

Money on the Mind

Banks and Financial Institutions

Taxes and Insurance



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Learning Objectives

What you will learn about:

- Financial milestones through the lifespan
- Types of financial services and institutions and their costs and benefits
- Features, benefits, and costs of common financial products
- Common barriers to banking and steps to overcoming them
- High costs or predatory financial services

What you will be able to do:

- Choose financial products and services that are right for you
- Use basic account features to make deposits, withdrawals, and transfers
- Identify and avoid high cost or predatory financial products and services

Financial Milestones Through the Life Span

At different times in our lives we might need different financial services. When we are just getting started on our own, we may just need the basic services offered by banks or credit unions (checking accounts, savings accounts, etc.). As we move on in life we might need more complex financial information, tools, and advice. The following chart explores some of the typical financial milestone through a lifespan. This doesn't mean this is the same for everyone!

The Getting Started Years	The Planning Years
<ul style="list-style-type: none"> • Try saving 10% of your income • Establish an “Emergency Fund” of at least \$750 in savings • Save for vacations and major purchases (instead of using credit) • Start a 401K or IRA • Save for down payment on a home 	<ul style="list-style-type: none"> • Decide when you want to retire and plan how to enjoy financial freedom. • Continue meeting with a financial advisor and strategize about investment strategies. • Think about current financial situations regarding when you want to retire. • Investigate purchasing long-term care insurance for you and/or your spouse.
The Building Years	The New Chapter Years
<ul style="list-style-type: none"> • Build your emergency fund to cover 3-6 months’ living expenses. • Make maximum contributions to a 401k or IRA • Keep no more than two credit-card accounts; pay off balances every month. • Buy a home; consider buying a house that can also have rental income • Meet with a financial planner to develop a long-range investment strategy. 	<ul style="list-style-type: none"> • Explore retirement options. • Talk with a financial planner about how much money you will need to support your desired retirement and make a plan. • If you want to have money saved for children, grandchildren or other family members, set up a plan for that. • Enjoy the possibilities of a new chapter
The Middle Years	The Retirement Years
<ul style="list-style-type: none"> • Increase investment contributions as your income grows • Buy a home if you are able and haven’t already • Consider purchasing long-term care insurance for aging parents. • Consider starting your own business; discuss self-employed retirement plan with financial planner. 	<ul style="list-style-type: none"> • Live within your new retirement income • Make Living Will and designate health care Power of Attorney (Advance Directive) • Set up legal structures for any monies you want to leave to people or institutions (trusts, bequests, etc.) • Enjoy the retirement years that you have worked hard for!

Basic Banking Services and Products

In the past, when people wanted to save money, they sometimes put it under their mattress or even in the freezer! It's hard for us to believe this now, but it made sense then. They thought their money was safe in those places. Now, most of us keep our money in banks or credit unions. Banks are safe, secure, and convenient. Accounts that we have up to \$250,000 at banks and credit unions are insured (by the Federal Deposit Insurance Corporation in banks, and by the National Credit Union Association in credit unions). Banks and credit unions offer a broad range of services to help us save and manage our money. Below is a list of some of their services.

- Savings Accounts
- Checking Accounts
- Money Market Accounts
- Certificates of Deposit
- Automated Teller Machines (ATMs)
- Debit Cards
- Bill paying
- Loans (car loans, home loans)
- Money Orders
- Direct deposit
- Check-cashing
- Automatic Clearing House (ACH) debits
- Automatic Deposit
- Transfers
- ATMs
- Online or Mobile Banking
- Prepaid Cards
- Secured Cards

Good Banking Tip: Know your available balance and avoid overdrafts

It's important to know how much money you have before you access your money. The available balance is the amount the bank will make available to you for use. You will need to adjust for any checks or debit purchases that have not yet been paid. Overdrafts occur when you write a check or withdraw more money than you have in your account. When you try to spend money that you don't have, there are several possible outcomes: 1) your bank may decline your next ATM or debit card transaction; 2) the bank may transfer money from a savings account linked to your checking account for overdraft protection; 3) your bank may pay your transaction in overdraft, and then you will need to repay the bank, and may pay an overdraft fee; or 4) your bank may return your transaction unpaid due to insufficient funds (NSF). If you make several overdrafts, the bank may close your account. So always monitor your available balance!

