DC Kin Care
Financial Literacy with Bank on DC
House Keeping

PLEASE MUTE YOURSELF IF YOU AREN'T SPEAKING

USE THE CHAT FUNCTION TO ASK AND ANSWER QUESTIONS
What are some words, lyrics, or phrases that come to mind when you think about money?
Department of Insurance, Securities and Banking

The mission of the Department of Insurance, Securities and Banking (DISB) is three-fold:

1. **Cultivate** a regulatory environment that protects consumers and attracts and retains financial services firms to the District.

2. **Empower** and educate residents on financial matters.

3. **Provide** access to financing for District small businesses.
Provide thousands of DC area residents access to products and services that allow them to maximize opportunities to build assets and improve their financial stability.

Assist financial institutions in reaching unbanked and underbanked households within the District.

Better enable community organizations to deliver financial education among their target populations.
Poll Question:
What is one of the first steps for turning your dreams into reality?
S.M.A.R.T. Goals

Specific  Measurable  Attainable

Relevant  Timebound
Time to think and write

Write a financial goal using the S.M.A.R.T. method.
Prioritize Your Spending!

• **Needs**
  Anything necessary for survival (food, shelter, and water)

• **Obligations**
  Something you agreed to uphold (utilities, subscriptions, credit cards)

• **Wants**
  Things that you may desire to have
Save *First*, Spend what is *left*!

Foundation for a strong financial future
Poll Question:

What are some benefits of having a bank account?
Reasons to put money in the bank

- **Safety** – insured and fraud protection
- **Convenience** – remote account opening and access, mobile app, direct deposit, remote deposit
- **Cost** – avoid check cashing fees
- **Security** – fraud protection and theft protection
- **Secure Financial future** – a relationship with a bank helps you build a better financial future
Insured Financial Institutions

Banks

➤ For-profit
➤ Anyone can join
➤ More accessible
➤ Shareholder Owned
➤ FDIC ($250k)

Credit Union

➤ Not for profit
➤ Membership required
➤ Less accessible
➤ Member Owned
➤ NCUA ($250k)
Types of Accounts

Checking
Where my cash is!
- Spending Account
- Direct Deposit
- Your paycheck comes here

Money Market
- Savings account
- Higher minimum balance
- Higher rate of return
- Check writing feature

Savings
- Emergency fund
- Lower rate of return

Certificate of Deposit
- Predictable goals
- Pledge your money
- Higher interest rate
Opening and Maintaining a Bank Account

- Open the account and go through account verification.
- Make deposits and withdrawals.
- Record interest and fees.
- Keep track of your account balance.
Poll Question:

• What is the difference between gross and net pay?
Gross Pay

Your earnings *before* taxes and other deductions.

- You might be paid on either a *salary basis* or *hourly basis*.

  - **Gross Salary** = Annual Salary
    
    # of pay periods

  - **Gross Hourly** = (Hourly Rate) x (# of hours worked)
Net Pay

• Your earnings after taxes and other deductions. Also known as your take home pay.

• Federal Income Contributions Act (FICA)
  Social Security  6.20%
  Medicare  1.45%
  7.65%

• Step 1: Gross Pay – FICA = FICA tax amount
• Step 2: Gross Pay – FICA tax amount = Net Pay

• Note: Social Security's official name is Old Age, Survivors, and Disability Insurance (OASDI). You may see this acronym on your paycheck instead of “Social Security”. 
Poll Question:

• Why is budgeting important?
What is a Budget?

A budget is a spending plan.
Why is a Budget Necessary?

- Identifies and defines your financial goals
- Manages your money
- Directs your money flow
- Increase your savings
- Avoids spending money unnecessarily
- Achieve your personal goals
How do I create a budget?

- **Step 1** - Where does my money come from?
- **Step 2** - Where does my money go?
- **Step 3** - What are all my bills and when are they due?
- **Step 4** - Create your working budget.
Why do you need to borrow money?
Poll Question: What is credit?
What is Credit?

