OneMain Financial

Better Borrowing. Brighter Future.

Your finances:
The more you know, the brighter your future

Learn these money-smart tips to guide yourself with confidence through your financial life. Find out how to avoid debt pitfalls, save for the things you want and need, keep your money safe and be prepared as you move toward your goals.

Contents

Understanding your credit report and credit score

Credit reports and credit scores are an important part of anyone's personal finances. Your credit is a major deciding factor in whether you are approved for a credit card, personal loan, auto loan or mortgage. If approved, your credit could determine whether you pay a low or high interest rate.

Good credit gives you more choices with how you manage your money. Bad credit, on the other hand, can limit your options. Continue reading to learn more about how your credit works, why it's important and how you can build an excellent credit score.

What you're going to learn

- The value of establishing a credit score
- Ways to establish a credit score
- Ways to improve a credit score
- Factors that improve a credit score
- Ways to check your credit score
- Ways to obtain a free copy of your credit report
- Ways to dispute an error on your credit report

(A) The value of establishing a credit score

Credit scores can influence your personal finances in many ways. With a good credit score, you have higher odds of being approved for a new loan and qualifying for better interest rates. It can also save you money when opening new utility accounts or could be a factor when applying for a job.

The place you're most likely to see your credit score in action is when applying for a new account. Credit scores are used for credit cards, personal loans, auto loans, mortgage loans, lines of credit and other types of borrowing. If you are looking to buy a house or condo with a mortgage, for example, the lender will review your credit score and credit report as part of the loan review process. This is called underwriting in the lending industry.

The importance of your credit doesn't stop if you are approved. The difference between a fair credit score and an excellent score could save you hundreds or thousands of dollars over the life of a loan and help you get a lower monthly payment. The personal loan calculator from OneMain Financial shows the difference in monthly payments based on a loan amount and interest rate.

The interest rate is used to determine how much you pay for the borrowed funds. A better credit score typically leads to more favorable interest rates. A lower credit score could result in paying more.

Example / Scenario

What a 1% lower interest rate saves you when buying a home

If you were looking to buy a home with a $150,000 loan, the interest rate is a major factor in your monthly payment and total interest cost.

With a **4%** interest rate and a 30-year mortgage, you would pay **$716 per month** and pay $107,804 in interest over the life of the loan. This assumes you make the minimum payment each month as scheduled.

With a **5%** interest rate, you would pay **$805 per month** and $139,844 in total interest. A difference of just 1%, in this scenario, results in paying $89 more per month and $32,040 more in interest.

Outside of banking and borrowing, your credit score could be used in other ways. If you apply for a new account with a cell phone company or utility like water or power, people with poor credit or no credit may have to put down a cash deposit or use other collateral to open their account. With good credit, deposits are generally not required. When renting a new home, landlords may review your credit as a factor in deciding whether they want you as a tenant.

If you are in the market for a new job, your credit could come into play. Jobs where you work with money, oversee security or act in a management capacity could require a review of your credit report as part of the background check process.

While you don't see the number every day, your credit score influences many parts of your life. That's why it's so important to establish good credit.

Places where your credit comes into play

Scenario	What credit reviewers usually look at	How it affects you
Credit/Loan application	Credit report and score	Approval, interest rate
New utility account	Credit score only	Deposit requirement
Renting a home	Credit report and score	Approval, security deposit amount
Job application	Credit report only	Background check for a new job

Key takeaways

- Credit scores and reports are central to getting many loans.
- The better your credit, the more likely you are to be approved.
- Credit may be the deciding factor in whether you can buy a home or a new vehicle.
- With a mortgage, good credit can save you tens of thousands of dollars over the life of a loan.

(B) Ways to establish a credit score

When it comes to credit scores, everyone starts with a blank slate. Your credit score is based on information on your credit report. When you use any type of lending product, like a credit card or a personal loan, it is generally reported to one of the major credit agencies responsible for credit reporting.

To build credit, it's important to pay every credit card and loan account on time as agreed. If you make at least the minimum payment by the due date for every credit account, you should see your credit score improve over time. Missed payments and late payments, however, can damage your credit score for up to seven years.

In the past, only traditional loans and credit accounts would show up on a credit report. These days, however, some credit bureaus include non-loan accounts in your credit. Paying rent on time — as well as phone, utility and other bills — may now be included in your credit score.

