VantageScore (calculated using formulas from VantageScore Solutions). Each of these companies produces multiple versions of their scores for different purposes. These scores usually range from 300 to 850. A FICO score above 700 is considered good by most businesses, and scores of 750 and higher are considered the best.

Both FICO and VantageScore share the following information with the public about what goes into its scores (Pie chart values are from FICO. See https://www.myfico.com/credit-education/whats-in-your-credit-score.)

Factors that Influence FICO Credit Scores

The following provides information about what each factor means.

Payment history- tracks whether you are paying your bills on time. This is the biggest factor in your FICO scores. Paying bills late, not paying bills at all, and having bills that go to collections will likely cause your scores to drop. Paying your bills on time may help increase your scores.



Amounts Owed - tracks what you owe, including debts that you are paying down over time. It also includes your credit utilization rate, which is how much of your available credit you are using. When the credit that is available to you decreases because you have used a portion of it and now owe money, your scores may drop.

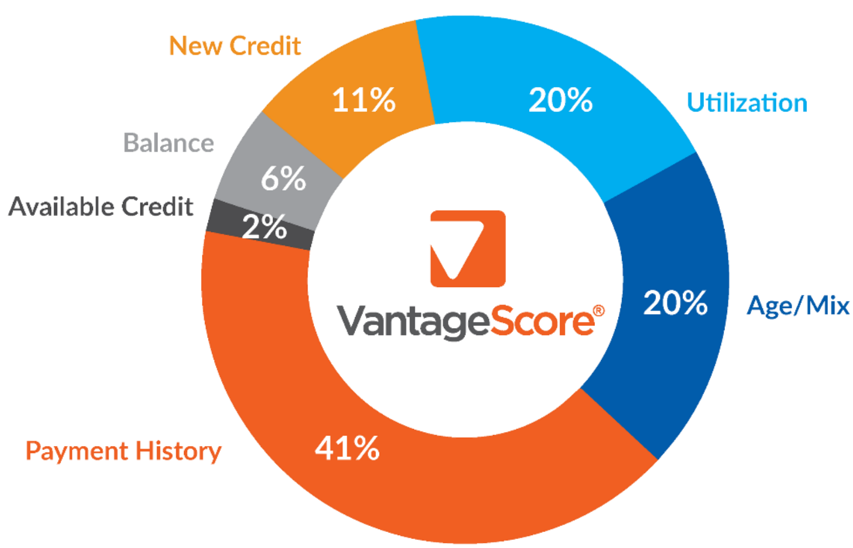
Length of Credit History - tracks how long you have had credit accounts—the longer the history, the more positive effect on your scores. A long credit history provides strong evidence of how you use credit and patterns of your payment behavior.

New Credit -is tracked by measuring credit inquiries about you made by creditors and others. If there are too many inquiries, it may signal that you have a high demand for credit. Because this may be an indicator of risk, your scores may drop. Your scores are not affected at all when you check your credit reports yourself.

Types of Credit Used - are also considered. For example, your FICO scores may increase if you have both revolving credit (such as credit cards) and other types of credit, such as a mortgage or an auto loan that you repay in installments, in good standing. Generally, it is considered a good thing to have a mix of credit, such as a mortgage, an auto loan, and not too many credit cards.

Factors That Influence VantageScore Credit Scores

VantageScore uses a slightly different scoring model and shares this information with the public about how its scores are calculated. Information about VantageScore was found here: https://www.academybank.com/article/scoring-models-how-to-calculate-vantagescore



Payment History – is looking at if you pay your bills on time and is the biggest factor impacting the credit score.

Age and Mix of Credit - refers to the length of time accounts have been open and the types of credit it is (loan, credit card, etc.).

Utilization - measures how much of your available credit you are currently using.

New Credit – This factor tracks new credit activity—for example, how many new accounts you open and how many recent credit checks (inquiries) have been made.

Balance – looks at the total amount of money you owe across all your credit accounts—both current and delinquent.

Available Credit - is the amount of credit you have not used by your statement date. It is the difference between your credit limit and your current balance on revolving accounts like credit cards.

Getting Your Credit Scores

Usually, you have to pay for a credit score. Some lenders, such as credit card companies, may provide you a credit score for free on your account statement or when you log onto your account online or through a mobile app.

There are certain instances where you are entitled to a free credit score. For example, if you are denied a loan on the basis of your credit score, the lender must send you a notice telling you this and include your score.

Since there are many credit scores you can purchase in the marketplace, the one you purchase will most likely differ from the credit score used by a bank, lender, or other third party to assess your creditworthiness. There is no way to know how much these scores will vary so the scores you purchase cannot give you an exact guide for how creditors will view your credit quality. Knowing what is in your credit report and fixing errors is more important when building your credit than paying to find out a credit score. A credit score may be a good initial indication of your credit standing, but it cannot tell you all you need to know before you apply for a loan.

Using Credit

The amount of credit you are using compared to the limit on your credit accounts is your "credit utilization rate." Many experts advise keeping your use of credit to no more than 30 percent of your total credit limit on your revolving credit accounts (for example, the total limit on all your credit cards combined). For example, if your total available credit is $10,000, you should have a balance of $3,000 or less. Experts advise to keep a lower credit utilization rate because credit scoring formulas penalize you for using too much of the credit available to you. High usage may lower your credit score.

<u>Here is how you can figure out your credit utilization rate:</u>

If you only have one credit card with a $5,000 credit limit, and you have charged $3,500 on this card, your credit utilization rate is $3,500 (amount charged to credit card) divided by $5,000 (credit limit) = 0.7 or 70 percent.

If you set a goal of lowering your credit utilization rate to 25 percent or less, your credit card balance should be no more than $1,250, or $5,000 (the credit limit) multiplied by 0.25 (25 percent).

You do not know when a credit card company will report your balance to credit reporting companies. If at any time during the month your credit utilization rate is higher than the rate the scoring model thinks is appropriate, you run the risk of lowering your credit scores. This means that the amount you have charged on a credit card can affect your credit scores even if you pay that amount down at the end of the month.

See consumerfinance.gov/about-us/blog/millions-of-consumers-will-now-have-access-to- credit-scores-and-reports-through-nonprofit-counselors/

Expanding Access To Credit

CFPB research shows that roughly 45 million consumers may be denied access to credit because they do not have credit records that can be scored. Sometimes known as "credit invisibles," these consumers potentially face higher costs for borrowing money and barriers to housing and employment. You might want credit to start a business or buy a house or car, or you might just want credit that comes with better terms, including a lower interest rate. A limited credit history can make it very difficult for a lender to use a credit scoring model to calculate a score for you.

Some consumers are considered "unscoreable" because they have a thin credit file (an insufficient credit history) or a stale credit file (no recent credit history). Consumers without a credit history are "invisible" to the nationwide credit reporting companies because they have no records for them to create a credit report or credit scores.

If you do not have a credit history and want to build one, use the "Getting and Keeping a Good Credit History" tool to take your first steps.

You can learn more about people who are "credit invisible" at: https://www.consumerfinance.gov/about-us/blog/expanding-access-credit-underserved-communities

Tool 7-1: Requesting Your Free Credit Reports

1. Pick when you will request your credit reports using the strategy that works best for you.
2. Write down when you will request them from each company: Experian, Equifax, and TransUnion. You can get a free report from each company once a week.
3. Create a reminder on your calendar or phone to help you follow through.

Strategies For Requesting Your Credit Reports

Request On Three Separate Dates	Request On a Single Date
Though you can check your reports weekly, you can plan to check your reports on three different dates throughout the year. Staggering them can help you see if anything is changing throughout the year or if any fraud has occurred.	Choose a single date that is easy to remember, like a birthday or holiday, to request all three of your reports at once. This is good if you are buying something big soon, that requires new credit, so you can correct errors right away.
I will request my reports on these three separate dates:	I will request a report from all three companies on this day:
COMPANY and DATE	**COMPANY and DATE**
Equifax	Equifax, Experian, and TransUnion
Experian	
TransUnion	
Other bureaus:	Other bureaus

How To Request Your Free Reports:

The federal government authorizes only one source for your free credit reports. You can make a request online, by phone, or by mail.

- **Visit** AnnualCreditReport.com Be aware that there are copycat websites. Be sure to type in this URL. https://annualcreditreport.com
- **Call (877) 322-8228**
- **Request by mail.** Download and complete the form at https://www.annualcreditreport.com/manualRequestForm.action

Mail the completed form to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

Tool 7-2: Reviewing Your Credit Reports Regularly

1. Make a copy of this tool, one for each of the three nationwide credit reporting companies.
2. Use the checklist to review the five sections of each of your credit reports.
3. Write down any questions you have or incorrect information you need to dispute.

