

Allstate Foundation Purple Purse Moving Ahead Curriculum

A Financial Empowerment Resource

MODULE 5

Creating Budgeting Strategies

Saving and Investing Insurance and Education



Purple Purse
Allstate Foundation



NNEDV
NATIONAL NETWORK
TO END DOMESTIC
VIOLENCE

Creating Budgeting Strategies

T

o prepare for a stable future, it's important for survivors to learn ways to save, protect and grow their money.

This module provides steps you can take to set financial goals and save money. It also includes other advanced money-saving topics such as investing and education planning.

Please note that the information in this curriculum is intended to be general advice for individuals involved in an abusive relationship. However, not everyone's situation is the same. If you need specific advice regarding your situation, contact a domestic violence advocate, financial advisor or attorney.

Key topics covered in this module include:

- Savings Strategies
- Investment Options
- Insurance Overview
- Education Opportunities
- Education Finances

MODULE 1	Understanding Financial Abuse
MODULE 2	Learning Financial Fundamentals
MODULE 3	Mastering Credit Basics
MODULE 4	Building Financial Foundations
MODULE 5	Creating Budgeting Strategies



Stand up. Speak Out.

National Domestic Violence Hotline: 1-800-799-SAFE (7233)

Story of Survival



L Lauren, a successful businesswoman, has hidden the pain of her abusive marriage for many years. For a long time she hoped that the violence would stop. But despite all of his promises, James continues to be very cruel toward her. On paper, Lauren and James appear to have built a very successful relationship. This is untrue. Despite her successful, high-paying career, Lauren must ask permission to buy anything. She has no idea what they jointly own.

After 13 years of marriage, Lauren has decided to leave James. She doesn't know where to begin to separate the financial responsibilities they share. James has emptied her savings account and money market fund, leaving Lauren with no access to cash. She is afraid no one will believe her. And she doesn't want her coworkers to find out she is a victim of abuse. She fears they will think of her differently.

If your situation is similar to Lauren's in any way, read this section to prepare you for leaving your abuser. Women who are making life changes should talk with a domestic violence advocate. Together, they can address concerns and get help with plans for financial and physical safety.

As you have learned in this curriculum, Lauren's story is one of many domestic violence survivors. However, there is hope and there are people, programs and organizations willing and ready to help.

This Curriculum, along with supportive partners in your local community, is designed to help you do just that: gain personal and financial independence.

Savings Strategies



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Earning interest on your money is an important way to strengthen your financial future. As you read in Module Two, the secret to earning money on your savings or investments is compound interest. This is because you earn interest every year, both on the amount you deposit, plus on the interest you've already earned. With compound interest, even not-so-big amounts can create real wealth, given enough time and dedication.

Compound interest may appear boring. However, according to www.getrichslowly.org, it is very important to take advantage of it. That is, start investing now!

Take the example of 20-year-old Britney. She made a one-time \$5,000 contribution to her retirement account. This account earned an average 8% annual return. Britney never touched the money. And so, by the time she retired at age 65, that \$5,000 grew to \$160,000. But if she'd waited until she was 39 to make her single investment, that \$5,000 would only have grown to \$40,000.

What makes compound interest so great? Time!

Compounding can be made even more powerful through regular deposits and investments. What if Britney contributes \$5000 to her retirement account each year? If she leaves it untouched for 45 years, with an average of 8% interest, her retirement savings will total over \$1.93 million! She will have more than eight times the amount she contributed! It's human nature to procrastinate. "I can start saving next year," you tell yourself. "I don't have time to open a retirement account. I'll do it later." But the

costs of delaying are enormous. Even one year makes a difference.

Britney likes the idea of having nearly two million dollars in her account when she retires. If she makes \$5,000 contributions to her retirement account each year, and she earns an 8% return, she'll have that amount. But if she waits even five years, her yearly contributions will have to increase to nearly \$7,500 to save that same amount by age 65. And if she were to wait until she was 40, she'd have to contribute nearly \$25,000 a year!