The three big companies that track your credit are Equifax, Experian and TransUnion. Most lenders use a version of your credit score called a FICO score. Other credit scoring models like VantageScore could also be used by lenders.

Once you have a history of payments on your credit report, you get a credit score. In other words, it takes credit to build credit. Most lenders report details about your account to one or more of the three big credit bureaus at least once every month, so having information included on your credit report doesn't take any additional work on your part.

Steps for establishing good credit

1. Open a credit account
2. Make on-time payments every month
3. Make at least the minimum payment every month
4. Keep balances low on revolving accounts like credit cards and lines of credit

Key takeaways

- If you are new to credit, opening a new credit account like a credit card or personal loan can help you establish credit.
- Pay on-time every single month to build a good credit score.
- More credit accounts can further help your credit score, but you generally shouldn't sign up for a loan where you know you will pay interest charges solely to establish credit.

(C) Ways to improve a credit score

If you have a credit score that you're not happy with, you are not alone. Millions of people would love to see their credit scores increase. You can improve your credit score. The key is following good credit habits and effectively managing your accounts.

Pay loans on time: The biggest part of your credit score is your payment history. Paying all loans on time every month going forward is the best way to improve a bad credit score in most cases.

Keep balances low: Paying off credit cards is typically the fastest way to improve bad credit. Many experts suggest keeping the portion of your credit used below 20 to 30%. This is called your credit utilization. The best balance for your credit score is $0.

Example / Scenario

Fixing your credit can lead to more personal finance options

Dan was unemployed for a few months because of a layoff. During his unemployment period, he used credit cards to pay the bills and buy groceries. Unfortunately, the higher credit card balances lowered his credit score.

After getting a new job and paying the minimum on his cards for a few months, Dan decided to apply for a new rewards credit card. His application was denied. In a letter explaining the decision, the credit card company explained that high balances were the biggest reason for his application denial.

Paying down his credit card balances should improve his credit score. After paying off the cards, he could reapply for the credit card with better odds of approval.

Keep accounts open a long time and only apply for the credit you need: Opening and closing accounts lowers your average age of credit. Applying for new credit can have a temporary negative impact on your credit score.

Make sure your credit report doesn't have any negative errors: A huge number of credit reports have errors. It's a good idea to review your credit report at least once every year, if not more often. If you find something incorrect, you can get negative errors removed from your credit.

The most popular credit score systems used by lenders use a scale of 300 to 850. A higher score is better. A credit score below 579 is considered Poor. 580-669 is considered Fair credit and is in the range of what are sometimes called subprime borrowers. More options start to open up once you reach a credit score of 670, which is considered Good. Very good to Excellent credit scores start at 740 or above.

Fixing bad credit

Action	Why it helps
Pay all loans on time going forward	Improves on-time payment history
Pay off high balances	Lowers credit utilization ratio
Avoid closing old accounts	Maintains the length of credit history
Apply only for the credit you need	Credit scoring models evaluate how frequently and recently a consumer applies for credit, and multiple new applications for credit or hard inquiries in a short time can be concerning for lenders
Dispute any negative errors on your credit report	Removing incorrect negative information from your credit can improve your credit score

Key takeaways

- If you have bad credit, it can take some time to repair the damage.
- Start with a focus on the two biggest factors in your credit score: paying on time and keeping low revolving credit balances.
- It can take up to seven years for late and missed payments to drop from your credit report, so paying on time is very important for your long-term credit health.

(D) Factors that impact a credit score

Your credit score is calculated from five major areas. You are in the driver's seat in all areas. If you understand the moving parts, you can work to improve your credit over time.

The most important part of your credit is your payment history. This makes up 35% of your credit score. Paying 30, 60, or 90+ days late is a sign to lenders that you might not repay a future loan. Because it can take up to seven years for late payments to disappear from your credit report, you should always pay on time every month. If you don't, it may take the better part of a decade to improve this portion of your credit score.

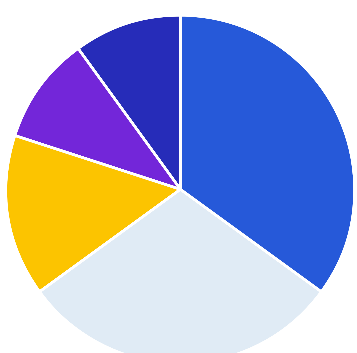
Your outstanding debt makes up the second-biggest portion of your score. Your current debt balances make up 30% of your credit score. The portion of your credit card limits used is a huge part of the calculation. Keeping your credit card and line of credit balances as low as possible will help your credit score. If you can keep them at zero and pay them off in full every month, you are doing the right things here. High balances tell lenders you are at risk of not being able to pay them back.