Overcoming Barriers to Banking

Being Unbanked

According to the FDIC, 20 percent of U.S. households either don't have a bank account or rely on alternative channels for financial services, such as check-cashing. Unbanked people generally pay for things in cash or purchase money orders. Some people are stuck on lists that don't allow them to open accounts (see below); others can't afford the high fees and balance requirements. It's also hard for people without bank accounts to save money. At times credit unions can be an option for people that traditional banks have not served.

ChexSystems®

ChexSystems® is a little known nationwide specialty consumer reporting agency system that banks use to keep track of customers who have unpaid overdrafts and fraud on accounts. The ChexSystems® report is like a credit report, but for the way people have used bank accounts. ChexSystems® clients (banks and credit unions) regularly contribute information on closed checking and savings accounts which those clients use to assess the risk of opening new accounts. A poor ChexSystems® rating can stop someone from being able to open a checking or savings account. If you have been denied an account and ChexSystems® was used in the decision process, you can request your consumer disclosure report to help you understand what led to this decision. Information stays on your ChexSystems® report for a period of five years from the report date unless the source of the information requests its removal, which it is not required to do, even after payment of monies owed. The reporter is only required to update the report with a "paid in full" or "settled in full" date. You have the right to dispute any information in your consumer file that you believe to be inaccurate or incomplete.

To learn more about ChexSystems® or to get a copy of your ChexSystems® Consumer Score:

<https://www.chexsystems.com>

Second Chance Banking

If your previous checking account history is preventing you from opening a standard checking account, some financial institutions may approve a "second chance" checking account for you. These accounts may come with higher fees and more restrictions, but may allow you to deposit checks and may help to rebuild your banking history over time. Your eligibility for a second chance account does not guarantee that your previous history will improve or be repaired.

Taxes and Insurance

Learning Objectives

What you will learn about:

- How taxes are used
- Common taxes
- The difference between tax deductions and credit
- Tax preparation methods
- The insurance plays in protecting assets
- Common insurance types and terminology
- What to look for when shopping for insurance

What you will be able to do:

- Understand common taxes
- Identify common tax credits and deductions available to you
- Choose a tax preparation method for filing taxes
- Identify risks to asset building
- Develop a plan for protecting assets
- Understand basic terms when shopping for insurance

Common Taxes

Federal and State Income Tax – taxes on your income, wages and earnings

FICA and other payroll taxes – taxes that employers remove from your paycheck and send to the appropriate government agency. These taxes fund programs like Social Security and Medicare

Self-employment taxes – taxes required to be paid by a self-employed person. This tax covers programs like Social Security and Medicare

Capital gains taxes – a tax paid when you sell assets including investments and real estate. This tax only relates to net gains realized from selling the asset

Estate/inheritance taxes – taxes paid on assets passed on or inherited after death

Property taxes - a tax paid based on the value of your property

Sales Tax – a tax paid on the goods and services you buy

Common Tax Credits

Earned Income Tax Credit - a benefit for working people with low to moderate income. To qualify, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file.

Child and Dependent Care Credit - This Credit is available to people who, in order to work or to look for work, have to pay for child care services for dependents under age 13.

American Opportunity Tax Credit - a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student.

Lifetime Learning Credit – a credit for qualified education expenses paid with no limit on the number of years it can be claimed by each student.

Savers Credit - a tax credit for making eligible contributions to your IRA or employer-sponsored retirement plan.

Common Insurance Terms

Agent - A person who sells insurance policies.

Allowable Charge: The maximum fee an insurance company will reimburse a provider for a given service.

Beneficiary: The person, people, or entity designated to receive the death benefits from a life insurance policy.

Benefit: Payments provided for covered services under the terms of the health benefit plan. The benefits may be paid to the insured, or on his/her behalf, to the medical provider.

Benefit Period: The maximum length of time for which benefits will be paid.

Certificates of coverage: Printed material showing members of a group health benefit plan the benefits provided by the group master policy.

Claim: A request for payment for benefits received or services rendered.

