Talking Points: Money Management 101 for Adults

The Texas Society of CPAs wants to arm you with some financial know-how to keep your personal finances in shape. I'm here to talk to you today about some of the basic tools you'll need to handle your financial obligations while putting yourself in a position to achieve the goals of your financial future. So let's get started!

Savings Tips and Strategies

YOUR PAYCHECK AND SAVINGS - Working a full- or part-time job can be an important source of extra income when you are in school. It's so easy these days to simply have your paycheck deposited directly into your bank account without even looking at it. If that's your regular routine, stop now and take a couple of seconds to look over it.

- **Were you paid for your hours?**
  - Check to see if you were paid for the number of hours you worked. Employers can make errors and you definitely want to get what's owed to you.
- **Check the withholdings**
  - Your paycheck will show what was withheld from your check. Typically, you'll have federal income, Social Security and Medicare taxes withheld. Be sure those amounts are consistent with your paycheck.
- **Check the address**
  - If your address appears on your paycheck, be sure that's correct. Your employer may mail your tax forms to you at the address on file and you don't want those going to a wrong address.
- **Start saving money**
  - Once you start to receive a steady paycheck, it is important to develop a budget. Establish three categories: essential purchases, savings and discretionary items. Essential items include car insurance, gas and phone bills. After establishing essential expenditures, set a savings goal, but be sure money is left over for fun.

BE A SAVVY SHOPPER - Stopping at the store for one or two quick items can easily turn into a spending spree with a basket full of things you may not even really "need."

- **If you feel you may be spending too much money on frivolous things you don't need, create an expense log showing exactly where your money is going.**
  - You may not even realize how much money is being spent on snacks, entertainment and other activities.
- **Various smart phone apps like Mint or Wally, are available to help you track your expenses and make budgeting easy.**
- **Comparison shop by checking prices with different retailers.**
- **You can save money by buying generic brands or shopping at thrift stores.**

Taxes

TXCPA
Texas Society of Certified Public Accountants

TAX FILING TIPS

- **Do your research**
  - Tax laws are always changing. Be sure you are aware of the many tax law changes that have gone into effect in recent years. Don't wait until the last minute to learn the laws that are most relevant to your situation.
- **Get Organized**
  - You will save time if you're prepared and organized. Make sure you have gathered all the documents you need.
  - For example, your W-2 form(s) from your employer(s), 1099 forms showing how much interest or dividends you earned, and Form 1098 for reporting the amount of mortgage interest and real estate taxes you paid.
  - If you plan to itemize, you'll also need to locate records of charitable contributions and receipts for unreimbursed business, medical and other deductible expenses.
- **Don't shortchange yourself**
  - Don't rush through your taxes so quickly that you overlook deductions or credits for which you are eligible. And bear in mind that there are many tax breaks available to you even if you don't itemize.
  - Examples include IRAs, student loan interest, moving expenses, alimony, one-half of self-employment taxes and certain tuition expenses. Make a running list of those which you think you may be entitled to claim and review this with your CPA.
- **Compare with last year**
  - Take time to review last year's return. A side-by-side comparison is a good way to be sure you're not missing any deductions. It can also point out any irregularities between the two returns.
- **Re-check your math**
  - Be sure to double-check your math. The IRS reports that addition and subtraction mistakes are among the most common errors on tax returns.
- **Review your return**
  - Start by checking to see that you have provided the correct Social Security number for you, your spouse and any dependents. Be sure to include your W-2s, and any extra tax forms and schedules your return requires.
  - Remember, you and your spouse must both sign a joint return, even if only one of you is reporting income.
- **Try e-filing**
  - There are several benefits to e-filing. When your return is filed electronically, the IRS computers automatically check for missing information and errors.
  - After checking, the IRS sends you an electronic confirmation, telling you whether your return is accepted or rejected because of a mistake.
  - With e-filing, if you are entitled to a refund, you will receive it much quicker, especially if you select the direct deposit option – possibly within 10 days as compared to six to eight weeks for a paper return.
- **Get an extension**
  - If you find you couldn't meet the April 15 deadline for filing your return, you could have received an automatic six-month extension by completing Form 4868 and sending it to the IRS on or before the filing date.

- Just remember that what you are getting is an extension for filing -- not for paying any taxes due. You still must pay your estimated tax balance by the April 15 deadline. Be diligent in estimating your tax liability, you may owe penalties and interest if you underpay.