- The ability to borrow money
- Sometimes called a loan
- A promise you make to pay back money
- Paid back with interest
Poll Question:

Why is credit important?
Why is Credit Important?

- Is convenient when you do not have cash
- Is useful in times of emergencies
- Allows you to pay for purchases over time
- Employment
- Housing
- Insurance
30% Amounts Owed
10% New Credit
15% Length of Credit History
35% Payment History
10% Credit Mix

Scores >799: Exceptional
Scores 740-799: Very Good
Scores 670-739: Good
Scores 580-669: Fair
Scores <580: Poor
Where does the credit report come from?

The largest nationwide agencies include:

- TransUnion
- Experian
- Equifax

Getting free, annual credit reports

- **Online:** Get a free copy of your credit report at [AnnualCreditReport.com](https://AnnualCreditReport.com)
- **By mail:** Download and complete the [Annual Credit Report Request Form](https://AnnualCreditReport.com) and mail it to:
  Annual Credit Report Request Service
  P.O. Box 105281
  Atlanta, GA 30348-5281
Poll Question:

What does wealth mean to you?
3 Pillars of Wealth

1. Start or own a successful business
2. Own Real Estate
3. Invest in the Financial Markets
Where to Start Building

Short Term
• Emergency Fund: 3 to 6 month expenses

Mid-Term
• Acquire diverse assets

Long Term
• Retirement
• Non-retirement investment portfolio
Savings vs. Investments

<table>
<thead>
<tr>
<th>Savings</th>
<th>Investments</th>
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</thead>
<tbody>
<tr>
<td>• Low risk</td>
<td>• High risk</td>
</tr>
<tr>
<td>• Low return</td>
<td>• High return</td>
</tr>
<tr>
<td>• High liquidity</td>
<td>• Low liquidity</td>
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</tbody>
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Own a Successful Business

• Use your talents and abilities to fill a need in the market

• Ownership in a business, provides access to earnings of the business, however, you are also responsible for the cost and liabilities
Own Real Estate

Ownership is Key!

Homeownership is usually the first step for many people.

Residential  Commercial  Land
<table>
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<tr>
<th><strong>Types of Investments</strong></th>
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<tbody>
<tr>
<td><strong>Stocks</strong>: A portion of an ownership in a corporation. If you own stock, you own a share in the company. Buy and sell through a broker who trades on the Stock Exchange</td>
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<tr>
<td><strong>Bonds</strong>: Issued by some large entity—a bank, the government, or a company. Pay out a specific amount at a specified time. Pays out less prior to that specified date</td>
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<tr>
<td><strong>Mutual Funds</strong>: Operated by an investment company. Takes money from investors and buys several stocks, bonds, etc. Have a portfolio of accounts containing different types of investments</td>
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### Questions to Ask Before You Invest

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<td>What’s my financial objective?</td>
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<td>What’s my risk tolerance?</td>
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<td>Am I ready to hold the investment for a while?</td>
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<td>Do I understand what I am buying?</td>
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<td>What’s the outlook?</td>
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<td>Is this a good(or too good) price?</td>
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<tr>
<td>What are the costs?</td>
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<tr>
<td>Why am I buying it?</td>
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Top 5 Tips

1. Save with a goal in mind
2. Write it down
3. Save the easy way...automatically
4. Prepare for the unexpected
5. Enjoy the journey
Additional Resources

• Bank on DC
• Budget Worksheet
• Credit Reports & Scores
• FDIC Consumer Resources
• Financially Fit DC
• Investing Resources
Additional Resources

• Bank on DC
  • 202-727-8000
  • bankondc.org
  • Disb.bankondc@dc.gov

• Department of Insurance, Securities and Banking
  • 1050 First Street NE, 801, Washington, DC 20002
  Phone: 202-727-8000
  TTY: 711
  Email: disb@dc.gov
Q & A

Please use the chat function to ask questions