The length of your credit history makes up 15% of your credit score. A longer history tells lenders you are more likely to be responsible with credit. A lot of new accounts in a short period of time is a sign of risk because it can signal that a consumer is having trouble paying their bills or is at risk of overspending.

Speaking of new accounts, the pursuit of new credit makes up 10% of your credit score. Every time you apply for credit, the lender may look at your credit report. When they do this, it is reported on your credit. Frequently submitting new applications or opening new accounts could drag down your credit score.

The last part of your credit is your credit mix, which makes up the final 10% of your score. Having just one account or one type of account isn't great for your credit. Adding new types of accounts, such as auto loans or a mortgage, can help your score. However, it isn't a good idea to apply for a new credit account just to help your credit mix if you are already on track for good credit.

Credit score factors[1]



Percent of credit score

- Payment history 35%
- Credit balances 30%
- Length of credit history 15%
- New credit 10%
- Credit mix 10%

Key takeaways

- Two factors alone make up nearly two-thirds of your credit score.
- Maintaining a positive credit history is easier than fixing bad credit.
- Resist the urge to tinker with your credit, as opening and closing accounts can damage your credit score.

(E) Ways to check your credit score

Your credit score shouldn't be a mystery. Everyone in the United States has several free and paid options to access your credit information.

Some banks, credit card companies and other financial companies offer your credit score for free. Log in to your bank or lender's website or app to find out if you can get free access to your credit score from an existing account.

There are also websites such as Credit Karma and Credit Sesame that provide your credit score for free, but be advised that these websites use your information for targeted advertising when you visit the site or app.

If you prefer a paid option, there are many companies willing to provide credit scores and reports from all three credit bureaus for a fee. This may contain more information than the free options above. However, you should never feel that it's required to pay for your credit score.

Method	Cost	Pros	Cons
Your bank or credit card company	Free	Free, the real credit score used by your financial product provider	Usually just one credit bureau, not frequently updated
Credit score websites and apps	Free	Free credit score and credit report, advice on improving your credit	Advertising supported, may not use FICO credit score
Paid credit score services	Monthly fee	Access to credit scores and reports from all credit bureaus	Not free

Key takeaways

- If you don't know your credit score, log in to your bank and credit card websites to see if you can find it for free.
- If you can't, consider a free credit score app to get an estimate of the credit score used by lenders.

(F) Ways to obtain a free copy of your credit report

The three big credit bureaus are required by law to give you a free copy of your credit report every 12 months. The government-mandated website for this program is AnnualCreditReport.com. You can get all three credit reports at once or space them out over the year. This credit report access does not include your credit score.

It may be wise to get one of your free credit reports every three or four months. That way you never have to go a full year without reviewing your credit report for errors.

How to get your free credit report

1. Go to annualcreditreport.com
2. Enter your personal information including contact information, your date of birth and your Social Security number
3. Choose the credit bureau to receive your free report
4. Review your credit report for errors and negative information
5. Repeat with each credit bureau annually

Key takeaways

- Getting your free credit report takes just a few minutes.
- Even if you can get it somewhere else, using annualcreditreport.com gives you a free copy of your credit report directly from each of the big three credit reporting bureaus.
- Review your credit report for negative information that you want to work on in the future and for any errors that need to be corrected.
- Keep a digital or paper copy of your credit report as a reference until you get a new one the following year.

(G) Ways to dispute an error in your credit report

According to the Federal Trade Commission, about one in five people in the United States have an error on their credit report.[2] If you are one of the estimated 40 million Americans in this situation, you can dispute any errors and have them corrected.

Victims of identity theft may also have a slew of problems and fraudulent accounts on their credit reports. Fixing this is a bigger project, but certainly within your rights as a victim of a crime.

You can file a dispute with the credit bureau where you found the error. For example, if you find a problem with your Equifax credit report, you should contact Equifax for the correction. The three credit bureaus each have an option to submit a dispute online, by mail or by phone. You can also dispute the information directly with the company that provided the incorrect information. If you have a credit card that shows a late payment when you know you paid on time, contact that credit card company. They can correct the information they sent to the credit bureau.