- **Hire a CPA**
  - This might be a good year to consult with a tax professional to be sure that you are taking advantage of every opportunity to save on your tax bill.
  - When you use a CPA, you get the benefit of someone who is up-to-date on IRS tax law changes and on the wide range of tax benefits that pertain to your situation.
- **Start Planning**
  - It's not too early to start planning for the next year now. Once the current filing season is over, make an appointment with your CPA to discuss tax-saving strategies for next year!

MOST COMMONLY OVERLOOKED DEDUCTIONS

- **Tax breaks for childcare and summer camp**
  - You can claim the child care tax credit if you have children under age 13 and pay for child care while you and your spouse work (or if one of you works and the other spouse is a full-time student).
  - This credit can be worth 20% to 35% of up to $3,000 in childcare expenses if you have one eligible child, or up to $6,000 in expenses for two or more children.
  - The lower your income, the larger the credit, and there's no maximum income limit.
  - The cost of day care, a nanny, preschool (before kindergarten) and before- and after-school programs can count.
  - You can include the cost of summer day camp your child attends so you can work
  - To claim the credit, file Form 2441 with your tax return.
- **Extra credit for saving**
  - If you contribute to a 401(k), IRA or other retirement savings plan, you may qualify for the saver's credit on top of any deduction you get for your contributions.
  - You can claim the credit by filing Form 8880 with your income tax return.
  - To qualify for the saver's credit, you must be 18 or older, can't be a full-time student and can't be a dependent on somebody else's tax return.
- **Tax breaks for college costs**
  - College is expensive, but the American opportunity tax credit can help you save up to $2,500 per student.
  - To qualify, your modified adjusted gross income for 2020 must be less than $80,000 for single and head of household filers, or less than $160,000 for joint filers.
  - The student must be enrolled at least half-time in a program leading to a degree, certificate or other recognized educational credential.
- **Tax credit for continuing education**
  - If you or your dependent child is in graduate school, or just taking a few classes toward a degree, or even if you're paying for continuing education classes to help with your job skills, then you may be eligible for the lifetime learning credit, which can be worth up to $2,000 per return.
  - Your modified adjusted gross income must be less than $68,000 if single or filing as head of household, or less than $136,000 if married filing jointly to qualify for 2020.
- **A break for teachers**

    - Teachers in kindergarten through 12th grade can deduct up to $250 for books, school supplies and other items they buy themselves for their classroom.
- **Job search costs**
    - If you spent money creating and mailing resumes, traveling to interviews or paying an employment agency, you may be able to deduct those costs if you were seeking a job in a field related to your current job.
    - It may also be possible to deduct the costs of moving to take a new job, depending on how far your new workplace is from your old home and how long you work at the new job.
- **Out-of-pocket charitable contributions**
    - It's hard to overlook the big charitable gifts you made during the year by check or payroll deduction. But the little things add up, too, and you can write off out-of-pocket costs you incur while doing good deeds.
    - Ingredients for casseroles you regularly prepare for a qualified nonprofit organization's soup kitchen, for example, or the cost of stamps you buy for your school's fundraiser count as a charitable contribution.
    - If you drove your car for charity in 2020, remember to deduct 14 cents per mile.

BUDGET

WHAT IS BUDGETING? - A budget is a saving and spending plan that can help you reach your financial goals like buying a new car or getting your first apartment.

- **Know your goals and plan for them**
    - Ask yourself, how important is it for me to achieve this goal? How much will I need to save?
    - Armed with a clear picture of your goals, you can work toward establishing a budget that can help you reach them.
    - A budgeting app or a spreadsheet can make the task easier and enhance your ability to analyze the results.

CREATING A BUDGET - Does it ever seem like your money just disappears? Putting together a simple budget will show you exactly where your money is going. A budget is a plan for coordinating income and expenses. There is no average budget to follow – the type of budget that will work for you depends on the savings and spending priorities you set.