For many of us, saving \$5,000 a year is impossible. That's okay. Start with an amount that works for you, maybe 2% of your income. For example, if you make \$25,000 per year, your annual retirement saving goal would be \$500 per year or about \$40 per month. See page 5 for an example of how regular contributions and an 8% return, can help you reach long-term, financial security.

To make compounding work for you:

Start early. The younger you start, the more time compounding can work in your favor and the wealthier you can become. But if you didn't start early, don't despair. There is still time—just put away as much as you possibly can. To help older workers, federal regulations allow them to put more money into retirement plans to give them a chance to "catch up."

Make regular investments. Remain disciplined and make saving for retirement a priority. Do whatever it takes to maximize your contributions. If you work for a company that provides a match, make sure you enroll. Sign up for the highest match you are eligible for. Make your contribution automatic through

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electronic deposits or transfers. That way, you don't even have to think about it.

Be patient. Don't touch the money. Compounding only works if you allow your investment to grow. The results will seem slow at first—most of the magic of compounding comes at the very end.

There are a number of types of accounts where you earn interest on your savings. You can review your options in Module Two in the Budgeting and Saving section.

According to www.investopedia.com, investing is a method to put your money to work for you. Essentially, it's a different way to think about how to make money. Growing up, most of us were taught that you can earn an income only by getting a job and working. And that's exactly what most of us do. There's one big problem: if you want more money, you have to work more hours or get a higher-paying job. These are not always workable options.

Obviously, you can't create a duplicate of yourself to increase your working time. Instead, send an extension of yourself (that is, your money) to work. That way, while you are working and raising your family, you can also be earning money elsewhere. This is true even if it is only very small amounts. Quite simply, making your money work for you maximizes your earning potential. This is true whether or not you receive a raise, decide to work overtime or look for a higher-paying job.



Year	Year Deposits	8% Growth	Total Deposits	Total Growth	Balance
1	\$480.00	\$21.17	\$480.00	\$21.17	\$501.17
2	\$480.00	\$62.49	\$960.00	\$83.66	\$1,043.66
3	\$480.00	\$107.20	\$1,440.00	\$190.86	\$1,630.86
4	\$480.00	\$155.61	\$1,920.00	\$346.47	\$2,266.47
5	\$480.00	\$208.00	\$2,400.00	\$554.47	\$2,954.47
6	\$480.00	\$264.72	\$2,880.00	\$819.19	\$3,699.19
7	\$480.00	\$326.11	\$3,360.00	\$1,145.30	\$4,505.30
8	\$480.00	\$392.55	\$3,840.00	\$1,537.85	\$5,377.85
9	\$480.00	\$464.48	\$4,320.00	\$2,002.33	\$6,322.33
10	\$480.00	\$542.34	\$4,800.00	\$2,544.67	\$7,344.67
11	\$480.00	\$626.61	\$5,280.00	\$3,171.28	\$8,451.28
12	\$480.00	\$717.83	\$5,760.00	\$3,889.11	\$9,649.11
13	\$480.00	\$816.57	\$6,240.00	\$4,705.68	\$10,945.68
14	\$480.00	\$923.45	\$6,720.00	\$5,629.13	\$12,349.13
15	\$480.00	\$1,039.14	\$7,200.00	\$6,668.27	\$13,868.27
16	\$480.00	\$1,164.36	\$7,680.00	\$7,832.63	\$15,512.63
17	\$480.00	\$1,299.91	\$8,160.00	\$9,132.54	\$17,292.54
18	\$480.00	\$1,446.63	\$8,640.00	\$10,579.18	\$19,219.18
19	\$480.00	\$1,605.45	\$9,120.00	\$12,184.63	\$21,304.63
20	\$480.00	\$1,777.36	\$9,600.00	\$13,961.99	\$23,561.99

Investment Options



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There are many different ways you can go about making an investment. Possibilities include putting money into stocks, bonds, mutual funds or real estate. Sometimes people refer to these options as “investment vehicles.” This is just another way of saying “a way to invest.” Each of these vehicles has positives and negatives. The point is, no matter which method you choose for investing your money, the goal is always to put your money to work so it earns you money.