Name of credit reporting company: ________________________________

Section	Is This Information Correct?	Questions
Header and Identifying Information	My name (including spelling)	
	My Social Security number	
	My current telephone number	
	My current address	
	My previous addresses	
	My employment history	
Public Record Information	My financial public record information, like bankruptcies, judgments, or tax liens	
Collection Agency Account Information	My accounts, if any, in collections	
	The status of each of my accounts	

Section	Is this information correct?	Question
Credit Account Information	All of the accounts are mine	
	The status of each of my accounts, such as whether they are open or closed; and whether I paid on time, missed payments, or paid less than the amount due.	
	I am accurately listed as an authorized user, co-signer, or joint owner	
	All accounts I have closed are listed as "closed by the consumer"	
Inquiries Made to Your Account	I recognize all "hard inquiries" or times when I have applied for credit and a lender reviewed my credit report. To learn more about inquiries, visit: https://www.consumerfinance.gov/ask-cfpb/whats-a-credit-inquiry-en-1317/	
Other Errors		

Tool 7-3: Disputing Errors On Your Credit Reports

If you find mistakes on your credit reports, you should dispute them. Here is how you can dispute errors you find. Errors can appear on one or more of your credit reports due to an error in the information provided about you or as the result of fraud or identity theft. If you find errors on your credit reports, you should dispute them with the credit reporting company (most often Equifax, Experian, or TransUnion) and the furnisher of the information.

Getting Ready To Dispute

Review the mistakes you identified in the "Reviewing Your Credit Reports Regularly" tool. Then gather any documents you have that support your dispute. This can include things like:

- Your credit report with the mistake circled or highlighted.
- Copies of anything that proves there is an error—for example, if your report incorrectly shows that you are late paying a credit card, make copies of bills or cleared checks (or money order stubs) that show you have paid on time.
- Copies of your Social Security card, birth certificate, or other personal identity information, if you are disputing a mistake related to that information.

Submitting The Dispute

You can submit a dispute to the credit reporting company by phone, by mail, or online. On the next page there is a sample outline of a letter you can use if you choose to mail your dispute to the credit reporting company.

If you suspect that the error on your report is a result of identity theft, visit https://www.identitytheft.gov/

See Module 9: Protecting your Money for more information about identity theft and steps to take if you are a victim, including filing a fraud alert or security freeze.

Regardless Of How You Submit A Dispute You Will Want To:

- **Explain the error and what you want changed.** Clearly identify each mistake separately, state the facts, explain why you are disputing the information, and request that it be removed or corrected.
- Send a letter explaining the mistakes(s). Some of the credit reporting companies provide

a dispute form you can use.

- Make sure you also include copies of all of your supporting documentation. Keep your originals and keep a copy of your letter too.
- Consider sending a copy of the dispute to the business or individual that provided the incorrect information (furnisher). You can usually find that address on your credit report.
- Use certified mail, if you are mailing your dispute, with a return receipt requested, if that is available to you. That way, the post office will send a postcard telling you when your dispute letter was delivered.

Waiting For Mistakes To Get Fixed

The credit reporting company generally has 30 calendar days (45 days in some cases) to investigate your dispute. They have five business days to notify you of the results once the investigation is complete.

If the error is fixed, you will receive a copy of your updated credit report, which does not count as your free annual report.

If, as a result of your dispute, a furnisher determines they sent the wrong information to a credit reporting company, they must send the correction to various credit reporting companies to which they had provided the incorrect information.

If You Disagree With The Results

You can send the credit reporting company a letter stating you do not agree with the outcome. The credit reporting company has to clearly note that the information has been disputed and provide your explanation on any future reports.

You can also submit a complaint with the CFPB at: https://www.consumerfinance.gov/complaint/. CFPB will forward it to the company and work to get you a response. See Module 9: Protecting your Money for more information on how to submit a complaint.

You may also want to seek assistance from a lawyer. Learn more at: https://www.consumerfinance.gov/ask-cfpb/how-do-i-find-an-attorney-in-my-state-en-1549/.

Tool 7-4: Getting and Keeping A Good Credit History

Steps:

1. Read the different strategies for improving and maintaining your credit history.
2. Check the box of one that you can commit to trying now.
3. Once that one is complete, try one or two more to keep improving your score.

Habit	Tips For Improving Your Credit
I will pay my loan and utility bills on time, every time. ☐	Missing bill payments may hurt your credit scores because it may establish a poor payment history and can lead to debt collection. Help make sure your payments are on time by setting up automatic payments or electronic reminders. If you have missed payments, get current and stay current. You can use the “Bill Calendar” (example in Module 4) to help track when your bills are due and decide when you will pay them.
I will spend under my credit limit and will not get anywhere close to "maxing out" my credit cards. ☐	Credit scoring models look at how close you are to being “maxed out,” so try to keep your balances low compared to your total credit limit. Experts advise keeping your use of credit (credit utilization) at no more than 30 percent of your total credit limit. If you close some of your credit card accounts and put most or all of the balances onto a single card, your total credit limit may be lower than before. If doing this means that you are using a higher percentage of your total limit than you were before, it may hurt your credit scores because it is increasing your credit utilization. In some cases, it is better to leave credit cards open even if you do not use them, to increase your total credit limit. But it depends on how many cards you have and if you can avoid using all of them.

I will pay off my credit card balance on time each month. ☐	If you use credit cards, try to pay your balances off each month. Paying off the balance each month may help you get better scores. You will build a credit history by paying it off on time and keeping your balance low. Think about setting up text alert reminders for when your bill is due to help you pay on time.
I will only apply for credit that I need. ☐	Credit scoring formulas look at your recent credit activity as a signal of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed for the worse.
I will make sure that negative information on my credit reports (like judgments, bankruptcies, or evictions) is accurate. ☐	If it is not accurate or if it is listed multiple times, submit a dispute with the credit reporting company and the company that provided the information (the furnisher). You can use the “Disputing Errors on your Credit Reports” tool to get started.
I will use credit building products to establish a credit history if I am new to using credit. ☐	Secured credit cards can be a way to build a positive credit history if you are just starting out. You typically need to provide the deposit upfront, so you will need to have enough money saved for the deposit before you open one. Because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and avoid getting too close to using the full limit. Credit builder loans help you avoid taking on debt while you build a positive payment record. With some loans, you make monthly payments first, and receive the loan amount when it is paid off. These loans can be very effective in creating new history and can have a positive effect on your credit reports and scores. Some non-profit organizations provide access to secured credit cards or credit builder loans. Be sure to ask about the terms, just like you would ask a bank or credit union for details about its products.

MODULE 8 - Choosing Financial Products and Services

Learning about financial products and services and how they work can help you better manage your money, improve your credit scores, and save for your goals.

At A Glance

This module helps you understand the different kinds of financial products and services available, how they might meet your needs, and how you can make the most of them. It also explains some of your rights and responsibilities when dealing with certain types of financial products and services.

- Finding financial products and services
- Comparing financial service providers
- Opening a checking or savings account
- Avoiding checking account fees
- Evaluating your prepaid or payroll card
- Knowing your prepaid card rights
- Sending money abroad

Tools in this Module:

Tool 8-1: Finding Financial Products And Services
Tool 8-2: Comparing Financial Service Providers

Introduction

Financial products and services are the tools you use to store and access money, make payments and purchases, send money to other people or businesses, and pay for purchases over time. They include things like checking and savings accounts, prepaid cards, payroll cards, government benefits and EBT cards, credit cards, money transfers, bill payment services, and loans. Best practice for farm households suggests that managing and tracking the income and expenses of the household should be separate from the farm enterprise. Separating home and farm enterprise finances makes management and recordkeeping easier because:

- it simplifies handling things like payroll, taxes, and cash flow/ budget management.

- it saves effort at tax time because you will not have to unravel household and business expenditures and, should you ever be audited, it allows you to pull clean records.
- it can help keep you from spending personal money on business expenses.

Finding And Choosing Financial Products And Services

One important key to finding the right financial product or service is first thinking about the reason you need one. You may want a secure place to put the money you are saving for your goals, unexpected expenses, or emergencies. You may want a convenient way to pay your bills or to use your mobile phone to access your financial accounts. You may be looking for a loan to buy a car or farming equipment. Or you may want to repair or build your credit history to improve your credit scores.

Once you have identified your specific goals or needs, you are ready to choose products or services that can help you meet them. There may be several options to choose from that meet your needs, so it is important for you to weigh the benefits of different products and services to decide what is best for you.

There are many places that offer financial products and services, such as banks and credit unions. Selecting where to get these products and services can be hard because there are so many choices. When comparing companies, it is helpful to ask detailed questions about the product or service you are considering. You can also take into account other things, like customer service, location, and services offered.

<u>Opening A Checking Or Savings Account</u>

Checking and savings accounts are common products that can meet a lot of needs you may have. Some credit unions use a different name for their checking accounts like “share draft account” and these products work the same way as checking accounts. If you decide that a checking or savings account is the right product for you, opening an account at a bank or credit union is not hard to do.

First, you may want to ask trusted friends or household members which banks or credit unions they use. When choosing a bank, first find out about:

- The services it offers
- The fees it charges
- The interest it pays for savings accounts
- The number of ATMs and branches near your work or home
- Its hours of operation

Most banks and credit unions require proof of identity, proof of address, and a minimum deposit to open an account. **Be sure to find out how much you must keep in the account to avoid fees. This is called the "minimum balance requirement."** This may not be the same amount of money you need to open the account, so it is important to understand both. You may also be able to avoid fees by signing up to directly deposit your paycheck or government benefits into the account.