Disputes can be a slow and tedious process, but if you stick with it you should be able to resolve incorrect information. If you see something you don't like that is accurate, you're probably stuck with it. But if it's wrong, you can get it corrected.

Example / Scenario

Jen is responsible with her finances and checks her credit report every year. When recently reviewing her newest credit report, she noticed that her car loan said she made a late payment last year. However, she always pays on time with autopay.

To remove the incorrect information, she files a dispute with the credit bureau. Shortly after, she hears back from the credit bureau that the late payment has been removed.

The next time she checked her credit report, the account showed a perfect on-time payment history.

Credit report disputes (How to / steps)

1. Review your credit report from all three credit bureaus for errors. If you find an error, make a note of what needs to be fixed.
2. Create a dispute online, by mail or by phone with the appropriate credit bureau.
3. Contact the lender for a correction, if necessary.
4. Review your corrected credit report to confirm the error is gone.

Key takeaways

- About 20% of people have an error on their credit report.
- Take the time to look for errors each year.
- Work diligently with the credit reporting company and the lender until all errors are resolved. This may take multiple disputes, but it is always worthwhile to fix errors on your credit report.

Summary

Many people sit back and let their credit just sort itself out, but ignoring your credit could be a critical mistake. Because it has such a big influence on loan applications and interest rates, working to reach or maintain a great credit score is a smart idea.

Here is a summary of the important credit score and credit report information discussed:

(A) The value of establishing a credit score

A credit score helps you access a range of financial products including personal loans, credit cards and car loans. In addition to helping you get approved for new loans, your credit score can be a factor in determining your interest rate.

Outside of banking and lending, your credit score may influence other parts of your life. Utility companies may require people with a Poor credit score to make a deposit when opening a new account. Landlords might also look at credit when reviewing new tenant applications.

(B) Ways to establish a credit score

It takes credit to build credit. Opening a credit card account, paying it on time every month and keeping your balance low can help you establish a good credit score. Personal loans and most other loans are reported to a major credit bureau. The three big credit bureaus use your credit account information to calculate your credit score.

If you are brand new to credit, it may be difficult to get your first loan. In this case, secured credit cards are an option to start building credit. The credit bureaus may also use some non-loan information, like on time utility bill payments, to help consumers build credit.

(C) Ways to improve a credit score

If you have bad credit, you are not stuck with it forever. Some negative information on your credit report can take years to drop off. Other areas of your credit are within your control in the shorter term.

Paying loans on time every month, keeping revolving credit account balances low, and avoiding opening and closing accounts can help your credit score. You should also review your credit report for errors and work to have any incorrect, negative information removed.

(D) Factors that impact a credit score

Credit scores are made up of five main factors from your credit report. Two factors, your payment history and credit balances, make up about two-thirds of your credit score.

The factors in your credit score are payment history (35%), credit balances (30%), length of credit history (15%), new credit (10%), and credit mix (10%).

(E) Ways to check your credit score

Some lenders and credit card companies give your credit score at no extra cost. If you can't get it there, you can find your credit score using a free, advertising-supported app or a paid service.

Never feel that you have to pay to get your credit score. Companies are happy to give you credit information for a fee, but there are some good options that include your credit score for free.

(F) Ways to obtain a free copy of your credit report

The three big credit bureaus are required by law to give you a free copy of your credit report every 12 months. The government-mandated website is annualcreditreport.com.

You can also get a free copy of your credit report from some banks, credit card companies and apps. Like your credit score, there are also paid options to get your credit information.

(G) Ways to dispute an error on your credit report

If you find an error on your credit report, you can contact the credit reporting bureaus to dispute the incorrect information. You can also contact the lender that reported the negative information about having it removed.

It is your right to have negative information on your credit report corrected. Negative errors can hurt your credit score, so it's always worthwhile to have negative, incorrect information removed.

Endnotes

[1] All about credit scores, Consumer Financial Protection Bureau. https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_all-about-credit-scores_handout.pdf

[2] In FTC Study, Five Percent of Consumers Had Errors on Their Credit Reports That Could Result in Less Favorable Terms for Loans." 2021. Federal Trade Commission. September 18, 2021. https://www.ftc.gov/news-events/news/press-releases/2013/02/ftc-study-five-percent-consumers-had-errors-their-credit-reports-could-result-less-favorable-terms

The importance of a household budget

Creating a household budget is one of the best ways to take control of your finances and achieve your financial goals. Whether you're saving for a big purchase, trying to pay off debt, or just want to have a better handle on where your money is going, a budget is your best friend.