The most obvious investment for many of us is a retirement account or long-term savings plan. A retirement account is a savings strategy designed to provide an income after you are no longer working. Retirement plans can be set up by employers, insurance companies, the government or other institutions such as employee associations or trade unions. The following are some of the ways you can save for retirement.

Individual Retirement Accounts (IRAs) are retirement accounts that provide tax advantages when you save for retirement. There are different types of IRAs, some provided by employers and others are set up by individuals.

Pensions are retirement plans set up by employers to provide benefits to retired employees.

401(k) Plans are retirement plans that defer income taxes on retirement savings and any interest they may earn until withdrawn. Most plans are sponsored by private-sector corporation employers.

There are other salary deferral retirement plans. These include:

- **403(b) Plans** These cover employees of educational institutions, churches, public hospitals and nonprofit organizations
- **401(a) Plans** and **457 Plans** These cover employees of state and local governments and certain tax-exempt entities.

When calculating your retirement goal, remember that during retirement you’ll likely save money on clothing, commuting and other work-related costs. You may also have fewer expenses related to caring for children. However, your healthcare expenses may be higher.

As a general guideline, you can expect to live on 70 to 80 percent of your pre-retirement income. But this is just an estimate. Some retired women spend as little as 60 percent of their pre-retirement income, while others spend more than when they were employed.

To calculate your retirement needs, consider these questions:

How long will your retirement last?

When do you plan to stop working? Will you retire early or are you planning to work at least part-time as long as you can? How long are you likely to live? (The Social Security Administration estimates that a 65-year-old woman can expect to live another 17.5 years.)

How much will a dollar be worth?

During times of inflation or rising prices, you’ll need more income to support your current lifestyle. When calculating how much money you’ll need for

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retirement, assume inflation rates of 3%-4%. This link provides a calculator. <https://www.allstate.com/tools-and-resources/financial/retirement-savings-calculator.aspx> It will help you work out out how much you need to save each month to reach your retirement goal.

How much will you spend?

What type of retirement do you picture? Do you plan to stay in your current home? Do you plan to retire to a beach community in Florida? Will you downsize and significantly reduce your monthly costs?

Most people have a mix of stocks and bonds. When considering how you will divide your funds, it's important to consider how many years you have until you retire and your tolerance for risk. Contacting a personal financial representative can help you decide on the best investment strategy.

Another great option is to visit Allstate's financial resources website at www.allstate.com (click Tools and Resources).

In addition to these resources available online, below are some common investment options for you to consider.

Savings Bonds

Savings bonds are issued by the government, in face value denominations from \$50 to \$10,000. Interest on the bonds accumulates tax-free. When you buy a savings bond, you usually pay half its value, and when it matures the bond is worth twice as much as you paid. For example, if you pay \$50 for a \$100 savings bond, it will be worth at least \$100 upon maturity.

Mutual Funds

Mutual funds are a collection of stocks from different companies that are combined to provide a single investment.



For example, a mutual fund might invest 10 percent in bank stocks, 25 percent in retail outlet stocks, 25 percent in medical technology stocks, 25 percent in high-tech stocks and 15 percent in government securities. Mutual funds accept money from many investors and often charge a fee to manage the "mix" of stocks.

Stock Investments

Stock investments make you a shareholder of a public company. Your money can then be used in the company's business. In return for your investment, you are entitled to a share of the company's profits. Earnings are paid back as dividends or retained to help the company grow. If the company isn't profitable, you may experience losses.

Bonds

Bonds work as a loan to a company. A bond is a contract that guarantees your loan will be repaid by a specific date (maturity date). It also guarantees that you will receive a specific interest rate for the use of your money. Bonds are a relatively safe way to invest and most pay interest twice a year. They pay the face amount when they reach maturity.

Estate Planning

The last area to address in regard to investment options, and one that is less common, is estate planning. An estate plan will preserve your assets after you die. Although you may not consider yourself

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wealthy enough to have an estate, if you own a home, furniture and/or car, or have money in a retirement fund, you need to protect it. This is true no matter how old you are.