Be wary if no one can explain what certain fees are or why they are so high when you are learning about a financial product or service.

Learn more about ways to make sure you are getting all the facts in Module 9: Protecting your Money.

Savings accounts generally pay interest, which is considered income. If you earn interest, you may have to pay taxes on it. In order to open an account that pays interest, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).

For more information about ITIN go to: Internal Revenue Service, General ITIN Information, https://www.irs.gov/tin/itin/individual-taxpayer-identification-number-itin.

Some banks and credit unions have developed no-interest savings accounts that may fit your needs if you do not have a Social Security number or ITIN or if your beliefs do not allow you to receive interest.

Barriers To Opening An Account

If you do not have the proper identification, you may have trouble opening an account. A driver's license is a popular form of ID. If you do not have one, consider getting a state-issued identification card. Some banks and credit unions also accept foreign passports and Consular IDs.

Another potential barrier is negative information from checking account reporting companies such as ChexSystems, Early Warning, and TeleCheck. These companies collect information from merchants, banks, and credit unions about how consumers manage checking and savings accounts. Banks and credit unions use reports developed by these companies to decide if someone can open a new account.

If you have tried opening a checking or savings account and the bank or credit union denied your application, it may be because a checking account reporting company has negative information in its files about your checking or savings account history. You may have negative information in your file if you had a checking or savings account before and you:

- Have an unpaid negative balance on that account, such as from an overdraft, which you have not repaid, and the account was closed by the bank or credit union. This is called an "involuntary closure."
- Were suspected of fraud related to a checking or savings account.
- Had a joint account with someone else who had these types of problems.

Each bank or credit union has its own policies about approving the opening of an account based on your banking history report. Under federal law, checking account reporting companies must, among other things, take steps to assure that the information they provide to banks is as accurate as possible. They cannot include most negative information that is more than seven years old. In practice, some checking account reporting companies disregard information once it is five years old. For example, involuntary closures stay on your ChexSystems report for five years and on your Early Warning report for seven.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a new checking or savings account, even if those fees are from another institution. Many banks and credit unions offer checking accounts and prepaid cards that are designed to reduce risks, for both you and the financial institution, by preventing overdrafts and overdraft fees. Because these products are considered less risky, many banks and credit unions may choose to rely less on banking history reports when deciding whether to offer you an account. You may be able to qualify for one of these products even if you were denied for another product recently.

You can order copies of your ChexSystems, Early Warning, and TeleCheck reports using the information in the table below.

Company	By Phone	By Mail	Online
ChexSystems	(800) 428-9623	ChexSystems, Inc. Consumer Relations PO Box 583399 Minneapolis, MN 55458	https://www.chexsystems.com/ contactus
Early Warning	(800) 745-1560	Early Warning 5801 N. Pima Rd Scottsdale, AZ 85250	https://www.earlywarning.com/consumer-information

TeleCheck Services	(800) 366-2425	TeleCheck Services, LLC. 1600 Terrell Mill Rd SE, Marietta, GA 30067	https://getassistance.telecheck.com/consumer-contact/

If you find mistakes on your reports, you can dispute them by sending a letter describing the mistakes and copies of any supporting documents. You can download a sample dispute letter at consumerfinance.gov/askcfpb/2029. You may want to consider using certified mail to send a dispute letter.

Managing a Checking or Savings Account

Before you open a bank or credit union account, ask to get a copy of the terms and fees related to that account. Review that carefully to understand any minimum balance requirement and how much you could be charged in fees. Each bank and credit union has its own rules and fees, so it is a good idea to shop around first. Use the "Comparing Financial Service Providers" tool to help you get a clear picture of what you are being offered.

Some common fees to learn about are monthly maintenance fees, non-sufficient funds (NSF) fees, overdraft fees, and inactivity fees. Find out what a bank or credit union charges for these before opening an account.

It is important to have a separate business and household checking account for accounting and tax purposes. Be sure to ask the financial institution if there are different fees or requirements for each of these accounts; they may be different.

Overdraft Fees

Banks and credit unions often offer several types of overdraft services. These services usually have fees associated with them. An overdraft occurs when you do not have enough money in your account to cover a transaction, but the bank pays the transaction anyway. You can overdraw your account through checks, ATM transactions, debit card purchases, automatic bill payments, or electronic or in-person withdrawals. If you overdraw your account, you have to pay back those funds.

There are generally two types of services related to overdrafts. The first (sometimes called overdraft protection) is when you and your bank or credit union arrange for any overdrafts to be paid from money in your linked savings account or credit card. You pay a fee when the money available in your savings account is used to pay an overdraft in your checking account. The savings account often needs to be at that same bank or credit union. You can check if your bank offers this kind of overdraft protection and how much it costs.

The second type of overdraft service is when a bank or credit union allows you to spend more money than you have in your checking account, but at a cost for each transaction. For debit cards and ATM transactions, you have to opt in to this overdraft service. If you opt in, the bank may allow you to withdraw more money from an ATM or spend more with your debit card than what you have in your account. This results in overdraft fees for each transaction you make without enough money in your account, which can happen several times in one day. These fees vary across banks, but are commonly $30-$35 for each transaction. Some banks and credit unions charge you a separate fee every day that your account stays overdrawn.

If you do not opt in, your bank or credit union will generally decline your card (without charging a fee) if you attempt to withdraw cash or make a purchase that costs more than what you have in your account.

The opt in service applies only to one-time debit card and ATM transactions. It does not affect overdrafts caused by checks or online bill payments. So even if you do not opt in, you can still be charged an overdraft fee in certain circumstances. For example, if a recurring payment you have set up with your debit card number or via a direct billing arrangement overdraws your account, you can be charged a fee. You can also still be charged overdraft fees for checks or other payments that exceed your balance.

If you have already opted in, you can change your mind and opt out at any time. Some banks use different names for their overdraft products. Ask questions and be sure you know what you are signing up for.

Using A Prepaid Card

A prepaid card is a card that you use to access money that is loaded onto the card in advance. There are different types of prepaid cards, but you can use most prepaid cards to make purchases, withdraw cash from an ATM, or get cash back at a store if the store's policy allows for cash back. You may also choose to have your wages directly deposited onto a prepaid card.

Types Of Prepaid Cards

There are different types of prepaid cards, with different features, functions, and fees.

- An open-loop prepaid card has a network logo on it, like Visa, MasterCard, American Express, or Discover. These cards can be used at any location that accepts that brand. It might be reloadable (see below) or it might be like a gift card, meant to be used until the balance is spent and then thrown away.
- A closed-loop prepaid card can be used only at certain locations. For example, it might be a gift card that is good only at a specific store or group of stores, or it might be for use on

your public transportation system. Most closed-loop cards do not have a network logo on them.

- A reloadable prepaid card can have money added to it multiple times. One common type of open-loop, reloadable prepaid card is called a General Purpose Reloadable Card, or GPR Card. Some cards start out as non-reloadable, but can become reloadable once you complete a registration process. Always register the card as soon as possible if you are offered the choice to do so.
- A payroll card is provided by your employer and your paycheck is loaded onto it.
- A government benefit card is a prearranged prepaid card used by a government agency to load your benefits.
- An electronic benefits transfer (EBT) card is a certain type of government benefits card used for needs-based programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and other programs.
- Some college ID cards are also prepaid cards. Some colleges offer a “closed- loop” card, which you can use to pay only for things on campus. Other schools offer an “open-loop” card, which you can use at any retail location that accepts that network brand.

Fees For Using Prepaid Cards

Read the information about the card carefully to understand all of the fees. Not every card charges each type of fee. Some cards charge a monthly fee but not per- transaction fees. Other cards may skip the monthly fee, but charge you transaction fees each time you use the card. You might be better off under a single monthly fee or with per-transaction fees, depending on how you plan to use the card.

Make sure to check for any details on the card packaging. You can also usually look up information about prepaid cards, including full fee information, online before making your choice. Consider how you plan to use the card and look for one that makes the most sense for your needs.

Checking Your Prepaid Card Balance

There may be several ways to check your prepaid card account balance—some ways might be free and others could cost you. You should check the terms of your prepaid card to find out what methods are available and whether there is a cost for them.

You can call customer service (the number is usually on the back of your card) to check your balance. **If you get your balance through the automated phone system, you usually will not be**

charged a fee. You can also talk to a live customer service agent, but some prepaid card providers will charge you a fee for that.

You can check your balance online or with a mobile app. You may need to set up an online account with the prepaid card provider to check your balance online. Usually, this service is free.

Some prepaid card providers will text you your account balance. The card provider does not usually charge for this service, but your cell phone carrier may. Check with your carrier to see if they charge a fee for these texts.

Some prepaid cards allow you to check your balance at an ATM, but you may have to pay a fee for this service.

If receiving paper statements is important to you, check the cardholder agreement or the prepaid card provider's website to see if they offer paper statements. You can also call their customer service number to see if paper statements are available and whether you would be charged a fee.