Why have a budget?

It's important to know where your money's going each month. A budget gives you a big picture view, so you can track your spending. When you know what you're spending, it's easier to make sure you don't spend more than you earn—this helps you avoid debt. And while you're thinking about your big picture, your budget can help you save for the future.

Getting started

Creating a budget might seem daunting, but it's easier than you think. Follow these simple steps to create your first budget:

1. **List your income.** You might have an idea of how much money you make, but when you make a budget, you need to know exactly how much money comes in every month. Some people's employers automatically deduct expenses like health insurance premiums from every paycheck. Other people receive tips or run their own businesses, in which case, they have to set aside money from their pay if they expect to owe taxes or if they have to pay their own health care costs. Once you know the exact number, you can move on to the next step.
2. **List your expenses.** Your budget needs to include all expenses, like rent, utilities, groceries, entertainment and insurance. Don't forget about expenses like subscription services and the cost of takeout or restaurant meals.
3. **Look for ways to cut costs.** As you look at your expenses, find some you can cut out. Decide which expenses you can't live without. Make sure your income covers all the expenses you want to keep with room to spare. If it doesn't, you'll have to cut some more expenses or find ways to make extra money. Of course, you don't want to be too restrictive. If you cut all excess spending too quickly, you'll inevitably break your budget. Finding a happy medium between indulging and being conscientious about saving is a good strategy to follow.
4. **Build savings into your budget.** Aside from simply cutting down on expenses, an important part of creating a budget is saving as much as possible. Life can change at any moment, so it's important to have an emergency fund in place. Most experts recommend having at least three months' worth of living expenses saved up.

   So, how can you save more money? First, make sure some of your monthly income goes automatically into a savings account that earns interest. Then, make little changes that will add up to big savings. You can even consider earning extra income from home. The combination of automating your savings, spending less and earning more will help to prepare you for unexpected situations.
5. **Get a month ahead.** Some people budget paycheck to paycheck. If you can, do your best to start budget planning one month ahead so you don't have to wait for payday before sending your car payment. With a budget, you don't have to anxiously count down the days until you're paid again. A budget means you have everything you need for the month right there on the first day.

Give yourself a month or two to slowly get one month ahead. Have a garage sale, sell old things you don't want anymore or start a side hustle. Put extra money you make into a separate account as a buffer to slowly move you to the goal of being a month ahead. Once you get there, monitor your spending on a daily or weekly basis to make sure you're being realistic about your expenses.

6. **Do regular check-ins.** Review your budget throughout the year to make sure you're still on track. Things may change as time goes on — you might get a pay raise or you might need to buy a new car. The most important thing is that you understand where you stand financially and adjust your budget accordingly.

Tips for success

Sticking to a budget can be challenging, but these tips can help:

Be realistic: Set achievable goals and be honest about your spending habits.

Track your spending: Use a notebook, spreadsheet or budgeting app to keep an eye on your expenses.

Review regularly: Check your budget each month regularly and adjust as often as needed.

Try different budgeting techniques

Finding the right budgeting method for you can make all the difference. Here are a few techniques to consider:

50/30/20 budget

This method is all about separating your money into different categories. The three numbers represent percentages that add up to 100% of your monthly expenses. Here's how each breaks down:

- **50:** Use no more than 50% of your take-home pay for necessities such as mortgage/rent, utilities, food, transportation, etc.
- **30:** Put no more than 30% toward lifestyle choices such as entertainment, hobbies, vacations, etc.
- **20:** Use a minimum of 20% for a long-term savings goal (e.g., 401(k) or other retirement fund) and paying off debt.

50/30/20 can ensure all categories get their proper share. Once you get comfortable with this budgeting technique, you may feel encouraged to start allocating even more to your savings goal.

Envelope system

This method is effective because of its simplicity. The idea is to limit overspending by using only the money you have on hand. You place cash in envelopes labeled with specific categories—and when you need to spend from a category, you use the cash from that envelope.

The envelope system shows where your money goes and where you need to cut back. Here's how it works:

1. Make a list of all your monthly expenses.
2. Organize your monthly expenses into categories like dining out, groceries, clothing, etc.
3. Set up a monthly budget for each category.
4. Label each envelope with its category and the amount you've allocated for that month.
5. Put the cash you budgeted into each envelope and store in a safe place.
6. Take cash out as you need it and write the new balance on the envelope each time.