An estate plan can protect your assets and provide financial and emotional stability for your survivors. If you die without an estate plan, legal problems may delay the distribution of your assets. There are several ways to protect your estate.

- **Establish a will**

This is usually the heart of an estate plan. Without a will, the laws of your state will decide who receives your property. If you don't designate a legal guardian for any dependents or minor children, a court will decide who will raise them.

- **Establish a trust**

A trust can hold virtually any kind of tangible or intangible property. Tangible property is personal property that can be physically handled, such as clothes and furniture. Intangible property is property such as stocks.

- Trusts can be as flexible as needed to meet your objectives. Some trusts are established to avoid probate or reduce future estate taxes. Others are designed to provide for minor children.

- **Designate power of attorney.**

This document clearly states your wishes about how to handle your healthcare and property. It states who is responsible for carrying your wishes out if you are unable to communicate. Be sure to pick someone who has consistently been a part of your life and likely always will.

- **Purchase life insurance.**

Life insurance can provide the cash your survivors may need to pay federal estate taxes when you die. If you purchased life insurance prior to leaving your abuser, remember to change the beneficiary names.



Community Programs

In addition to these common investment options, most communities offer a variety of asset-building programs to help you reach your financial goals. Contact community organizations to find out if they offer any of the following programs and whether there are income limits:

Individual Development Accounts (IDAs) are savings accounts matched by public and private sources. They are for investments in education, homes and businesses. The accounts match your savings and allow a set period to save for specific goals. Goals usually include education, home purchase or seed money to start a business.

Micro-Enterprise Development Programs are small capital investments that allow individuals to form micro-businesses to contribute to their family's economic and social well-being.

Financial Literacy Programs help families learn how to manage their finances and make wise economic choices. These programs help families move toward goals. Programs include owning a home or business, or saving for education and retirement.

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Federal and State Earned-Income-Tax Credits (EITCs) provide cash to low-income individuals through tax refunds. EITCs increase the income of the working poor and promote their ability to save. At least 19 states offer an income tax credit in addition to the federal EITC. States include Colorado, Delaware, District of Columbia, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Minnesota, Nebraska, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, and Wisconsin.

Unemployment Insurance can provide a cushion for families during periods of involuntary unemployment. Unemployment benefits can help those who are between jobs.

Emergency Assistance Funds are sometimes provided by nonprofit organizations or faith-based institutions. They supply emergency assistance to individuals who need help paying rent and utility bills or relocation costs.

Miscellaneous Savings Programs help low-income individuals and families save for needed assets.

Again, this is only a summary of some of the investment options to consider. Speak to your local domestic violence advocate for additional information and strategies about budgeting, saving and investing your money.



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Insurance is an important part of your financial well-being. It can help protect you financially if you have health problems, are involved in a car accident or if your home is damaged or destroyed.

Health and Medical Insurance covers health and medical expenses due to illness or accidental injury. Such insurance may cover some or all of the expenses of hospitalization, surgery and doctor's visits. Other areas often covered are medicines, laboratory tests, diagnostic procedures, radiation therapy, maternity and nursing care, eyeglasses, crutches and prostheses.

The **Affordable Care Act (ACA)** has changed health insurance a great deal by expanding coverage to millions of people who need it. It helps survivors of domestic violence access health care without compromising their financial stability. Under the ACA, preventative health services must be covered without co-payments or other cost-sharing requirements. These preventative services include things such as well woman visits, contraception, mammograms, breastfeeding supplies and screening for HIV, as well as screening and brief counseling for domestic violence. In addition, insurance companies, health care providers and health programs can no longer deny coverage to women based on many factors, including their status as a survivor of domestic or sexual violence.

The ACA also provides tax credits and cost-sharing reductions that can help make insurance coverage more affordable for domestic violence survivors, as well as special exemptions to the coverage requirement. To learn more about the ACA and health insurance options, visit www.healthcare.gov.