Setting Aside Money On A Prepaid Card

Some prepaid cards offer an additional feature that allows you to separate some of your funds to dedicate to specific goals. This feature is called a virtual set aside or savings wallet. For example, if you move some of the money on your prepaid card to a savings wallet, it would not be available to easily spend or withdraw from an ATM. Once you put money into the savings wallet, you can move it back for spending at the prepaid card provider's website or by using its mobile app.

Alternatives to Prepaid Cards

A prepaid card may or may not be the right choice for you, depending on how you plan to use the card.

Prepaid Cards Vs. Debit Cards

A prepaid card is different from a bank account debit card. A bank account debit card is linked to your checking account, so the money you spend with the card is taken directly out of your checking account. With a prepaid card, you are spending money that was loaded onto the card in advance.

In most cases, you cannot spend more money than what you have already loaded onto your prepaid card. Overspending can occur with a debit card if you have "opted in" to your bank's overdraft program. This means that your bank may cover a debit card purchase or ATM withdrawal that is more than what you have in your account and may charge you a fee for doing so. Your bank will require you to repay the overdraft and any related fees.

Prepaid Cards Vs. Credit Cards

Prepaid cards are very different from credit cards. This can be confusing because both types of cards may have a card network logo on them, like Visa, MasterCard, American Express, or Discover. When you use a credit card, you are borrowing money that you have to pay back, and you will owe interest if you carry a balance. Generally, when you use a prepaid card, you are spending money you have already loaded onto the card in advance. You may still pay fees to use or maintain the prepaid card, but there is no interest because you are not borrowing money—you are using money you already have.

Consider how this card will be used and by whom it will be used. This may determine which type of card – prepaid vs. credit – will fit your needs.

This module has information and tools to help you better understand and evaluate financial products and services to find ones that are right for you. The “Finding Financial Products and Services” tool helps you to find out about products that may meet your needs and learn about how they work and where to get them. The “Comparing Financial Service Providers” tool helps you to compare companies that offer the products or services you need and choose the one that best meets your needs.

Tool 8-1: Finding Financial Products And Services

Before you select a financial product or service, you should first understand what each offers and how it can help you achieve your goals.

The financial products you pick can help you accomplish different goals. They may help you build savings or improve your credit history. Some make it easier to access your paycheck, while others help turn your paycheck into cash.

Thinking about what you want to accomplish can help you narrow down the choices of products that fit your needs.

What To Do

- Think about your financial goal. Review the products that can best help you achieve that goal.
- Read about the products and services you are interested in to learn more about how they work and where you can get them.

A Step Further

Once you pick a product that is right for you, review the "Comparing Financial Service Providers" tool to learn what kinds of questions to ask as you shop around.

Finding Financial Products And Services That Meet Your Needs

1. Think about why you want or need a financial product or service. Check the boxes of the goal(s) that are most important to you.
2. Read more about the financial products and services that meet those needs and decide which might be the best for you.

Goal	Products To Consider
I want to make purchases without having to carry cash or go into debt.	· Checking account (with linked debit card) · Prepaid card
I want a secure place to keep my money.	· Certificate of deposit (CD) · Checking account · Prepaid card · Savings account
I want a low-cost and easy way to pay and manage my bills.	· Bill payment service · Checking account · Prepaid card
I want to pay my bills online or from my mobile device.	· Bill payment service · Checking account · Prepaid card · Savings account
I want access to online or mobile banking (to do things like check my balance online or deposit a check using my phone).	· Checking account · Prepaid card · Savings account
I want my paycheck deposited directly into an account I can access.	· Checking account · Payroll card · Prepaid card · Savings account

Goal	Products To Consider
I want to turn my paycheck into cash.	• Check cashing service • Checking account • Payroll card • Prepaid card
I want to build up savings.	• Certificate of deposit (CD) • Prepaid card (with savings wallet feature) • Savings account
I want to save for education and training for myself or my child.	• 529 Plan
I want to buy a car.	• Auto loan
I want to buy a house.	• Mortgage
I want to get a small loan quickly.	• Auto title loan • Credit card • Pawn loan • Payday loan
I want to build my credit history.	• Auto loan • Credit builder loan • Credit card • Mortgage • Secured credit card
I want to send money to someone.	• Money or wire transfer service • Peer-to-peer transfer service

Review details of the products and services that you are considering. Learn about how each works and where they are offered.

	Consider this option if you want...	How it works	Where it is offered
529 Plan	• To save for education and training costs for you or your child.	• Savings plan that goes into an investment account with special tax benefits. • Can be used to pay for qualified educational or training expenses for yourself or dependent children. • If used for other purposes, you may pay income tax and penalty fees on money.	• Financial investment firm • From your state's program (find your state's contact information at https://thecollegeinvestor.com/529-plan-guide/)
Auto loan	• To buy a car or truck (see the "Comparing auto loans" tool in Module 6 of Your Money Your Goals found here: https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_auto_loans_tool_2018-11_ADA.pdf) • To build a credit history.	• Borrow money to buy a new or used car or truck. • Repay monthly over set period of time (loan term). • Loan is secured by the car or truck as collateral, so if you default on the loan your car or truck could be repossessed.	• Bank or credit union • Car dealer
Check cashing service	• To turn your paycheck into cash.	• Receive cash for your paycheck without first depositing it into an account. • Often charged a fee. • Do not have to have a checking account.	• Bank or credit union • Check cashing store • Grocery, retail, or other store

	Consider this option if you want...	How it works	Where it is offered
Auto title loan (for more information, review Module 6: Dealing with Debt)	• To get small loans quickly.	• Borrow money for a short-term and give up the title to your vehicle until you repay it. • Often loan amount is for 25 to 50 percent of the vehicle's total value. • Can be repaid in installments or all at once. • If you are unable to pay, lender can repossess your vehicle and sell it.	• Online lender • Title loan company
Bill payment services	• A low-cost, easy way to pay and manage bills. • To pay bills online or from your mobile device (see Module 4: Paying Bills for more information).	• Pay your bill online through a service (from your bank's website, for example) or in person (at a location like a grocery store or large retail store) instead of mailing directly to the company, • Offered as a feature of certain financial products to help you pay your bills.	• Bank or credit union • Check cashing store • Grocery, retail, or other store • Online provider • Prepaid card
Certificate of Deposit (CD)	• A secure place to keep money. • To build savings.	• Deposit a fixed amount of money for a specific length of time (for example, $50 for one year). • Can withdraw that money after the time is up. • Pay penalty to withdraw your money early (fee varies and could be more than interest already earned, meaning you could lose money).	• Bank or credit union

	Consider this option if you want...	How it works	Where it is offered
Checking Account	• A secure place to keep money. • To make purchases without carrying cash or going into debt (with a debit card). • A low-cost, easy way to pay and manage bills. • To pay bills online or from your mobile device (see Module 4: Paying Bills for more information). • To bank online or from your mobile device. • To have your paycheck directly deposited.	• Deposit or withdraw money from your account at a branch or at an ATM using your debit card. • Pay for things by writing checks or using a debit card. • Keep track of your balance to avoid overdraft fees or bounced checks with fees when there is not enough money to cover payments or withdrawals. • Usually includes access to mobile and online banking and bill payment services. • Deposits are insured in case your bank fails. • You have federal rights if money is lost electronically through error or theft.	• Bank or credit union
Credit builder loan	• To build a credit history.	• A loan (usually small) that you repay before you get access to the loan amount. • Establishes a good payment history that can improve your credit scores.	• Bank or credit union • Non-profit organization
Credit card	• To get small loans quickly. • To build a credit history.	• Borrow money up to an approved credit limit amount. • Pay at least the monthly minimum until the balance is repaid. • Charged interest if you do not pay your balance in full each month and other fees if your payment is late. • May charge an annual fee.	• Credit card company • Large gas station chain (gas credit card) • Large retail store (store credit card)

	Consider this option if you want...	How it works	Where it is offered
Money order	· A low-cost, easy way to pay and manage bills.	· Like a check, except you pay for the full amount of the money order (plus any fees) upfront when you get it. · No checking account needed. · Usually available only in smaller amounts (up to $1,000). · Used to guarantee a payment to a person or company since it cannot bounce like a check might because it is already been “funded” during the initial purchase. · Can be cancelled or reissued if it gets lost or stolen. · Can be harder to prove payment, since there is not a bank record that it was cashed (like a check would have).	· Bank or credit union · Check cashing store · U.S. Postal Service
Money or wire transfer service	· To send money to someone else.	· Use a service to send money to another person or place. · Often charged a fee. · Depending on which service you use, delivery method can be to the person’s bank account, mobile phone, or cash from a participating location. · Depending on which service you use, pay for it with cash, credit card, debit card, prepaid card, or from your bank account.	· Bank or credit union · Check cashing store · Grocery, retail, or other store · Online provider