If the "dining out" envelope is empty after the first weekend of the month, you've identified one problem. You can take funds from another envelope if you wish, but then you're impacting another area of your spending. Over time, you'll learn how much to take out for each purchase, so you don't run low or exhaust funds for any particular category before the month ends.

Reverse budget

Some people intend to save money left over from their pay, but often find nothing left to deposit. Reverse budgeting was created to face this problem head on. Instead of saving what's left over, you pull out what you want to save first. Savings first, expenses second.

A reverse budget can help to build savings in a number of areas:

- Savings/401(k)
- Emergency fund
- Vacation fund
- Down-payment fund

The goal is to satisfy your savings and retirement fund goals each month. If you have upcoming plans to make a major purchase, start saving for it 6 to 12 months or more beforehand. By making it a habit to save first, you can spend your remaining funds with confidence knowing your most important financial priorities have been fulfilled.

The no-budget budget

This doesn't mean "don't budget." It's a budgeting technique that requires only two things: Know your monthly take-home pay and know what expenses you must cover each month. Whatever's left over each month is yours to spend (or save). When it's gone, you say NO to expenses that don't appear on your no-budget budget.

You can find your take-home amount on your paystubs. Add up a month's worth. Then, look at your bank statement to see what expenses you pay in a month. Remember to factor in payments you pay annually or bi-monthly, like car or homeowner's insurance, subscriptions, etc.

Now compare. If your monthly take-home amount is more than your expenses, a no-budget budget could work for you. If your expenses are more than your take-home pay, another budgeting style may be a better option.

Sticking to the budget you create

Once you find a budgeting style that works for you, the next step is sticking to it. It's easier said than done, but seeing your account balances increase as you save can provide you with peace of mind. Here are some tips on how to stick to a budget:

Sleep on big purchases: Avoid impulse buys by waiting 24 hours before making big purchases. This helps ensure you really need or want the item.

Plan ahead and create shopping lists: Make lists before shopping to minimize impulse spending and stick to essentials. Consider ordering online for in-store pickup to avoid distractions.

Pay yourself first: Set up auto-deductions to transfer money into savings or investments before spending. If not automatic, move money to savings as soon as you get paid.

Never spend more than you have: Avoid overspending by tracking your budget and controlling credit card use. Stick to your budget categories to prevent "overdraft" spending.

Convert costs to an hourly rate: Evaluate purchases based on the work hours needed to afford them. This helps you value your time and reconsider unnecessary expenses.

Set spending "buckets": Allocate a specific limit for each spending category to control expenses. Digital tools can help manage these limits.

Track your spending consistently: Use apps to monitor your spending and identify areas to save. Consistent tracking makes it easier to stay disciplined.

Track your savings successes: Celebrate hitting savings goals to stay motivated. Whether it's saving your first $1,000 or small victories like making coffee at home, acknowledging your progress keeps you on track.

Creating and sticking to a budget is a powerful way to take charge of your finances. With a bit of planning and some good habits, you'll find it easier to save for the things that matter most to you.

Key takeaways

- Understand spending: A budget helps you know where your money is going each month, making it easier to avoid debt and save for future expenses.
- Create a budget: Start by listing your income and expenses, then compare and adjust to ensure you're not spending more than you earn.
- Stick to your budget: Be realistic about your goals, track your spending, and review your budget regularly to stay on track.
- Explore budgeting methods: Techniques like the 50/30/20 rule, envelope system, and no-budget budget can help you manage your finances effectively.

Top Tip!

Start small: If budgeting feels overwhelming, start with just one category, like groceries, and gradually add more as you get comfortable.

The importance of household savings

Having household savings is essential for good financial health and peace of mind. It's not just about stashing away money for a rainy day—it's about being prepared for life's unexpected twists and turns. Here's why having household savings is so important and how you can get started.

Why save?

Saving money provides a safety net for your family and helps you plan for the future. Here's why saving money matters:

- **To create an emergency fund:** An emergency fund ensures you're prepared for unexpected expenses like medical bills, car repairs or job loss.
- **To build financial goals:** Whether it's buying a house, going on vacation or paying for college, savings help you achieve your goals.
- **For peace of mind:** Knowing you have money set aside can reduce stress and provide a sense of security.

