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Sigma Public Education and Research Foundation

Wee-Savers and Investors Financial Literary

Introduction to Financial Literacy

Wee Savers and Investors Financial Literacy

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CASH vs. CREDIT

How Cash Works

- Cash is King. The importance of strong cash flow is aptly stated in the common expression "cash is king." The premise of this is that having cash puts you in a positive financial position.
- Cash is the most liquid asset and can be used immediately to perform economic actions like buying, selling, or paying debt, and meeting immediate wants and needs.
- If you have more cash than you spend, you have a positive cash flow. You have a negative cash flow if you you're paying more bills, and interest than you're bringing in. Cash flow is a key indicator of **financial health**.

How Credit Works

- Credit is an agreement you have with a lender to obtain goods or services that you pay for at a later date that is specified in the contract.
- Credit comes in the form of various forms including loans and credit cards.
- Loans sometimes require money upfront, but the rest of it is given to you and you have to prove good faith by paying it back in a timely manner.
- When you use your credit card, the company loans you the money known as a credit limit and you have to pay it back.

Credit Report Basics

- A credit report provides detailed information on how you have used credit in the past. This includes how much debt you have and if you have or have not paid your bills on time. This helps lenders know if they can trust you to pay them back.
- A credit report provides your personal information, accounts (open and/or closed), and recent inquiries.
- Soft vs Hard inquiries
- 3 credit bureaus: Transunion, Equifax, and Experian
- The Fair Credit reporting Act
- Who can view your credit report
- The importance of dispute letters

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Credit Report Information

A credit report reads your personal information including social, date of birth, address(es), and employment information.

It continues to tell you what accounts are being reported on your credit report and what each bureau is reporting it as.

This is confidential information that you should review at least twice a year.

EQUIFAX 3 in 1 Sample Credit Report

Personal Information

Registration Information

Name: Stephen X. Smith
Address: 123 Main Street, Anywhere, VA 12345
Social Security Number: 022-22-2222

Identification Information

	Equifax	Experian	TransUnion
	Reported	Reported	Reported
Name:	JOHN Q PUBLIC	JOHN Q PUBLIC	JOHN Q PUBLIC
Social Security Number:	022-22-2222	022-22-2222	022-22-2222
Age or Date of Birth:	03/1958	03/1958	03/1958

Address Information

	Equifax	Experian	TransUnion
	Reported	Reported	Reported
Address:	123 MAIN ST	123 MAIN ST	123 MAIN ST
	ANYWHERE, VA 22222	ANYWHERE, VA 22222	ANYWHERE, VA 22222
Date Reported:	03/1999	01/2002	10/1999
	Reported	Reported	Reported
Address:	321 EXIT ST	321 EXIT ST	321 EXIT ST
	SOMEWHERE, VA 22222	SOMEWHERE, VA 22222	SOMEWHERE, VA 22222
Date Reported:	11/1998	12/2001	09/1999

Employment Information

	Equifax	Experian	TransUnion
	Reported	Reported	Not Reported
Employer:	ABC CORP	ABC CORP	
Address:			
Date Reported:	02/2001	02/2001	