COBRA: (Consolidated Omnibus Budget Reconciliation Act of 1985) A federal law that requires employers, with 20 or more employees, to offer continued health insurance coverage to eligible employees (and their beneficiaries) whose group health insurance has been terminated under certain circumstances.

Coinsurance: An arrangement under which the member pays a fixed percentage of the cost of medical care after the deductible has been paid. For example, an insurance company might pay 80 percent of the allowable charge, with the member responsible for the remaining 20 percent; the 20 percent amount is then referred to as the coinsurance amount.

Coinsurance maximum: Total amount the member will be required to pay in a year for deductibles and coinsurance. It is a stated dollar amount, determined by the insurance company or HMO, in addition to regular premiums.

Collision coverage: When your car is damaged in an accident, collision insurance coverage is an optional coverage that pays the cost of repairing or replacing it, minus the amount of your deductible.

Comprehensive coverage (physical damage other than collision): Pays for damage to or loss of your automobile from causes other than accidents. These include hail, vandalism, flood, fire, and theft.

Copayment (or copay): The fixed amount a member pays per visit to a provider for in-network health care services. The copayment may vary per group and per service.

Deductible: The amount of eligible expenses a member must pay each calendar year (or contract year) before the insurance company will make a payment for eligible benefits. Usually applies to the out-of-network services, but may apply to in-network services for certain products.

Exclusions: Specific conditions, services, supplies or circumstances that are not covered under the health benefit plan. It is very important to consult the health benefit plan to understand what services are not covered benefits.

In-Network: (Also known as "Participating") Refers to the use of providers who participate in the insurance company's provider network. Many benefit plans encourage members to use participating (in-network) providers to reduce the member's out-of-pocket expense.

Liability insurance: An auto insurance coverage that pays for injuries to the other party and damages to the other vehicle resulting from an accident the policyholder caused. It also pays if the accident was caused by someone covered by the policyholder's policy, including a driver operating the car with their permission.

Lifetime maximum: The total dollar amount a health care plan will pay over a policyholder's lifetime.

Out-of-Pocket Maximum: Refers to the maximum amount that a member will have to pay for expenses covered under the health benefit plan. The maximum is a sum of all paid deductible and copayment or coinsurance amounts. This does not include any amount that exceeds C&R (R&C or UCR) for which the member must pay.

Participating Provider: An appropriately licensed facility or individual of health care services or supplies, that has entered into an agreement with a managed care entity to provide eligible services or supplies to a member enrolled in a health benefit plan.

Plan Benefit Maximum: All Oregon non-commercial auto insurance policies have no-fault personal injury protection (PIP) healthcare and wage loss coverage. If you are injured in an auto, bicycle, or pedestrian accident, your auto insurance provides a minimum of one year and \$15,000 in no-fault coverage.

Plan Benefit Maximum: Maximum dollar amount attributed to certain benefits within a plan. For example, infertility coverage may have a benefit maximum of \$10,000.

Policy: Contract between individual and insurer specifying terms of insurance.

Policy owner: The person or party who owns an individual insurance policy. This person may be the insured, the beneficiary, or another person. The policy owner usually is the one who pays the premium and is the only person who may make changes to a policy.

Preauthorization: A procedure used to review and assess the medical necessity and appropriateness of elective hospital admissions and non-emergency outpatient services before the services are provided.

Premium: Fee paid to the insurer to be covered under the specified terms.

Provider Network: A set of providers contracted with an insurance company to provide services to members. In the case of a "fee-for-service" or non-network health plan, the provider network is, generally, all licensed providers of covered services.

Reinstatement: The process by which a life insurance company puts a policy back in force after it lapsed because of nonpayment of renewal premiums.

Term life insurance: Life insurance that provides a preset amount of cash if you die while the policy is in force (for a specified period of time)

Third-party claim: A claim filed against another person's insurance policy.

Underwriting: The process of evaluating the risk to be insured.

Usual, Customary and Reasonable: The amount charged or the amount determined to be the reasonable charge, whichever is less, for a particular covered service in the geographical area it is performed.

Whole life insurance: Provides protection *and* savings with a set dollar amount of coverage, which can never be canceled, in exchange for fixed, uniform payments.