Getting started with savings

Starting a savings plan doesn't have to be complicated. To build a solid foundation, start by choosing the right kind of savings account. Look for a savings account that offers a good interest rate and low fees, such as a traditional savings account, a high-yield savings account or money market account. Next, set a savings goal by determining how much you want to save and by when. Having a clear goal makes it easier to stay motivated. Finally, automate your savings by setting up automatic transfers from your checking account to your savings account.

It's important not to confuse savings with investing. Savings accounts at member financial institutions are eligible for FDIC deposit insurance if the institution fails. On the other hand, investments, like stocks and even cryptocurrency, involve risk and loss of principal and are not covered by FDIC deposit insurance.

Tips for building savings

Here's how to create savings:

- **Start small:** Aim to save at least $1,000 initially. This provides a buffer for small emergencies.
- **Save 3–6 months of expenses:** Gradually build your savings to cover 3-6 months of living expenses. This gives you a cushion if you experience unexpected financial setbacks.
- **Keep it accessible:** Be sure your money is in an account you can access quickly if needed.

Small steps add up

Even saving just **$5** a week can grow into a substantial amount over time. Consistency is key.

Type	Pros	Cons
Traditional Savings Account	• Low or no cost to open • Potential to connect directly with checking account	• Low interest rates • Potential for monthly fees • May have minimum balance requirements
Money Market Account	• Tiered and/or higher interest rates • Access to funds via check and debit card	• Higher opening and minimum balance requirements • Monthly fees • Interest rate fluctuation
Certificates of Deposit (CDs)	• Higher interest rates • Fixed rate for a fixed term • Low risk investment	• Early withdrawal penalty • Interest may not keep up with rate of inflation
Online Savings Account	• Higher interest rates • Low fees • 24/7 access to account	• No physical branches
High-Yield Savings Accounts	• Highest interest rates • Low fees • Interest compounds daily	• Higher opening and minimum balance requirements • Monthly fees • Interest rate fluctuation

Not a complete list. Each financial institution will have their own terms and conditions.

How much should you save?

Even though 3 to 6 months of expenses is the old rule of thumb, how do you know if you should be on the high or low end of that scale? Here are some considerations to help you figure out how much you should be saving:

Why you might want to save less. If you work in a steady field, have a long and consistent work history, have no dependents, share expenses with a partner or have credit card debt, you may not need to save as much as others. Or you may want to devote potential savings to paying off debt.

Why you might want to save more. If you are self-employed, retired, have dependents, have a medical condition or live alone, you may want to save a little more in case of an emergency. And if you can afford to set aside several months of expenses just in case, that can be a good move.

Why you might want to save for the future. Planning ahead for big expenses is a great way to feel confident when life's milestones arrive—like weddings, education, buying a home, starting a family, planning for retirement. Having money set aside gives you a leg up.

How much to put in an emergency fund if you have debt

Starting with a smaller emergency fund amount, around $1,000, may work for you if you have consumer debt. (Consumer debt is typically credit card or personal loan debt rather than medical, student loan or housing debt.)

Since consumer debt tends to carry higher interest rates than other types of debt, you may want to focus any potential savings toward paying down those balances while still maintaining a small cushion in case of emergency. Even $1,000 cash can make a crisis much more manageable.

Key takeaways

- Saving money helps you build long-term goals and be prepared for emergency expenses.
- Set goals to stay motivated and start small.
- Set a target for your emergency fund and aim for 3 to 6 months of savings.

Building a household savings account is one of the smartest financial moves you can make. It protects you from financial surprises, helps you achieve your goals and provides peace of mind. Start small, stay consistent, and watch your savings grow.

Managing and preventing identity theft: Protect your personal information

Identity theft can be a scary experience—and costly, too. According to AARP, identity fraud cost Americans $43 billion in 2023.[1] Here's why it's important and how you can stay safe from identity thieves.

What is identity theft?

Identity theft happens when someone steals your personal information to commit fraud. Common methods include phishing scams, data breaches, lost or stolen credit or debit cards, using an unsecured network (such as public Wi-Fi) and more. This can lead to:

- **Financial loss:** Thieves can drain your bank accounts or rack up charges on your credit cards.
- **Damage to your credit:** Fraudulent activities can hurt your credit score, making it harder to get loans or credit in the future.
- **Stress and inconvenience:** Dealing with the aftermath of identity theft can be time-consuming and stressful.

Steps to prevent identity theft

While there's no one way to protect yourself from identity theft, a few combined efforts can all add up.