	Consider this option if you want...	How it works	Where it is offered
Mortgage	• To buy a house.	• Borrow money to buy or build a house. • Repay monthly over set period of time (loan term). • Loan is secured by the house as collateral, so if you default on the loan your house could go into foreclosure.	• Bank or credit union • Mortgage broker • Online lender
Pawn loan (for more information, review Module 6: Dealing with Debt)	• To get small loans quickly.	• Paid cash in exchange for an item that the pawn shop keeps (like jewelry or electronics) during the loan. • Loan amount is often much less than actual value of item. • If loan is not paid back as agreed, shop can sell the item to cover the debt.	• Pawn shop
Payday loan (for more information, review Module 6: Dealing with Debt)	• To get small loans quickly	• Borrow small amounts of money, generally to be repaid plus fees when you get your paycheck. • Lender either cashes a check you give them or electronically debits the payment from your checking account when payment is due (usually two weeks after the loan). • If loan is not repaid as agreed, you may be able to renew it by paying another fee.	• Payday loan provider

	Consider this option if you want...	How it works	Where it is offered
Payroll card	• To have your paycheck directly deposited.	• Employer loads your salary or wages onto a prearranged prepaid card where you can access the funds. • Can use like a prepaid or debit card and accepted at most merchants. • May have service fees or inactivity fees. • Has full consumer protections in case of electronic error or theft. • Employer must provide you at least one other way to receive your salary or wages.	• Employer, working with a financial institution that provides the card
Peer- to-peer transfer service	• To send money to someone.	• Service allowing you to electronically transfer funds to another person. • Send and receive funds using a mobile device or computer. • May be charged a fee.	• Bank or credit union • Online provider

	Consider this option if you want...	How it works	Where it is offered
Prepaid card	· A secure place to keep money. · To make purchases without carrying cash or going into debt. · An easy way to pay and manage bills. · To pay bills online or from your mobile device (see Module 4: Paying Bills for more information). · To bank online or from your mobile device. · To have your paycheck directly deposited. · To set aside funds for specific purposes.	· Access money you have paid or loaded in advance that is stored on a card. · Accepted at most merchants. · Some let you take out money from an ATM or reload money onto the card (often charging a monthly maintenance fee or usage fee). · Some provide a separate savings wallet feature that allow you to save for your goals. · Funds may be insured in case the bank that offers the card fails. · You have rights if money is lost electronically through error or theft.	· Bank or credit union · Check cashing store · Grocery, retail, or other store · Online provider
Savings account	· A secure place to keep money. · To have your paycheck directly deposited. · To build savings.	· Deposit and withdraw money from your account when you want. · Earns interest. · Build up money for savings or emergencies. · Not intended for frequent transactions. · Deposits are insured in case your bank fails. · You have federal rights if money is lost or stolen electronically through error or theft.	· Bank or credit union

	Consider this option if you want...	How it works	Where it is offered
Secured credit card	• To build a credit history.	• Borrow money up to an amount that is backed by a deposit you have already paid. • Charged interest if you do not pay your balance in full each month and late fees if you miss a payment. • Many charge an annual fee. • Accepted at the same merchants as other credit cards.	• Bank or credit union • Credit card company
Cashiers check	• An individual can use a cashier's check instead of a personal check to guarantee that funds are available for payment. This provides a secure payment method for large transactions, such as real estate purchases or car sales.	• Issued by a bank against its own funds, these checks guarantee payment to the recipient • You provide the funds for the check and usually a small fee for check preparation • The bank writes the check to the payee. • The person or entity to whom the check is made out to is guaranteed to receive the money when cashing the check.	• Bank or credit union

Tool 8-2: Comparing Financial Service Providers

Compare different financial service providers so you can choose the one that works best for you.

The financial marketplace is very competitive. Once you have decided what kind of financial product or service you need, you will likely have to choose between different companies that provide it. When possible, talk to more than one provider and shop around until you find the one that best meets your needs. This could mean it is the one closest to your home or workplace, the one that offers the lowest fees, or a combination of many different factors.

Getting answers to common questions about things like fees, services, and convenience from several companies can help you choose the best option for you.

What To Do

- Choose at least two companies to evaluate.
- Read through the list of questions and identify the ones most important to you.
- Make notes about how each company addresses these questions.
- Compare the companies and pick the one that best meets your needs.

What To Ask When Comparing Financial Service Providers

Decide which two companies you would like to compare, and write their names at the top of the first table.

1. Write down the answers for each company—you may need to talk with someone there or do some research online for some of the questions. Ask only the questions that apply to the product you are considering.
2. Compare the answers to help you decide which company best meets your needs.
3. Make copies if you want to compare more than two companies at once.

Company 1: ____

Company 2: ____

For Bank Accounts With Debit Cards

	Questions to Ask	Company 1:	Company 2:
Fees and other costs	Are there monthly fees for the account? How much? Can they be waived?		
	Is there a fee for going below a minimum balance in the account?		
	Is there a fee for using checks? How much?		
	Is there a fee for making a deposit? How much?		
	Is there a fee for inactivity on the account? How much?		
	Will I earn interest on the account? What is the interest rate?		

	Questions to Ask	Company 1:	Company 2:
Services offered	Do they offer check cashing, money transfer, or bill payment services? How much does each cost?		
	Do they offer "second chance" or "lower risk" accounts that do not offer overdraft services?		
	Are there convenient, free ATMs located near where I live, work, or shop?		
	Can I pay my bills and check account balances any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	If I get a checking account, will I also get a debit card?		
	Can I link my checking account to my savings account to avoid paying overdraft fees?		
	How often will I receive account statements? Can I choose between paper and electronic statements?		
	Do they offer additional services like notary services or safe deposit boxes? How much do they cost?		
Security	Do I get my money back if someone steals my debit card information and uses it without my permission?		
Other			

For Credit Cards

	Questions to Ask	Company 1:	Company 2:
Fees and other costs	What are the fees associated with the card (annual fee, late fee, etc.)?		
	What is the APR, or annual percentage rate, on the card? Is it a promotional rate? If so, what will the new APR be after the promotion ends?		
	Are there fees to use the card in another country? How much?		
Services offered	Are there limits on where I can use the card?		
	Can I check my balance any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	Can I choose my own due date for the bill?		
Other			

For Loans (Including Mortgages, Personal Loans, and Other Loans)

	Questions to Ask	Company 1:	Company 2:
Fees and other costs	What are the fees associated with getting the loan?		
	What is the interest rate on the loan?		
Services offered	How long will it take before I find out if I am approved for the loan?		
	Can I choose my own due date for the loan payments?		
	Can I choose the length of the loan? How long do I have to repay the loan?		
	If I make all of the payments on time, will I still owe any money at the end of the loan?		
Paying the loan off early	Can I pre-pay the loan without fees?		
Other			

For Money Transfer Services

	Questions to Ask	Company 1:	Company 2:
Fees and other costs	How much are fees, taxes, or costs for exchanging currencies?		
	What is the total amount that the person I am sending money to will get?		
	What ways can I pay for the transfer?		
Services offered	How convenient is it for the recipient to receive the funds?		
	How fast will money arrive?		
Other			

For Prepaid Cards

	Questions to Ask:	Company 1 :	Company 2:
Fees and other costs	Are there monthly fees for the account? How much? Can they be waived?		
	What ways can I add money to the card? Are there fees for each of those ways? How much?		
	Is there a fee for inactivity (or "dormancy") on the account? How much? How often do I need to use my card to avoid the inactivity fee?		
	Are there any per-transaction fees on the account? Would a monthly account fee be cheaper than per-transaction fees?		
Services Offered	Are there limits on where I can use the card?		
	Can I use the card at ATMs that are convenient for me? At what ATMs will I be charged a fee?		
	Are there limits on how much I can spend or withdraw in a day, or in one transaction?		
	Can I check my balance any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	Does the prepaid card have a savings wallet feature that would allow me to easily save some of my money for my goals? Is there a fee for this feature? How much?		
Security	Will I get my money back if someone steals my prepaid card		

	information and uses it without my permission?		
Other			

Friendliness, Convenience, and Access (For All Products)

	Questions to Ask	Company 1	Company 2
Friendliness	Do they treat me with respect?		
	Are the people I have dealt with friendly to me?		
Convenience	Do they have locations close to where I live, work, or shop?		
	Is it open at convenient times for me (such as during lunch, after work, or on weekends)?		
Access	Can I get information in my own language or in a form that is accessible to me?		
	Are there people to answer my questions in person, by phone, or via text, email, or online chat when I need them? Is there a fee for this? How much?		

MODULE 9 - Protecting Your Money

Learn about ways you can protect yourself and your money with practical tips and information about your financial rights and responsibilities. Protecting farm and household finances is important for your financial well-being.

At A Glance

This module can help you understand your rights and responsibilities within the financial marketplace, how to protect yourself from identity theft and fraud, and what you can do if you have been affected by identity theft, fraud, or a problem with a financial product or service.

- Protecting your identity
- How to handle identity theft
- Spotting red flags
- Submitting a complaint

Introduction

When you are an empowered consumer, you understand your rights and responsibilities. There are many laws that protect you when it comes to financial products and services. Knowing your rights can help prevent you from being taken advantage of during financial negotiations and transactions. Understanding your obligations can help you avoid late fees or problems with an account.