- **Gather your financial paperwork**
    - Before you begin, gather up all your financial statements, including:
        - Bank statements
        - Investment accounts
        - Recent bills
        - W-2s and paystubs
        - 1099s
        - Credit card bills
        - Receipts from the last three months
        - Mortgage, rent or auto loan statements
    - You want to have access to any information about your income and expenses.
- **Calculate your income**

    - How much income can you expect each month? If your income is in the form of a regular paycheck where taxes are automatically deducted, then using the net income (or take-home pay) amount is fine. If you are self-employed or have outside sources of income, include these as well.
    - Record this total income as a monthly amount.
- **Create a list of monthly expenses**
    - Write down a list of all the expenses you expect to have during a month. This list could include:
        - Mortgage payments or rent, car payments, insurance, groceries, utilities, entertainment, personal care, student loans and savings.
    - Use your bank statements, receipts, and credit card statements from the last three months to identify all your spending.
- **Determine fixed and variable expenses**
    - Fixed expenses are those mandatory expenses that you pay the same amount for each time.
    - Include items like mortgage or rent payments, car payments and internet service.
    - If you plan to save a fixed amount or pay off a certain amount of debt each month, also include savings and debt repayment as fixed expenses.
    - Variable expenses are the type that will change from month to month, such as: groceries, gasoline, entertainment, eating out and gifts.
    - Start assigning a spending value to each category, beginning with your fixed expenses. Then, estimate how much you'll need to spend per month on variable expenses.
    - If you're not sure how much you spend in each category, review your last two or three months of credit card or bank transactions to make an estimate.
- **Total your monthly income and expenses**
    - If your income is higher than your expenses, you are off to a good start. This extra money means you can put funds towards areas of your budget, such as retirement savings or paying off debt.
    - If your expenses are more than your income, that means you are overspending and need to make changes.
- **Make adjustments to expenses**
    - If you're in a situation where expenses are higher than income, find areas in your variable expenses you can cut.
    - Look for places you can reduce your spending—like eating out less—or eliminate a category—like canceling your gym membership.

KEEPING YOUR BUDGET ON TRACK

- Stay disciplined: Try to make budgeting a part of your daily routine.
- Start your new budget at a time when it will be easy to follow and stick with the plan (e.g., the beginning of the year, as opposed to right before the holidays)
- Find a budgeting system that fits your needs (e.g., budgeting app)
- Distinguish between expenses that are "wants" (e.g., designer shoes) and expenses that are "needs" (e.g., groceries)
- Build rewards into your budget (e.g., eat out every other week)
- Avoid using credit cards to pay for everyday expenses: It may seem like you're spending less, but your credit card debt will continue to increase.

CREDIT ISSUES

CREDIT CARD ADVICE - Not all credit cards are alike and using credit cards the wrong way can have effects on your credit history that take years to undo.

- **Be aware of teaser rates**
  - Credit card companies sometimes offer low introductory interest rates to attract new customers.
  - These rates typically last for only a few months and then jump as high as 20 percent.
  - It's important that you carefully compare offers from several different issuers before selecting a card.
- **Stick with one card**
  - This is especially tempting when department stores offer discounts on purchases if you apply for a credit card and pay off only one bill at the end of the month.
  - Applying for multiple credit cards can hurt your credit rating.
  - Using one credit card to pay off another is a dangerous practice that should be avoided.
- **Pay in full every month**
  - Get in the habit of paying the balance in full each month, which means don't charge more than you can pay off at the end of the month!
- **Pay on time**
  - Send the credit card payment several days in advance of the due date to allow for mailing time.
  - Late penalties are costly. Some companies will increase interest rates after one or two late payments.
  - Consider paying online if you have trouble keeping up with due dates.
- **Avoid cash advances**
  - Be aware that the interest rate on cash advances can be much higher than the rates charged on purchases.
- **Don't exceed the credit limit**
  - This helps avoid penalties and ensures that you will have credit available in the event of a true emergency.
- **Review statements carefully**
  - Immediately inform the credit card company of any discrepancies or errors on your monthly statement.
- **Report a lost or stolen card immediately**
  - Keep a copy of your credit card account number and the financial institution's name and customer service telephone number in case your card is lost or stolen.

ESTABLISHING AND PROTECTING YOUR CREDIT - If you are trying to establish credit for the first time, you're likely to find yourself in a Catch 22 situation: you need credit to establish a credit history, but you can't get credit without a credit history. While this may seem challenging, it's not impossible.

- **Open a bank account**
  - Opening a savings and/or checking account is the first step in establishing a financial history.

