



# Finance 101

# Topics Covered

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Asset Classes

Tax Rates

Creating a Budget

Calculating Net Worth

Credit Score Ranges

The 5 Cs of Credit

How To Pull & Review Your Credit

How To Build & Maintain Your Credit

# 5 Basic Asset Classes

Cash	Equity	Fixed Income	Real Estate	Commodities
Checking & Savings Accounts, Online Wallets, Hard Cash	Startup Funding, Index Funds, ETF's, Mutual Funds, Stocks	Bonds, CDs	REIT, Commercial & Personal Property	Corn, Wheat, Crude Oil, Copper, Silver, Gold
Liquidity & Power to Buy	Ownership into a Business	Lending Money To Someone	Ownership of Physical Space	Ownership of Goods

# Basic Tax Rates

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Federal Income Tax : 10% - 37% (based on income)

State Income Tax (varies by state)

FICA (Social Security) – 6.2%

Medicare – 1.45%

Capital Gains Tax: 0/15/20% (based on income)

# Creating A Budget

- **What is a Budget?** – a written plan to decide how to spend money each month.
- **Why is it Important?** – Helps you decide how to allocate funds and identify opportunities to save money.

Income Item	Estimated Amount	Actual Amount
Salary	\$4,500	\$4,500
Rental Income	\$1,100	\$1,100
Dividends	\$375	\$375
Total Income	\$5,975	\$5,975
Expense Item	Estimated Amount	
Rent	\$900	\$900
Electric	\$135	\$160
Car Note	\$342	\$342
Insurance	\$85	\$85
Water	\$27	\$23
Total Expenses	\$1,489	\$1,510
<b>Net Income</b>	<b>\$4,486</b>	<b>\$4,465</b>
To Savings	\$1,195 (20%)	\$1,195 (20%)
<b>Remainder</b>	<b>\$3,291</b>	<b>\$3,270</b>

## Calculating Your Net Worth

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**What is Net Worth?** Value of the assets a person or business owns minus the liabilities.

PERSONAL BALANCE SHEET    Date: 08.08.2017	
Assets	Remarks
Checking Account A	100
Savings Account A	1000
Checking Account B	500
Savings Account B	2000
Taxable Investment A	10000
Taxable Investment B	5000
Non-Taxable Investment A	20000
Non-Taxable Investment B	20000
401(K) Plan	5000
403(B) Plan	0
Property A	200000
Property B	75000
Vehicle	15000
<b>Total Assets</b>	<b>353600</b>
Liabilities	Remarks
Credit Card A	-1000
Credit Card B	-2000
Student Loan	-100000
Vehicle Loan	-7500
Home Mortgage	-150000
<b>Total Liabilities</b>	<b>-260500</b>
<b>Net Worth</b>	<b>93100</b>



# Credit 101

## Understanding Credit

# Credit Score Ranges

## FICO Credit Score Ranges



Source: FICO

# Major Factors That Affect Your Credit

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- **Payment History** – Tells if you pay your bills on time. If late, how late are you? And have debts been charged off or sent to collections. = 35%
- **Amounts Owed (Credit Utilization)** – Shows how much credit is available or if you're "maxed out." = 30%
- **Length of Credit History** – Tells how long you've been using credit. Longer credit history is a plus. = 15%
- **New Credit** – Looks at how many new accounts you have. Opening a lot of new accounts or having a bunch of new credit inquiries is a red flag to creditors. = 10%
- **Types of Credit in Use** – Looks for a mix of different types of credit, such as credit cards, installments loans, mortgages, etc.. = 10%

# The 5 Cs of Credit

## What are the 5 Cs of Credit?

System used by lenders to gauge the creditworthiness of potential borrowers. It attempts to estimate the chance of default and, therefore, the risk of a financial loss to the lender.



# How To Pull & Review Your Credit

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Fair Credit Reporting Act (FCRA) – Passed in 1970 to address the fairness, accuracy, and privacy of the personal information contained in the files of the credit reporting agencies. It regulates the collection of consumers' credit information and access to their credit reports.

Under FCRA, you have a right to see your credit reports. By law, you are entitled to one free credit report every 12 months from each of the three major bureaus. You can request your reports at the official, government-authorized website for that purpose, [AnnualCreditReport.com](https://www.annualcreditreport.com).

# How To Pull & Review Your Credit

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## What To Look For

When you review your credit reports, look for changes to your personal information. This includes account details, inquiries and public record data. If something looks suspicious, double check that it's not a mistake on your end, then dispute the error.

## Common Errors to Look For

- **Personal information**
  - Incorrect or incomplete name, address or phone number
  - Multiple birth dates
  - Wrong social security number
  - Inaccurate employment information
- **Accounts**
  - Unrecognized accounts (i.e., credit cards, HELOCs, mortgages, installment loans, etc.)
  - Inaccurate status of account, such as a closed account marked as open
  - Incorrect payment history, such as a current account labeled past due
  - Inaccurate account holder status (for example, account holder listed as authorized user)
  - Incorrect credit limits and balances
  - Unknown utility, phone and streaming accounts
- **Inquiries**
  - Companies that pulled your credit report without your authorization or knowledge
- **Public records**
  - Bankruptcies, liens, foreclosures, civil suits and judgments that you weren't involved in

# How To Build & Maintain Your Credit

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## 5 Steps to Establish New, Rebuild Bad, and Maintain Good Credit

1. Review credit reports regularly and dispute errors
2. Pay off debts from smallest to largest amounts
3. If no open lines of credit, apply for secured credit card (requires deposit)
4. Keep utilization at less than 30% of available credit
5. Limit credit inquiries