Whether you are protecting your household or farm financial information, you are also the first line of defense from fraud or theft. There are things you can do to be proactive about keeping your information safe. This module offers information to help you learn ways to protect yourself from identity theft and scams. It also explains how you can submit a complaint to the Consumer Financial Protection Bureau if you have a problem with a financial product or service.

<u>Ask Questions</u>

Shopping for financial products and services is no different than shopping for other things. You want to fully understand what you are buying and that it is the right product for your own needs. Just like with any other product, you want to know if there is a hidden “catch” and, if possible, comparison shop to find the product that suits your needs. Here are some tips for taking charge:

- Do not be intimidated. You are the customer. If you do not understand something, ask the selling business, bank, or other financial services company to explain it again until it makes sense.
- If you want to work with a financial counselor or adviser, interview a few before choosing one. Pick someone who is interested in helping you, not just in selling you something.
- Before you sign anything or give personal or financial information about yourself to an adviser, ask questions:
  - ✓ What are your qualifications?
  - ✓ How do you get paid?
- Ask yourself — Will this advisor work in my best interest?
- If your friends, family, or household members give you advice or information, ask them questions like:
  - ✓ Where did you get the information?
  - ✓ Are you making any money on this?

Avoiding Scams

Most of us have seen or heard something like this—offers to receive millions of dollars from a foreign prince or a lottery you did not enter or jobs that say you can earn $80/hour while working from home. Unfortunately, if the "opportunity" appears too good to be true, it probably is. If you run across an amazing-sounding opportunity, job, or product, do your research with a critical eye, especially if you are receiving the "opportunity" from someone you do not know by email, mail, telephone, or in-person.

If you have a debt with the IRS that is more than two years old, you might be getting a letter from the IRS about your account being transferred to a private debt collector.

Here is how you can tell you are dealing with the actual debt collector, not a scammer:

- The private debt collectors working with the IRS will never ask you to pay them directly. Instead, they will tell you to pay the IRS electronically, or send a check, made out to the US Treasury, directly to the IRS. Anyone who says they are collecting for the IRS and asks you to make a payment over the phone is a scammer. Whether they are asking you to pay by credit or debit card, electronic check, wiring money, or a prepaid or gift card–do not do it.
- These debt collectors will never use robocalls or pre-recorded messages. You will always speak with a live operator.
- They will always use the authentication number that was in your letters.

Con artists and scammers use creative and innovative schemes and appeals to get you to part with your money. Follow these principles to detect con artists and scammers:

- Check the paperwork or electronic documents you are asked to sign carefully. If the promises made to you are not in the paperwork, that is a warning sign that something is wrong with the deal.

To report identity theft or learn more about how to protect yourself, visit https://www.identitytheft.gov/

- Do not assume a company is legitimate based on the "appearance" of the website. Check reviews on multiple websites to look for patterns of customer satisfaction. Are more people happy or not overall with the service they received?
- Beware of promises to make fast profits and investments that claim to offer high returns with little or no risk.
- Contact state and local consumer agencies or state and federal licensing or regulatory agencies to see if there is a complaint against the company.

  You can start by looking up your state's consumer protection office at https://www.usa.gov/state-attorney-general.

- Beware of requests for money from people you do not know. Ask around and research the people involved and the nature of the deal or job. If you do not know how to do this, ask someone that you trust to help you or do not get involved in the deal at all.
- Watch out for job offers where you have to put up a lot of money up front for inventory or sales supplies. If the job does not work as promised, you probably will not get back the money you spent on inventory or supplies.
- Do not invest in anything unless you fully understand the deal. Consider running the opportunity by others that you trust to make sure that they share your understanding and agree it is a good investment.

You Can Say No

Scammers and con artists target polite people because they have a harder time saying no. If you feel pressured to make a decision, chances are you are being scammed. It may be hard, especially if it is a friend or relative, but just saying "No, I am not interested," may save you from a financial loss.

If people are pressuring you on the phone, you do not have to continue the call. This is especially true if they are trying to verbally coerce you into buying, donating to, or investing in something. Tell them to take you off their list and then hang up.

Protecting the Money on Your Prepaid Card

On the back of a prepaid card, there is a phone number you can call in case something happens to your card. It is also usually in your cardholder agreement. Write down this phone number and your card number, and keep it somewhere safe. If your card is lost or stolen, be sure to call that number or log in to your account online to report it right away. If you cannot find the number to report a loss or theft of a government benefits card, call the agency that provides your benefit. If someone else uses the card and your PIN number, there is a chance these benefits will not be replaced.

You have protections in case of an error or an unauthorized transaction if you have a prepaid card that you have successfully registered. For example, you generally cannot be held responsible for unauthorized charges or other errors on these cards if you report them immediately. In addition, the card provider is generally required by federal law to credit the disputed amount to your account while investigating the problem if the investigation will take longer than 10 business days.

These protections also apply if you receive government benefits (other than needs- tested benefits through a government-arranged card[10].

You should call your card provider as soon as you notice your card is missing or see any charges you do not recognize. The card provider may not be required to return as much (or any) of your funds if you do not notify them promptly of a lost or stolen card or any unauthorized transactions or other errors occurring on your account.

Needs-tested benefits in a program established under state or local law or administered by a state or local agency, such as SNAP, TANF, or WIC, are not subject to these protections. However, needs-tested programs administered directly by the federal government, such as SSI, are protected.

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[10] Know Your Rights for Prepaid Cards. Found: https://www.consumerfinance.gov/consumer-tools/prepaid-cards/know-your-rights/

What should I do if my prepaid card or PIN is lost or stolen or I see unauthorized charges? Found: https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-if-my-prepaid-card-or-pin-is-lost-or-stolen-or-i-see-unauthorized-charges-en-425/

Guard Your Information

Just as you have to protect your money, you also have to protect your personal information. Never give out personal information (such as account numbers, passwords, Social Security numbers, health insurance information, or answers to security questions) over the phone, through email, or social media. Banks, credit unions, and other financial and health care institutions will never email you asking you to verify personal information.

Only provide the information if you initiated the call to a number that you know is from the company. For example, if it is printed on your statement or the back of your credit card.

Scammers can use fake emails to try to get personal information from you (called "phishing") or that install a virus on your computer or device to steal sensitive personal data from you.

To Avoid Phishing Scams:

- Do not open spam email or click on spam texts. Do not read them, just delete them. And never reply to spam or click on links inside the message. If the contact was from your financial or health care institution, call them directly. Always go back to the source of the message directly to determine if it was a valid communication.
- Do not open email attachments from people you do not know or attachments that you did not expect to receive.
- Spammers can make an email appear as if it is coming from someone in your contacts list, so be careful not to respond to strange emails asking for help, even if it appears it is coming from someone you know. You can always start a new email message to that person and ask them if they really need help or alert them that their email address may have been hacked. Do not reply to the email, because then you could be replying to a scammer.
- Also be careful about clicking on links inside emails that take you to websites that ask for personal information. Scammers can send you to fake websites to get this information from you. They are good at making websites look authentic, so be wary.
- If you visit a website for a financial institution or site that asks for your personal or financial information, type the website directly into the browser and look for signs that the site is secure.
- A secure website has:
  - ✓ A URL that begins with "https:"—the "s" at the end indicates it is secure
  - ✓ A lock symbol  next to the URL is present
  - ✓ Security authentications and certificates

Seeing the “s” at the end of “http” and the lock symbol are not guarantees that the site is legitimate. For extra safety, look at the site name in the address bar and verify that it matches the name of the site you are expecting exactly. Scammers can use things like subtle misspellings to trick you into believing you are on the right site. For instance, site names like paypall.com or amazan.com might appear correct with just a quick glance.

You should still be on guard for phishing or other scams. You can help prevent identity theft by guarding your identifying information carefully and only sharing it with a person you trust because you have a reason to share it.

If you think it may be a scam, you can also search for information online. Consider checking consumer.ftc.gov/scam-alerts to see if anyone else has reported a similar scam. Often scams happen on a large scale and people will be talking about them online to help warn others.

Protecting Your Identity

Help keep your identity safe by practicing online security and limiting access to your personal information.

Identity theft is when someone steals your personal information or identity to commit fraud. This could be things like your name, Social Security number, credit card number, or bank account information. Thieves can use this kind of information to rent apartments, take out loans, open accounts in your name, or put charges on your existing accounts without your permission.

Identity theft, fraud, and data breaches affect tens of millions of people in the U.S. each year. This is why it is important to be cautious with your identifying information—both online and in the real world.

Check Your Credit Report

Check your credit report at all three nation-wide credit reporting companies (Equifax, Experian, and TransUnion) each year or even weekly using the free website www.annualCreditReport.com. If you see anything in your report that is incorrect or suspicious, contact the credit reporting company and the company that furnished the information immediately. If you are concerned about past or future identity theft, you can also freeze or put a fraud alert on your credit file.

See Module 7: Understanding Credit Reports and Scores for more information.