  - Follow the bank's rules and be sure you don't overdraw your account.
  - While bank accounts don't create a credit file, their very existence demonstrates that you have money and shows you can handle it responsibly.
- **Put your apartment and utilities in your name**
  - Putting your apartment and utilities in your name allows you to establish a regular payment history under your own name and Social Security number.
  - Recurring bills paid in a timely manner can indicate that you are a good credit risk.
  - Keep copies of the bills and your canceled checks. You might also ask your landlord, utility company, or insurance agent to write letters on your behalf stating that you have consistently paid your bills on time.
- **Apply for a charge card**
  - Consider applying for a department store or gas credit card.
  - These cards usually carry low credit lines and are typically easier to obtain.
  - The interest rate may be high, but if you pay the entire balance each month, the rate won't matter.
  - Before opening one, ask if the lender reports repayment information to a recognized credit-reporting agency. Not all do.
  - Think twice before going with one that doesn't, because you don't want your efforts to establish a credit rating to be wasted.
- **Consider a secured credit card**
  - With this method, you deposit a specific amount into a special account, and you receive a card with a credit limit that equals your deposit.
  - For example, if you deposit $1,000, your credit limit will be $1,000. In effect, you are borrowing against your own money and paying interest to do so.
  - Although this is not a good financial deal, it's a viable way to establish credit.
- **Shop carefully for the right card**
  - When you feel you have established a record of responsible payments, search for cards with low fees and interest rates.
  - Read the fine print regarding terms and conditions and take note of the late payment penalties.
  - Beware of cards that offer low intro rates and then increase after the introductory period.
- **Once you have credit, protect it!**
  - Once you have a credit card, establish a good history by using it responsibly and making timely payments.
  - Be sure to allow several business days for payments made by mail.
  - Also, protect your credit history by safeguarding your credit cards. Carry only the credit card you expect to use and keep others in a safe place.
  - Be sure to check your credit report at least once a year to verify its accuracy. You can do this for Free through the websites of the three largest credit reporting agencies: Experian, Equifax and Trans Union.

BANKING

TYPES OF ACCOUNTS - Having a bank account often means having a safe place to store your money. There are several types of bank accounts. Understanding them all can be difficult. However, most bank accounts fall into one of five categories. By learning the different categories, you can make deciphering the choices easier.

- **Checking**
    - A checking account is a bank account that uses checks as the primary instrument for withdrawing money.
    - You can make purchases, pay bills and give or loan money to anyone you choose.
    - You can also use a check to transfer money from your checking account to a bank account at a different financial institution.
    - Usually, financial institutions allow account holders to make as many deposits and withdrawals as they wish.
- **Savings**
    - A savings account is another type of bank account that allows the holder to make deposits and withdrawals. However, savings accounts are not as flexible as checking accounts.
    - Holders of this type of bank account are limited in the number of withdrawals and deposits they can make each month.
    - Savings account holders are not able to access their money with checks.
    - Many financial institutions allow savings account holders to make deposits and withdraw funds through an ATM, however.
- **Money market**
    - A money market account combines the benefits of a checking account and a savings account.
    - This type of bank account pays interest at a higher rate than the rate paid on interest-bearing savings and checking accounts.
    - Often, money market accounts impose a minimum balance for the account to start earning interest.
    - Some banks limit the number of transfers you can make with a money market account.
- **Certificate of Deposit**
    - A certificate of deposit (CD) is a bank account that requires the account holder to make a deposit and agree to leave the funds in the account for a specific amount of time.
    - In return for this agreement, the financial institution pays interest to the account.
    - Often, the interest paid on a CD is higher than the rate paid on other types of bank accounts.
    - The account holder is required to keep their money in the account until the specified term is over.
- **Basic accounts**
    - Some financial institutions also offer basic, no-frills bank accounts.
    - A no-frills account may allow you to pay bills and cash checks without paying the high fees associated with completing such transactions without an account.
    - An account of this type will likely allow for only a limited number of checks, deposits and withdrawals to be processed in any given month.
    - In most cases, interest is not paid on a no-frills account.

SETTING UP AN ACCOUNT - Now that you know what type of accounts work best for you, it's time to open an account and get started.

