

FORWARD BOUND

the SUMMIT FEDERAL CREDIT UNION SPRING 2020

As we all navigate current changes in our lives, we hope this newsletter provides a welcome piece of “normal,” and that you find it an enjoyable way to keep your money skills sharp. Please stay healthy and safe.



HOW DO LOANS WORK?

A loan is an agreement between a borrower and a lender. The borrower receives money from the lender and agrees to pay the lender back, with interest, over a specific period of time.

Here are some examples of loans:



MORTGAGE

A loan to purchase a home. The loan is paid back in monthly payments, plus interest. If the borrower defaults on the loan (doesn't meet the obligation to pay it), the lender can sell the home. The process by which the lender takes possession of the home is a foreclosure.



CREDIT CARD

A personal loan to make purchases. Each time a credit card is used to make a purchase, the cardholder (the borrower) is taking out a loan. The card-issuer is the lender, and by using the card, the borrower agrees to pay the lender back the amount of any purchases made. If the money isn't paid back in time, the borrower pays interest on the loan.



AUTO LOAN

Just like it sounds, a loan to purchase a car or truck. The borrower drives away in a vehicle and pays for it over a specified length of time, usually a few years. Borrowers give the lender a monthly payment plus interest. If the borrower defaults on the loan, the vehicle can be repossessed, or taken away to be sold.

SPEAKING OF CARS

Cars can cost a lot more than one thinks. Add up these estimated numbers to see the 5-year cost of owning the example \$20,000 vehicle:

Add together the yearly totals, then multiply that number by 5:

| | |
|-----------------------|---------------------|
| Loan payment: \$4,100 | Insurance: \$1,200 |
| Gas: \$600 | Registration: \$70 |
| Tolls: \$60 | Inspection: \$25 |
| Maintenance: \$400 | Car cleaning: \$100 |

Yearly total: \$ _____ x 5 years: \$ _____

Now, add in these numbers:

Down payment: \$2,500 Sales tax: \$1,600
Miscellaneous fees: \$150

How much will you spend for the duration of your loan?

\$ _____

Is the total more than you thought it would be?

YES NO

Small purchases add up to big bucks!

Sometimes we pay such a small amount for something, it seems too insignificant to keep track of. But by forgetting about it and spending a little bit again and again, you may actually end up spending a lot. Take a look at how two weeks of small expenses add up:

| Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|---|--|--|--|---|--|--|
|  Sunglasses at the pharmacy \$4.50 |  Bag of candy from the vending machine \$1.00 | Basketball game  |  Lip balm at the store \$2.50 |  Shirt on sale \$5.00 | Smoothie at the coffee shop \$3.50 | Olivia's birthday  |
|  Phone case at the mall \$8.00 | Donut on the way to school \$2.00 | Drink from the vending machine \$1.00 | Math tutor after school  |  Ear buds at the corner store \$7.50 | Spring Fling   | Boxes of candy 4 for \$5 at the pharmacy \$5.00 |

Total: \$ _____ ← That's not a small amount anymore! Tip: Be aware of all your expenses no matter how small. And cut as many as you can. You'll be surprised how much you can save!

A Hard Shell

People sometimes use the phrase "shell out" to indicate paying for something reluctantly. What's the origin of that phrase? No one knows for sure, but which of the following do you think is most likely?

- Removing cash from a wallet or coin purse is a little like removing a nut or seed from its shell.
- A shell game is a form of street gambling known for being rigged so people lose money.
- Some cultures used (and may still use) shells as currency.



Finance Funnies

1. Why do tycoons text with only uppercase letters?
2. Why did the credit union have a helium tank?
3. What has a bank with no money and waves with no hands?

1. They're capitalists. 2. They offered balloon loans. 3. A river