Long Term Planning: Questions to Ask Yourself

Nobody likes to think about what would happen if you die or are unable to make decisions for yourself and your future. But it's worth thinking about, and can make things easier on your loved ones if a health care or other crisis happens. Answering the following questions – and making plans to address them sooner rather than later – is a great place to start. If you don't have these bases covered, note some concrete steps you could take to get prepared.

1. Do you have a will or other estate planning documents? If so, where are they stored? Who has access to them and how?
2. If you have minor children, have you named a guardian for them in a will?
3. Do you have a durable power of attorney that gives someone you choose the power to act in your place for finances in case you become mentally incapacitated? If so, have you verified that they are willing and able to serve and manage your finances if you are unable to do so?
4. Do you have a health care power of attorney or advance directive to make your wishes known about medical care and make medical decisions for you if you cannot make them yourself?
5. Does anyone else know where your financial records are kept?
6. If you keep records online, do you have a secured list of accounts and passwords?
7. Have you updated your beneficiary designations on retirement and other accounts?
8. If you have a safe deposit box, would anyone else have access to the box to access your records if you die or become disabled?
9. Who has access to your insurance policy information if you die or become disabled? Does anyone else know where it is and what it contains?
10. Have you discussed end of life decisions with your loved ones? Do they know your wishes?

Next Steps Tip: Sit down with your family and loved ones to talk about what's important to you, explain your wishes, and to let them know what you are planning and putting in place for situations when you might not be able to make decisions. Give them copies of the important documents. Review your papers and documents every few years. Keep them in a safe place. If your family situation changes, you may want to update documents.

Long Term Planning Tools

No one ever plans to be sick or disabled. People don't want to think about how an accident or illness could prevent us from saying what we want – or don't want – when it comes to our future medical care or finances. But things happen in life that are out of our control. Your family and friends need to know how you want things to be handled if you are too sick to tell them. The following documents are designed to help when you cannot help yourself.

Wills and Trusts

A will is a set of instructions that explains how you want your money and property distributed after your death. Your will must be in writing and must be signed by you and two witnesses. A trust is a legal document that appoints someone to manage your property and gives instructions for how it will be distributed. A trust is one way to take care of a minor child or someone who would need help handling money. There are wills that you can write yourself, although make sure that whatever form you use covers all of the items for the State of Oregon. A trust is more complicated, and will almost always involve an attorney.

Durable Power of Attorney

Gives someone else the right to make financial decisions about the things you specify. Allows you to name someone to act on your behalf for legal and financial tasks, and stays in place if you become unable to make your own decisions.

Advance Directive

In Oregon two documents - the **living will** and **durable power of attorney for health care** - are combined into one document called the advance directive. An advance directive allows you to share your wishes with your health care team if you can't speak for yourself by 1) identifying the person you want doctors to work with in making decisions about your care – what a “*durable power of attorney for health care*” does; 2) identifying what types of medical treatment you would or would not want – what a “*living will*” does. It is recommended that you give your doctor's office a copy to put in your medical record. You can download the Oregon Advance Directive form here:

https://www.oregon.gov/DCBS/shiba/Documents/advance_directive_form.pdf

These resources are provided as a starting point to help you protect your assets. They are not endorsed by HomeSmart Oregon, and are provided for informational purposes.

<http://www.oregon.gov/DHS/abuse/Pages/index.aspx> – The Oregon Department of Human Services website page that includes information on how to report financial abuse.

<http://www.oregonconsumerprotection.org/regulates.html> – a State of Oregon web resource that tells you who regulates certain industries, such as insurance, or certain financial issues.

<http://www.oregon.gov/DCBS/Pages/index.aspx> – Oregon Department of Consumer and Business Services website. Here you can file a complaint about insurance providers and other consumer concerns.

https://www.oregon.gov/DCBS/shiba/Documents/advance_directive_form.pdf – Website to access the Oregon Advance Director form.

To find out more about a CPA visit:

<http://www.aicpa.org>

To find out more about the qualifications of a lawyer visit:

<http://www.abanet.org>

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If you are hearing impaired, please dial TYY 711