- **Choose an institution**

- Be sure to choose a bank or credit union where you have easy access to and that offers a variety of free ATM access in different locations.
- **Go to the bank or their website**
  - The easiest way to get this done is find the institution's website. Try searching on Google.
  - The advantage of opening a bank account online is that you can do it at any hour, anywhere.
  - You can also open a bank account in person.
- **Pick the product you want**
  - Any financial institution will have a variety of account types and services that you can mix and match. Pick the one that has the right mix for you!
  - If you open bank accounts in person, you can just chat with a banker who will help you open the best account for your needs.
- **Provide your information**
  - In order to open an account, you must provide some information to the bank. They do not open bank accounts without certain details about you.
  - This is to protect them against risk and comply with a variety of regulations.
  - You'll need to provide details like your name and birthday, as well as identification numbers (most likely your Social Security Number). You may also need to provide an ID or driver's license number.
- **Agree to terms**
  - You'll have to agree to abide by certain rules and accept responsibility for certain actions.
  - When you open bank accounts, you form a relationship based on a very touchy subject – your money. Therefore, you should know what you're getting into.
- **Print, sign and mail (if applicable)**
  - If you open bank accounts in person, this step does not apply.
  - If you are opening an account online, you'll probably have to print, sign and mail a document to the bank before the account is opened.
  - Some banks may use electronic disclosure and consent that is legally binding.
  - You'll need to wait a few days or weeks for the bank to process your paperwork.
  - They will mail you anything you need for the account such as checkbooks and debit cards.

BALANCING YOUR CHECKBOOK – This is the "old school" way of balancing a checkbook. Today, there are many ways to do this process digitally. We'll discuss those next, but first, here are the basic steps that need to happen whether your balancing your account with pen and paper or digitally.

- **Check "Current Available Balance"**
  - You can find this information on either your bank's website or through its mobile app.
  - If you're using a paper checkbook register, you'll record this number in the top spot above the spaces you use to log your transactions.
- **Record Pending Transactions**
  - Record any pending transactions that you know are coming but have not yet cleared.
  - This includes debits and credits, as well as any checks you may have written that have not yet been cashed.
  - You will write down the date of the transaction and a brief description and, in the case of checks, the check number.
- **Subtract debits, add credits**

- For each debit, you'll subtract the amount of the transaction from your balance. For each credit, you'll add the amount.
- You'll continue doing this until you have recorded all your transactions.

- **Address feed and interest**
  - Don't forget to account for any fees that you pay and any interest that you earn.
- **Continue recording transactions**
  - As you continue to make transactions, record them in your check register so you have a running tally of your debits, credits and total balance.
- **View your bank account regularly**
  - About once every two weeks (or more often), log on to view your bank account and compare your bank's total withdrawals and deposits with your own records.
  - If they match, then you have a balanced checkbook.

DIGITAL BALANCING OPTIONS – The old-school method of checkbook balancing assumed that you would carry a paper check register with you everywhere you went, and that you would record your transactions by hand. It also assumed that your transactions consisted primarily of paper checks going into and out of your account.

Today, there are many more ways for transactions to happen. For these reasons, most modern consumers would rather use digital solutions for checkbook balancing. Luckily, there are a number of ways to keep track of your banking transactions that don't rely on pen and paper:

- **Daily online check-in with your bank**
  - Modern banks offer apps that allow you to check your balance, see transactions and make deposits
  - Text/email alerts
- **Using an account aggregator**
  - Programs like Mint and Personal Capital track your banking information for you
  - Get a "big picture" sense of your money because they sync with your bank accounts
  - Some even allow you to create budgets
- **Using an open course spreadsheet**
  - Create your own transaction register on an open-source spreadsheet platform, such as Google Sheets
- **Excel templates**
  - You can find a variety of checkbook register templates on Excel

BUYING A CAR

BUYING VS. LEASING A CAR – This chart discusses the pros and cons of buying vs. leasing a vehicle. There are pros and cons of each, and you just need to determine your budget and goals.

THE CAR BUYING PROCESS - Buying your first car is probably the first big financial commitment most young people make. It's easy to get carried away in the moment and purchase a car that won't fit your long-term needs or is too expensive for your current budget. Here's some tips for making the right decision.

