VSAC GEAR UP Family Yack Stack for exploration and conversations around financial literacy

The Financial Literacy Yack Stack is intended to prompt conversations at home, in the car, or wherever you find yourselves with time for talking. Figuring out personal finances can be overwhelming for students after they graduate from high school and start figuring money stuff out on their own. We encourage families to give them a head start, start talking to them about money, and teach them often complicated topics through easier, less intimidating conversations with you.

We hope you'll use this collection of conversation starters to have some fun and learn about your family's beliefs and behaviors around money. Read one question or statement at a time and take time for everyone to answer, discuss, and ask questions — dig deeper; why, how, "tell me more" and most of all listen for understanding.

Objectives

- Deeper understanding of your family's values, attitudes, and practices with money and finances
- Destigmatize the discomfort and secrecy around salary, expenses, budgets, and money knowledge
- Increase family communication about financial plans and budgets
- Increase family financial planning and understanding around credit, loans, savings, and retirement planning

What you'll need

- One Financial Literacy Yack Stack

How to use

This activity can be used in multiple ways. It can be a quick conversation around one or two cards, or it can be a sit-down family game. Its purpose is to get you talking about and understanding behavior and values around money and developing practices that support your financial strength.

Quick game:

- Randomly choose one card to discuss. Ask questions of the speaker based on the conversation or answers you receive and allow everyone to respond.
- Alternate people who choose the card (go in a circle, go by first birthday, youngest to oldest, etc.).
- Refer to list of resources.
- Utilize online supports (listed below).
- Remember, there's no right or wrong answer — this is about understanding your values and behavior with and about money.

If you choose to:

- Grab a pen and some paper — in 3 minutes, write down all the words you know relating to money and financial literacy.
- Compare lists and combine for a complete list of all words — share what you already know about the words on your lists.

- Randomly choose one card to discuss. Ask questions of the speaker based on the conversation or answers you receive and allow everyone to respond.
- Alternate people who choose the card (go in a circle, go by first birthday, youngest to oldest, etc.)
- Share any new words or concepts that came up during the game.
- Keep your word lists to see your progress every time you play!

Vocabulary

Allowance: a sum of money given, sometimes for doing chores around the house, often for a special event or activity (school trip), or sometimes periodically to build money skills.

Budget: an estimation of income/revenue and expenses over a designated period of time (weekly, monthly, annually); reevaluated from time to time and adjusted as needed to earn, spend, and save in accordance with money coming into the household.

Budgeting tips:

- Identify your monthly income — what do you have to spend?
- Plan for groceries, seasonal purchases, routine expenses, housing, transportation, electronics (phone, internet, cable).
- Create a family budget based on expenses monthly (remember that every month may be different).

College Savings Plan (529): an investment account families or friends can contribute to for future qualifying educational expenses like college or K–12 tuition, apprenticeship programs, and student loan repayments.

Credit Score: a number between 300–850 that gives indicates a person's credit strength. The higher the score, the better the history and indication that borrowed money will be paid back.

Family values around money: the ways that you and your family utilize money and shape the decisions you make around spending and saving money. Money values are shaped by your childhood experiences with money, your current income, your social groups, and your goals and ambitions.

***FICA* (Federal Insurance Contributions Act):** a US federal payroll contribution (you'll see it on your pay stub) directed toward employees and employers to fund Social Security and Medicare programs that provide benefits for retirees, people with disabilities, and children of deceased workers. The current tax rate for FICA is 6.2%. This is subject to change.

Gross income: the total earnings a person receives before paying for taxes and other deductions.

Net income: the amount of income that remains after taxes and other deductions (insurance, retirement, and other payroll contributions).

Retirement: when an employee stops working full-time or leaves their full-time career. Some workers find part-time work that allows some income while receiving retirement income and benefits. Typically, there are several retirement savings options to be aware of during your working years.

Savings: a deposit account held at a bank or credit union that provides a secured holding place for your money and a modest interest rate.

Transportation: ways that you travel and have expenses, for example, monthly loan payments to lease or own, insurance, repairs and maintenance, gas, tires.

Other financial terms that may be of interest

Annual Percentage Rate (APR): the annual cost of a loan to the borrower. When a borrower takes out a mortgage, the APR can include other charges such as mortgage insurance (if the down-payment is low), closing costs, discount points, and origination fees. This is different from interest, as it covers the cost to borrow money (paid to the lender or insurance against missed payments).

Consequence of missing a payment: Missing a payment on a loan can reduce your credit score, add late fees/additional costs, and/or prevent your ability to borrow money in the future. It can also mean you pay a higher interest rate on future loans a result of a lower credit score.