You can also opt out of receiving offers for credit or insurance, known as prescreened offers. This can help prevent credit or insurance offers that are meant for you from falling into other people's hands—these offers can then be used to take out fraudulent loans in your name. Remove your name from mailed pre-screened offers by opting out at (888) 567-8688 or online at www.optoutprescreen.com. Choose the "5-year" removal option to stop prescreened offers for five years—or make a request by mail if you want to opt out permanently by choosing the "forever" removal option. Even if you opt out of these offers, you can still apply for credit when you want it by contacting the lender directly or applying online.

Limit Access To Your Information

Do not carry your Social Security card or number in your wallet or purse. Keep it somewhere safe at home.

Remove your name from many direct mail marketers' lists by registering with the Direct Marketing Association using the online form at https://www.dmachoice.org/. This will create fewer opportunities for thieves to steal your information.

Remove yourself permanently from most telemarketers' lists by registering your cell phone or landline number with the Do Not Call Registry at (888) 382-1222 or at https://www.donotcall.gov/.

Never give your personal information to someone who calls you and asks for it, even if they say they are from your financial institution. If you want to confirm if the call was legitimate, hang up and call that financial institution back using a phone number you trust, like the one on your bank statement or the back of your credit card.

Use a shredder, scissors, or your hands to tear all papers with identifying information or account numbers into tiny pieces before throwing them out. Also cut up any old or cancelled credit cards or debit cards.

Only give out your Social Security number when it is absolutely necessary. Often when someone asks for it, you are not required to give it to them.

Protect information like your mother's maiden name, which is often used as a way to verify identity with financial institutions. Be cautious of where this might appear online, so do not put it on your social media account.

Practice Online Security

There are many things you can do to safeguard your personal information online.

Commit all passwords to memory. Never write them down (not even on a post-it by your computer!) or carry them with you. Make sure passwords are long and include upper- and lower-case letters and numbers. Do not include any words that can be found in a dictionary or names and dates that can be associated with you (your children's names or birth dates, for example). The best practice is to have a different password for each account. If you find it too hard to keep track of so many different passwords, have separate, longer, harder-to- guess passwords for your financial accounts.

Do not give out your financial or personal information over the Internet, unless you have initiated the contact or know for certain with whom you are dealing. Never share identity information online unless the site is secure with an encryption program, so no one can intercept your information. If secure, the website address will start with https, not http. There will also be a lock symbol near the web address (

). A secure website is not necessarily a legitimate one. Do not let your guard down just because you see the "https" and lock symbol.

Do not use public Wi-Fi when sending financial or personal information. And if you are using a public computer, like at your local library, never give the browser permission to save your password, always log off any website you signed into, and close the browser before you leave the computer.

Passcode protect your phone and tablet. Many people use apps on their mobile devices that save their passwords and log them in automatically, giving thieves easier access to personal information. Using a passcode helps ensure that someone else cannot get into sensitive information stored on your device.

Do not reply to emails asking for personal banking information, even if they have a company logo!

Financial institutions will never ask for personal information via email.

How To Handle Identity Theft

Here is what you can do if you suspect you are the victim of identity theft or fraud.

<u>Order Your Credit Reports From All Three Nationwide Credit Reporting Companies</u>

Each company's credit report about you is slightly different, so order a report from each company. When you order, you must answer some questions to prove your identity. Read your reports carefully to see if the information is correct. If you see mistakes or signs of fraud, contact the credit reporting company to take further action.

See Module 7: Understanding Credit Reports and Scores for tools that can help you order, review, and correct mistakes on your credit reports.

<u>Report Identity Theft</u>

Report identity theft to the Federal Trade Commission (FTC) at: https://www.identitytheft.gov/ or (877) 438-4338. You will answer some questions about what happened and they will use your information to:

- Create a personal recovery plan.
- Pre-fill letters to send to merchants, banks, and others affected by the identity theft.
- Complete an "Identity Theft Report," which is your official statement about the crime. In most cases, you can use your Identity Theft Report in place of a police report to clear your account and credit history of transactions that resulted from the identity theft.

Contact the police to report identity theft if:

- You know who did it or have information that could help a police investigation.
- An identity thief used your name in a traffic stop or any encounter with police.
- If you are asked to produce a police report.

<u>Consider A Credit Protection Tool</u>

There are three types of credit protection tools that you can request from credit reporting companies: a security freeze, an initial fraud alert, or an extended fraud alert.

<u>Place a Security Freeze on Your Credit Reports</u>

A freeze on your credit report generally helps prevent new credit accounts from being opened in your name. Usually, third- party-access to your credit file is completely blocked from new users without your express authorization. A freeze helps prevent identity thieves from opening fraudulent accounts in your name. This also means you will not be able to apply for credit as easily if you were planning to open a new account or apply for a loan.

You must contact each of the credit reporting companies to freeze your credit report. You will have to contact them to lift the freeze before a third-party can access your credit report.

Initial Fraud Alert

An initial fraud alert requires creditors to verify your identity before opening a new account, issuing an additional card, or increasing the credit limit on an existing account. This is a good first step if you are worried that your identity may be stolen, like after a data breach. The alert lasts for one year and can be renewed after it expires.

Extended Fraud Alert

An extended fraud alert requires creditors to contact you before approving credit and lasts for seven years. It also requires credit reporting companies to remove you from lists prepared for pre-screen offers of credit or insurance for five years. This is available if you have filed an identity theft report with Experian, TransUnion, and Equifax nationwide credit reporting companies.

What is The Difference Between These Options?

Credit Protection And Requirements	**Security Freeze**	**Initial Alert**	**Extended Alert**
Lender is required to verify your identity before approving new credit		✓	✓
Completely prevents your report from being shared with most third parties unless lifted	✓		
Triggers heightened verification procedures for the people who use your credit report		✓	✓
Request if you believe you are a victim of ID theft	✓	✓	
Requires an identity theft report		✓	✓
Extra free credit report			✓
Exclusion from prescreening lists			✓
Free in every state	✓	✓	✓

Contact Info For The Three Nationwide Credit Reporting Companies

Equifax Security Freeze - P.O. Box 105788 Atlanta, Georgia 30348 (888) 298-0045 http://www.equifax.com/personal/credit- report-services
Experian Security Freeze - P.O. Box 9554 Allen, TX 75013 (888) 397-3742 https://www.experian.com/help/credit-freeze/
TransUnion - P.O. Box 160, Wooklyn, PA 19094 (800)-916-8800 http://www.transunion.com/credit-freeze

Spotting Red Flags

If you spot one of these sales tactics or red flags when you are shopping for financial products or services, think twice before you sign anything. It is always okay to walk away from a purchase if something does not feel right or you see a red flag.

Red Flag	Description
Pressured sales tactics	You are pressured to purchase things or take out loans you do not want or cannot afford.
No consistency	Different staff or salespeople are telling you different things regarding pricing or other information.
Will not put it in writing	No one will give you clear information in writing, even when you ask for it.
Unexplained fees	No one can explain what certain fees are for or what they pay for.
No clear cancellation or return policy	There is no clear cancellation or return policy—do not assume you are able to return a product or cancel a purchase.
Inconsistent information on interest rates	The salesperson tells you about an interest rate, but the numbers on the form are much higher.
Pushed to purchase	You are being pushed to make a big-ticket purchase immediately—if a salesperson says the offer will not still apply if you take a day to think about it, be suspicious.

Steering and coercing	Aggressive sales tactics are used to steer and coerce you toward a high-cost loan, even though you could have qualified for a regular prime loan.
Paperwork does not match the sales pitch	The promises made to you by a salesperson are not in the papers or the online documents that you are asked to sign.
Confusing fine-print	A simple rule to follow is to refuse to sign anything that you do not understand.
Incomplete paperwork	Never sign a contract with blank spaces to be filled in later.
Additional insurance and other add-on products	Some lenders may insist on or imply that borrowers must buy unnecessary items like additional insurance, unneeded warranties, monitoring services, etc. They get incorporated into the loan amount, and the borrower pays interest on them over the life of the loan.
Prepayment penalties	Prepayment penalties are fees lenders require a borrower to pay if the borrower pays off a loan early.

Submitting A Complaint To the Consumer Financial Protection Bureau

Having an issue with a financial product or service? If so, you can submit a complaint to the CFPB and they will work to get you a response from the company.

The Consumer Financial Protection Bureau (CFPB) has handled over millions of complaints, helping consumers connect with financial companies to get direct responses about problems with mortgages, student loans, debt collection, credit reports, and other financial products and services.

Every complaint they receive gives them insights into problems that people are experiencing in the marketplace and helps them to identify and prioritize problems for potential action.

The Complaint Process

After you submit a complaint, it goes through several steps:

1. Complaint submitted

   You submit a complaint about an issue you have with a company about a consumer financial product or service. You will receive email updates and can log in at www.consumerfinance.gov/complaint to track the status of your complaint.

2. Review and route

   CFPB will forward your complaint and any documents you provide to the company and work to get a response from them. If they find that another government agency would be better able to assist, they will forward your complaint to them and let you know.

3. Company response

   The company reviews your complaint, communicates with you as needed, and reports back about the steps taken or that will be taken on the issue you identify in your complaint.