- **Make a list of things that are important to you.**
  - Do you need a two-door or a four-door? If you have to drive 100 miles round-trip to work every day, you don't want to buy a gas-guzzler.
- **Look at your budget.**
  - How much can you spend on a car payment each month? You don't want to overlook the automobile maintenance costs either. How much will it cost you to change the oil and make repairs?
- **Research the cost of insurance before you make your final decision.**
  - It's going to cost more to insure a sports car than a compact. Ask your insurance company to give you an estimate for the cost of insurance for your top choices.
- **Understand your financing options.**
  - You can finance your car through your bank, credit union, the dealership, or other lenders.
  - Check the interest rate on any financing options. Credit unions often have lower interest rates than banks. Take a look at any special financing options offered by the dealership.
- **Negotiate and shop around**
  - Try and negotiate a reduced price on the car you're purchasing as well as an increase in the value of your trade-in.
  - Know the value of your trade-in before you begin negotiating by looking it up in the Kelly Blue Book or at Edmunds.com.
  - Don't be afraid to shop around. Visit several dealerships and see where you can get the best deal.
- **Finally, stop and think before you buy.**
  - It's a big decision, and you want to be sure you're making the right one.
  - The car probably isn't going anywhere, so it's okay to take a night and think things over.
  - Make sure the car you're trying to buy is really the right one for you.

ALL ABOUT AUTO INSURANCE - Here's what you need to know when it comes to buying insurance for your ride.

- **Make sure you understand the coverage you're buying!**
  - An auto insurance policy actually includes a number of different types of coverage, such as liability, comprehensive and collision insurance.
  - Liability insurance covers injuries to other people, including medical bills related to bodily injury and lost wages. It also pays for the repair or replacement of property, other than your own, damaged in an accident. Comprehensive and collision insurance cover damage to your car due to fire, flood, theft, or collision.
  - The medical insurance component pays all or a portion of the medical expenses for injuries to you and other riders in the car.
- **A higher deductible can mean lower premiums but more risk**
  - Your auto insurance deductible represents the amount of the loss you must absorb before the insurer makes a payout.
  - If you are willing to accept a higher deductible, you will pay lower premiums since you are able to absorb the cost of small losses and rely on the insurance company only to cover the larger losses.
- **Drop collision and comprehensive coverage on older cars**
  - It may not be cost effective to have collision or comprehensive coverage on older cars.

   - The amount the insurer would pay for the car's repair or replacement would be relatively small even if the vehicle were severely damaged in an accident.
- **Choose your car wisely**
   - The cost of your car and its make and model will affect your insurance premiums.
   - Cars that are expensive to buy and to repair, or that are favorite targets for thieves, are more costly to insure.
- **Each company evaluates risk differently.**
   - "Risk factors" include age, gender, lifestyle and credit history.
   - If you´ve previously caused an accident, an insurance company might reasonably assume that you could cause another accident in the future.
   - Statistics show that young, inexperienced drivers are more likely to cause accidents. As a result, younger drivers, especially teenagers, pay higher rates for auto insurance.
   - At younger ages, male drivers are statistically more likely to be involved in an auto accident than female drivers are. Therefore, younger male drivers tend to pay higher rates. After age 30, the accident risk of male and female drivers is generally considered equal.

RENTING

RENTING VS. OWNING A HOME – Now we'll discuss some of the pros and cons or renting vs. owning a home.

Renting

Pros:

- It's a good short-term solution. If you're not planning to stay long in your current location, renting is a safe interim choice, with fewer costs and generally more flexibility. And because of the upfront costs, buying makes the most sense if you plan to stay in your home at least five years, according to the Freddie Mac.
- You are not responsible for things like home repairs, lawn care, etc.
- You may have to put down a refundable security deposit, but otherwise your direct housing costs should only be rent and any expenses that aren't included in rent, such as utilities.

Cons:

- No chance for equity appreciation. If the property where you live is worth more when you move out than when you moved in, a tenant doesn't benefit from that gain in value.
- There are no tax breaks available for renting.
- What you see is what you get. Situations may vary, but landlords typically won't allow tenants to make major changes in their homes, so be sure your rental suits your needs as is. Even if you paint a room a bright color or put up some wallpaper, you may have to repaint it a neutral white before you move out. Landlords may also be slow to upgrade kitchens, bathrooms or fixtures that are still functional.

Buying

Pros:

- A potential increase in the value of your home is a major benefit of home ownership. The equity you build in a home can provide a down payment for your next house, an addition to your retirement nest egg or funding for a variety of other goals.

- There are important tax benefits to home ownership. The chance to deduct mortgage interest and property taxes on your tax return every year helps to lower your overall costs. Note: Tax laws do change. A change after you buy could have a negative impact—and there's not a lot you can do about it—but there's also the chance that a change does not occur. This is a point where you need to weigh your options and goals and do what makes most sense.
- A conventional mortgage will lock in a major portion of your housing costs for up to 30 years. That may be appealing if you're living in any area where the prices to rent and buy are rising.