1. **Use strong passwords:** Create strong, unique passwords for all your online accounts, as well as websites you visit that require logins. Avoid using easily guessable information like your birthdate, children's or pets' names, or "password123." A mix of letters, numbers and special characters is best.

   Tip: When possible, opt in for two-factor authentication, which confirms your identity via email or text message.

2. **Shred documents with personal info:** If you throw away paper bank or credit card statements, invest in a shredder to make the contents of those documents illegible. Better yet, sign up for e-statements to keep all your information digital, which is a safer, more environmentally friendly solution. Be sure to secure your passwords and access to your devices.

Did you know?

Not all cyberattacks involve fancy hacking techniques.

Some scammers use good old-fashioned phone calls to trick you into spilling your personal and financial information. These "vishing," or voice phishing, scams can pose a serious threat to you and your loved ones if you don't know the warning signs.

Watch for:

Unsolicited phone callers pretending to be from your bank, law enforcement, tech support or customer service try to get personal info from you.

Scare tactics, such as your bank account was hacked or threats of legal trouble if you don't do what they say.

If this happens, hang up and report the incident to your local police and file a complaint with the Federal Trade Commission.

3. **Avoid using unsecured Wi-Fi:** If you must connect to a public Wi-Fi, don't log in to any password-protected sites or apps, especially banking-related ones. For your home Wi-Fi network, be sure to choose a complicated password and secure your network with WEP or WPA security, which will make it harder for hackers to access your private files.
4. **Be wary of phishing scams:** Phishing scams trick you into giving away personal information. Be cautious of emails, texts, or calls asking for your details. Legitimate companies will never ask for sensitive information this way. To avoid phishing scams, never download files, click links or open attachments from someone you don't know.

   Tip: Verify the source by contacting the company directly using official contact information.
5. **Monitor your accounts:** Regularly check your bank and credit card statements for any suspicious activity. Report any unauthorized transactions immediately.

   Tip: Set up alerts on your accounts to notify you of any unusual activity.
6. **Beware of credit card skimmers:** Gas stations are a popular target for card skimmers. Make sure the card reader matches all the others at the gas station. When you insert your card, you shouldn't be able to wiggle the reader—and if you can, stop the transaction immediately. When using a debit card, choose credit to avoid having to enter your PIN.

What to do if you're a victim

If you suspect your identity has been stolen, take these steps:

- **Contact your bank and credit card companies:** Report the fraud right away.
- **File an extended fraud alert** with the three major credit reporting agencies: Equifax, TransUnion and Experian.
- **File a police report**, which creditors may request.
- **File a report with the FTC:** The Federal Trade Commission can help guide you through the recovery process. You can prepare this report at IdentityTheft.gov.
- **Check your credit reports:** Request copies of your credit reports and look for any unfamiliar accounts or activities Dispute any fraudulent entries.

  Tip: To learn how to request your credit reports, see "Ways to obtain a free copy of your credit report" on page 6.

Stay safe on social media

Don't get caught oversharing on social media. An oversharer is a scammer's favorite type of person. Be extremely cautious on any public accounts you have and avoid sharing info like this in your bio or posts:

- **Birth date**
- **Address**
- **Times you'll be on vacation or away from home**
- **Phone number**
- **Social Security number**
- **Mother's maiden name**

Stay informed and vigilant

Preventing identity theft requires ongoing vigilance. Keep up to date about the latest scams and always be cautious with your personal information.

By following these simple steps, you can protect yourself from identity theft and keep your personal information more secure. It's all about being proactive and staying one step ahead of thieves.

Key takeaways

- Identity theft occurs when someone steals your personal information to commit fraud, leading to financial loss, damage to credit, and significant stress.
- Creating strong, unique passwords and using two-factor authentication can enhance your online security.
- Regularly monitor your financial accounts for suspicious activities and report any unauthorized transactions immediately.
- If you fall victim to identity theft, contact your bank and credit card companies, file a report with the FTC, and check your credit reports for any fraudulent activities
- Securely dispose of documents with personal information.

Endnotes

[1]Christina Ianzito, "Identity Fraud Cost Americans $43 Billion in 2023," AARP, April 10, 2024, https://www.aarp.org/money/scams-fraud/info-2024/identity-fraud-report.html#:~:text=American%20adults%20lost%20a%20total,the%20number%20was%2015.4%20million)