4. Complaint published

   The CFPB publishes information about your complaint—such as the subject and date of the complaint on the public Consumer Complaint Database: https://www.consumerfinance.gov/data-research/consumer-complaints/. If you consent, CFPB also publishes a description of what happened, after taking steps to remove personal information.

5. Consumer review

   CFPB lets you know when the company responds. You will be able to review the company's response and will have 60 days to give CFPB feedback about the complaint process.

How To Submit A Complaint To CFPB:

1. Online: www.consumerfinance.gov/complaint
2. By phone: (180+ languages): M-F, 8 a.m. - 8 p.m. ET   Call: (855) 411-2372 or (855) 729-2372 TTY/TDD
3. By mail: Consumer Financial Protection Bureau, PO Box 27170, Washington, DC 20038

Submitting a complaint helps you to advocate for yourself, protect your information and provide important information that the Consumer Financial Protection Bureau can use to monitor and regulate fraudulent business practices of financial service organizations. Though it takes time, it can be beneficial for your financial situation and help prevent issues in the future for others.

Glossary of Terms

529 Plan: A tax-advantaged savings plan designed to help families save money for future educational costs. There are two types of 529 plans: 529 prepaid tuition plans and 529 savings plans.

Auto Pay: Automatic or direct debit: A bill-paying method you set up with the merchant or service provider. You provide the merchant or service provider (for example, your cell phone provider or utility company) with your checking account information and they take the funds from your account each time the bill is due (for example, every month).

Benefit: Something that an employer, the government, or an insurance company provides that's often used only for a particular purpose, such as food or medical costs. Also: An advantage; something that is good.

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

Cash Flow Budget: A projection of how much money is expected to come in versus how much will be spent each week.

Consumer Reporting Agency: Under the Fair Credit Reporting Act (FCRA), a consumer reporting agency is defined as any person or organization that regularly engages, in whole or in part, in assembling or evaluating consumer credit information or other information on consumers for the purpose of providing consumer reports to third parties, and that uses any means of interstate commerce to do so.

Credit: Borrowing money or having the right to borrow money to buy something. Usually, it means you are using a credit card or getting a loan.

Credit Protection Tool/Service: Credit protection tools/services help you monitor, safeguard, or recover your credit. Typically offered by an agency that may charge a fee for their services.

Credit Report: A summary of your credit activity and current credit situation such as loan paying history and the status of your credit accounts. Lenders use these reports to help them decide if they will loan you money and what interest rates they will offer you. Other businesses might use your credit reports to determine whether to offer you insurance; rent a house or apartment to you; or provide you with cable TV, Internet, utility, or cell phone service. If you agree to let an employer look at your credit report, it may also be used to make employment decisions about you.

Credit Score: A number created from a scoring model that uses information from your credit history.

Debt: Money you owe another person or a business.

Debt Log: A tool used to create a complete picture of all money owed, including creditors and payment amounts.

Debt-to-Income Ratio: A calculation used to determine how much of your monthly income goes toward paying off debt.

Disputing Errors: The formal process of notifying a credit bureau when you find incorrect information on your credit report to have it corrected.

Emergency Fund: A cash reserve that is specifically set aside for unplanned expenses or financial emergencies. Some common examples include car repairs, home repairs, medical bills, or a loss of income.

Ending Weekly Balance: The amount remaining after subtracting all weekly expenses from the total income for that week.

Envelope Method: is a budgeting system where you divide your monthly income into physical or digital envelopes, each representing a specific expense category such as groceries, rent, entertainment, or savings. You only spend the money allocated in each envelope, and once the cash is gone, you stop spending in that category until the next budgeting cycle. This approach encourages intentional spending and provides a tangible way to track finances.

Family Draw/Distribution: The process of taking money periodically from the farm business account to cover household expenses.

Financial Boundaries: Clear separations between business and household assets and obligations to allow for informed decision-making.

Financial Empowerment: The process of gaining the knowledge and tools necessary to take control of financial matters and make informed decisions.

Financial Obligations: The "must-pay" items such as taxes, loan payments, and insurance premiums that are often the starting point for family financial discussions because they are non-negotiable and have fixed due dates.

Financial Products: Tools used to store and access money, such as checking accounts, savings accounts, and prepaid cards.

Financial Rights: The legal protections and standards that ensure you are treated fairly by financial institutions and have a way to resolve issues when a product or service does not work as expected.

Fixed Due Date: A specific date when a bill must be paid to avoid extra fees or negative entries on a credit record.

Fraud Alert: Is a statement that is placed on your credit report by credit reporting agencies that will notify creditors to verify your identity before extending credit in case someone is using your information without your consent. You can request that an alert be placed on your credit file for each of the credit reporting agencies.

Fraudulent Business Practices: Deceptive actions taken by financial service organizations that can be reported to agencies like the Consumer Financial Protection Bureau (CFPB).

Identity Theft: Using your personal information — such as your name, Social Security number, or credit card number — without your permission.

Intertwined Finances: When a single bank account or credit card is used for both business and household expenses, making it difficult to track the financial security of either.

Liability: Something that is a disadvantage, money owed, or a debt or obligation according to law.

Liquid Savings: is money set aside in accounts or investments that can be easily accessed for immediate use, such as paying bills, emergencies, or short-term expenses. These savings are considered highly liquid because they can be withdrawn or converted into cash quickly and with minimal risk of losing value. An example might be a savings account at your financial institution.

Money Conversations: Intentional, scheduled discussions between family members designed to handle different concerns and priorities effectively.

Money Transfer: A service used to send money to other people or businesses, sometimes internationally.

Money Values: The internal compass, often shaped by your upbringing and culture, that influences how you feel about money and guides your decisions on how to spend, save, and share it.

Needs: Basic things people must have to survive (such as food, clothing, and shelter), resources they may need to do their jobs (such as reliable transportation and the tools of the trade), and resources to help build and protect their money and property so they can meet future needs (such as emergency savings and insurance).

Net Income: Amount of money you receive in your paycheck after taxes and other deductions are taken out; also called take-home pay.

Obligation: Refers to a legally binding duty to pay debts or fulfill monetary requirements. This can include various forms of financial commitments such as loans, leases, and contracts.

Off-farm Wages: Income earned by family members from jobs outside of the farm enterprise.

Opportunity Cost: Cost of the next best use of your money or time when you choose to buy or do one thing rather than another.

Overdraft: An overdraft occurs when you don't have enough money in your account to cover a transaction, but the bank pays the transaction anyway.

Payday Loan: is a small, unsecured loan, often for amounts of $500 or less, intended to cover immediate financial needs and repaid on the borrower's next payday or income receipt. Often the cost to borrow is very expensive.

Payroll Card: A type of prepaid card you get from your employer that you receive your paycheck on.

Peaks and Valleys of Income: The predictable fluctuations in a farm's cash flow where income is high during certain seasons and low during others.

Periodic Expenses: Costs that do not occur every month but happen at specific times, such as car registration, property taxes, or holiday spending.

Phishing Scam: When someone tries to get you to give them personal information such as through an email or text message, often by impersonating a business or government agency. This can be thought of as "fishing for confidential information".

Positive Household Cash Flow: A financial state where the income entering the household is greater than the expenses going out.

Predictable Times: Specific periods, such as the 1st and 15th of the month, when income is received in a consistent amount, making it easier to plan for and pay regular household bills.

Savings: Money you have set aside in a secure place, such as in a bank account, that you can use for future emergencies or to make specific purchases.

Seasonal Income: refers to earnings from jobs that recur during specific times of the year but do not last all twelve months.

Seasonality of Income: A unique characteristic of farming where income may only be received during specific months of the year, requiring careful planning for year-round bills.

Secured Debt: Is a type of loan backed by collateral, giving the lender a legal claim to specific property if the borrower fails to repay. An example would be a home or car loan. If the borrower fails to pay the loan, the lender can reclaim the home or car.

Security Freeze: A security freeze, also called a credit freeze, is a tool that restricts access to your credit report, preventing new creditors from opening accounts in your name without your permission.

Sensitive Information: Personal data such as account numbers or government IDs that should be kept private to prevent unauthorized access to your finances.

Starting Balance: The total amount of cash, prepaid cards, and account balances available at the beginning of a week or month.

Sustainable Growth: A path of development for both the household and the farm business that is supported by clear financial boundaries and informed decision-making.

Trade-offs: The balance between two desirable but incompatible features; for example, a decision about the farm impacting options for the family.

Two-Factor Authentication: is a security method that requires two distinct forms of identity verification to access an account or system, significantly enhancing protection beyond just a password.

Unsecured Debt: is a financial debt or obligation that is not backed by collateral, relying solely on the borrower’s promise to repay.

Values: The core beliefs and things that are meaningful to a person or family, which shape how they prioritize time, money and other resources.

Wants: Upgrades and other things that would be nice to have but aren’t necessary for living, income, or protecting what you have.

Additional Farm and Household Financial Toolkit Materials can be found at the Extension Risk Management Education: Ag Risk Education Library

https://extensionrme.org/AgRiskLibrary