Account Information

American Express

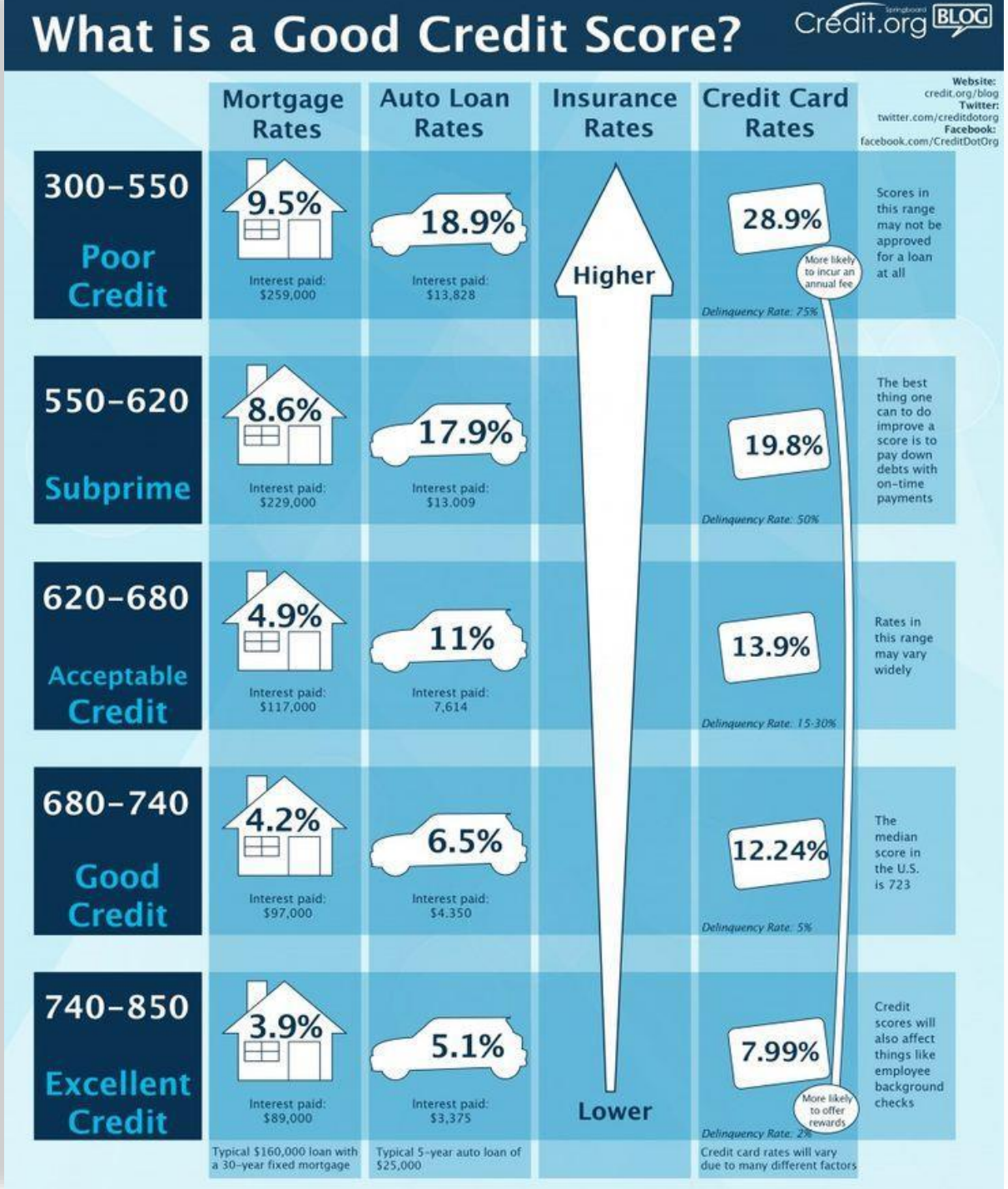
	Equifax	Experian	TransUnion
	Reported	Reported	Reported
Account Type:	REVOLVING	REVOLVING	REVOLVING
Account Number:	00726	00726	00726
Payment Responsibility:	Individual	Individual	Individual
Date Opened:	03/1991	03/1991	03/1991
Balance Date:	04/2002	04/2002	04/2002
Balance Amount:	$704	$704	$704
Monthly Payment:	$21	$21	$21
Credit Limit:	$704	$6416	$704
High Balance:			
Account Status:	AS AGREED	CURR ACCT	Paid as agreed
Past Due Amount:	$0	$0	$0
Comments:	Charge	Charge	Charge

Interest Rates and Terms

- Interest rates are based on your credit score.
- Types of interest rates:
  - ✓ auto
  - ✓ homes
  - ✓ credit card
- Term is the amount of time given to payback the debt. Ex: A term can be 6 months, 12 months, or beyond.

Credit Score Affect Your Interest Rates

- A credit score can make one pay higher interest rates in their mortgages, car loans, insurance rates, and credit cards.
- A high credit score when you apply for a mortgage could save you thousands of dollars in interest over the life of your loan.
- Your credit score represents your overall credit history. It's based on information in your credit report, which includes whether you pay your bills on time and the total debt you carry.



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Financial Literacy Series