Disposable income: money left over after all taxes, bills, and other mandatory expenses are paid (phone, internet, car, insurance, home, etc.).

Down payment: an initial payment for a purchase made on credit or partial payment to hold a purchase (for example: 3.5–20% of the sale price of a home as a deposit which gets subtracted from the total sale price).

Employee benefits: indirect, non-cash, or cash paid to an employee above and beyond regular salary wages. These benefits can include health insurance, life insurance, paid vacation, paid sick leave, flexible work schedules, retirement contributions, workplace perks like on-site snacks and meals, gym memberships, etc.

Entertainment allowance: money in a budget for dining out and entertainment like movies, trips, outings, and hobbies.

Exempt/non-exempt employment: the primary difference between an exempt and non-exempt employee is their eligibility for overtime. Exempt employees are offered a steady salary whereas non-exempt are hourly wage and therefore can receive overtime pay. Although employers must follow Fair Labor Standards in both instances.

Interest: the amount of money you pay a lender for borrowing money; typically a percentage of the principal.

Mortgage: a loan used to purchase or maintain a home, land, or other types of real estate. The borrower agrees to pay the lender over time typically with interest.

Origination fee(s): an amount, set or percentage, paid to a lender to process a loan application. A loan origination fee of 0–10% can be added depending on the borrower's credit score. For example: a loan of $3,000 X .03 = $90 origination fee.

Payroll deductions: wages withheld from an employee's total earnings; federal income taxes, FICA (social security and Medicare), state income tax, local taxes (could include city or county, state disability, or unemployment insurance), court-ordered child support payments. Some deductions are mandatory, and some are employee chosen, like contributing to retirement accounts.

Principal: is the money you agree to payback (the original amount of a loan), for example, you borrow $10,000.00 to purchase a car — that is your principal — your interest is then added to the principal of your loan to calculate your monthly payments. $10,000 x 4% ($400) interest over 4 years = a monthly payment of $233.33 will be the principal amount and then the interest is $8.33 for a total monthly payment of roughly $241.66 over 4 years. You'll have to figure in the fluctuation in principal and interest over the life of the loan although your monthly payment should not change.

Refinance: When you work with a bank or lender to lower your interest rate and you may or may not adjust the term (length) of the loan(s).

Rent: money paid to the landlord or home/landowner for use of their home, apartment, land, storage.

Secured: in the event of a default (inability or refusal to pay a loan) the lender can use the asset (vehicle, home, etc.) to repay the funds it has loaned the borrower — a repossession, so to speak.

Student loans: funds borrowed to pay for postsecondary education or training designed to help students and families pay for costs such as tuition (the cost of classes), books and supplies, and living expenses:

- Subsidized — Federal loan awarded by completing the *free* FAFSA application (www.FAFSA.gov); no cosigner is needed for federal loans. Interest does build on this loan while the student is studying or during approved periods of pause; however, **the federal government pays the interest on these loans while the student is enrolled in school.**

- Unsubsidized — federal loan awarded by completing the *free* FAFSA application (www.FAFSA.gov); no cosigner is needed for federal loans. NOTE: **The student is responsible for paying the interest on these loans and interest will build while student is enrolled in school**. The student is NOT required to pay back these loans until they are no longer enrolled in school. Paying interest while enrolled is optional, but will enable a student to have a lower monthly payment when they are out of school.
- Private — loans issued by private lenders (not the Department of Education); all have unique qualifying requirements, repayments options, and fees. Typically one would "shop around" for these loans and turn in an application; options are to talk with your bank or credit union and search for non-profit agencies like VSAC that offer student loans.
- Income Driven Repayment — a repayment plan for federal loans; payments are calculated based on a percentage of your wages. This is reviewed annually so payments can rise and decrease with your income.
- Parent loans — loans that parents can apply for in their own name for their child's approved education expenses. These loans can be federal or private.

Term: the length of time between purchase or acquisition of a financial bond or note and the time it reaches its full value or maturity. For example, car loans may range from 3–6 years and mortgages can range from a few years to 30. Note: You can pay off your loan(s) faster by paying more toward the principal when you are able.

Utilities: services/expenses used in the home like heat, electricity, gas, water, sewer, etc.

Online resources that may help with topics introduced in the Yack Stack

https://advancevermont.org/myfuturevt/ free online one-stop shop for career and education resources

www.vsac.org for grants, scholarships, educational loans, and parent loans

https://www.vheip.org/ Vermont's 529 College Savings Plan

https://www.bls.gov/ooh/ Occupational Outlook Handbook

https://labor.vermont.gov/ Vermont Department of Labor, job outlook in Vermont, job seekers

https://www.consumerfinance.gov/consumer-tools/student-loans Consumer Finance Protection Bureau