Cons:

- It may be better to use the money you would use for a down payment and other costs to achieve other financial goals. That's particularly true if you have high student or credit card loans or any other near-term objectives that would require a big cash infusion.
- There's no guarantee a home's worth will increase, and values can also decline due to many factors. If you want to find out how the market has been doing before you buy, contact a local board of realtors or other source for information on average rises or drops in value in the area over the last few years.
- Owning a home is a huge responsibility and you are responsible for all repairs, appliances, etc.

THE HOME BUYING PROCESS – Here is a brief overview of the homebuying process. Buying a home could be a course all on its own – and there are many free, or low cost, homebuying courses available if you want to learn more. A simple Google search can help you find online or in-person classes in your area.

- **Homebuyer education**
  - Take a homebuyer education course to make sure you're ready to buy a home. Google search for more information in your area.
- **Set your budget**
  - Decide how much house you can afford with a mortgage payment that is comfortable for you.
- **Get pre-approved**
  - Contact a lender for pre-approval to see how much you can really afford.
  - Just because you are pre-approved for a certain amount, doesn't mean you should spend that much on a home.
  - Take a moment to go over your budget and see how much money you want to allocate to a mortgage payment.
- **Make your wish list**
  - Identify a neighborhood that appeals to you, what your perfect home looks like, make a list of features you need, and start shopping!
- **Search for a home**
  - Now the fun begins!
  - Make a list of homes that meet your criteria.
  - Look at as many as you can, take notes, and ask lots of questions.
- **Make your offer**
  - Work with a realtor to submit a signed proposal specifying the price, terms and conditions to the seller.
- **Get a home inspection**

  - A home inspector will examine the home's condition and provide a written report of findings to alert you of any issues that may be present in the home.
- **Get a loan**
  - Contact your lender to start the loan application process.
  - You will be asked to provide lots of documentation to support the loan.
- **Get insurance**
  - Homeowners insurance is required by your lender to protect your home from hazards like fire, storms and floods.
  - Contact at least three companies to get quotes and compare coverage.
- **Close the deal**
  - Once your loan is approved, a closing time will be scheduled.
  - On closing day, they walk you through all the loan documents and you receive the deed to your new home!

UNDERSTANDING THE LEASE –Never sign a lease without reading it carefully and understanding the terms. Signing a lease without taking the time to read or understand the terms can jeopardize your rights and responsibilities with your future landlord and can get you into financial trouble.

- **Landlord information**
  - The lease should specifically identify the landlord and how to contact them.
- **Tennent names**
  - Include the names of all roommates on the lease. Failing to list a roommate leaves you responsible for everything.
- **Apartment address**
  - Your lease should include both the street address and the exact number of the apartment you agree to rent. Do not sign unless the correct apartment number is included; otherwise, you could be held responsible for someone else's apartment.
- **Rent**
  - The lease should indicate the exact amount of rent and how often it is paid. Be sure it includes information on late fees, how fees are assessed, how rent must be paid and any other conditions for paying your rent.
- **Additional fees**
  - Landlords may charge additional fees for certain services, such as replacing a key, allowing pets, carports and so forth.
- **Services paid by landlord**
  - If the landlord is paying for water or any other utilities, be sure it is clearly stated in the lease.
- **Security deposit**
  - A security deposit represents money the landlord can use for cleaning fees or repairs to the apartment when you move out. The amount of the security deposit should be stated in the lease, along with any possible deductions subtracted and how the balance will be returned to you.
- **Policies**
  - Potential stipulations include policies about pets, painting walls, hanging pictures, or making any other changes to the apartment.

  - You have the right to ask the landlord to put anything in writing that is not included in your lease.
  - Many landlords will ask you to inspect your apartment before you move in and make note of any needed damages or repairs. Be sure you do a thorough inspection and report any repairs or damages, otherwise you might be responsible.
- **Lease start and end date**
  - If you sign a month-to-month rental agreement, it should indicate when the lease begins and how much notice you must give be-fore terminating the agreement and moving out.
  - Be sure you understand the terms for terminating a lease before the end date. Early termination generally requires a penalty.
- **Landlord's right of entry**
  - This should state the conditions under which a landlord may legally enter your apartment, whether your permission is required, how much notice you must be given and any other specific details.
- **Everyone's signatures**
  - Everyone named in the lease must sign the lease for it to be legally binding.