Health Savings Account (HSA) is an alternative to traditional health/medical insurance. It allows you to pay for current health/medical expenses on a tax-free basis. It also allows you to save for certain health, medical and retiree health/medical expenses on a tax-free basis. You own and control the money in your HSA. And you decide how to spend the money and what types of investments to make. You can sign up for HSAs with banks, credit unions, insurance companies and other approved organizations. Your employer may also offer a plan for employees.

If you're preparing to leave your current job and don't have health and medical insurance, you can continue the coverage offered through your employer. Legislation known as COBRA allows you to continue your coverage for up to 18 months. You will be responsible for paying the premium, so contact your local nonprofit health service provider to learn more about medical insurance options available in your community.

Auto Insurance can help you repair or replace your car if you get into an accident. It can also help protect you in the event of a lawsuit. In most states, car owners are required to have some level of auto insurance. Drivers must be able to pay for any losses they cause, including the cost of repairing a damaged car, paying for medical expenses and more. The minimum level of insurance you should carry is typically what is called 'liability insurance.'

Homeowners or Renters Insurance pays to repair and replace your home if it is damaged or destroyed. Renters need insurance to protect their furniture and other personal property, as well.

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Life Insurance can help provide your family with a stable financial future. The two types are *term life insurance* and *whole life insurance*. The basic difference between the two is this:

- A term policy is life coverage only. On the death of the insured it pays the face amount of the policy to the named beneficiary. You can buy term life for periods of one year to 30 years.
- Whole life insurance, on the other hand, combines a term policy with an investment component. The policy builds cash value that you can borrow against.

With both whole life and term, you can lock in the same monthly payment over the life of the policy. However, term life insurance will have lower monthly payments and cost less over time.

Disability Insurance provides a portion of income lost due to a total or partial disability caused by illness or accident.

Long-Term Care Insurance can help protect your family and savings from medical costs in the event of a lengthy illness.

In addition to insurance you may purchase on your own, an employer may also provide insurance coverage. When applying for a job, ask the potential employer about employee benefits that may include short or long-term disability or life insurance.

It is important to know that some insurance companies deny victims access to insurance by using domestic violence as an underwriting criteria (a basis for determining who to cover, what to cover, and how much to charge). This discrimination can occur in all lines of insurance, such as life, homeowners and disability insurance. It can also



include homeowners, rental and automobile insurance.

In addition, it is important to know that insurers are not required to tell applicants or policy holders the reason for rejections or other adverse actions. Adverse actions can include denying a claim or raising premiums (how much you pay). This makes it difficult to know if domestic violence criteria were used by the insurer.

Many states now have laws that don't allow insurance companies to use domestic violence as underwriting criteria. Work with your domestic violence advocate if you are having difficulty obtaining insurance, having a claim paid or have an unexplained increase in premiums. Together, you can investigate whether the insurer used domestic violence as a criterion.

You can also go the website of the National Association of Insurance Commissioners www.naic.org. Click on the Consumer Resources tab to access information about your state's insurance department and learn about your rights in filing a complaint against an insurance company.

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There are opportunities for education throughout one's life. There are lots of ways to develop skills, pursue education, learn a trade or obtain a professional license. By getting a GED and/or a college degree, or completing training, you are more likely to get a better job and advance in your career. In fact, people with more education generally earn higher salaries.

Also, when choosing a career or job change, consider 'non-traditional' female jobs. As defined by the U. S. Department of Labor, non-traditional female jobs are those in which women comprise 25 percent or less of the workforce. For sure, working in a male-dominated field can present some challenges. However, the economic benefits can be great. Non-traditional jobs may pay 20-30 percent more than traditional female jobs and offer more benefits.

Many women who have been abused feel a strong desire to "give back" once they are safe. They often seek new careers in social services to do so. This is great if it meets your financial goals, plus your interests and abilities. However, remember that taking care of yourself and your family comes first. There are many ways to "give back." This may include establishing yourself in a better paying job and making contributions to domestic violence agencies or engaging in volunteer activities.

A career counselor can be very helpful in assisting you in developing or changing a career path. Many community colleges and universities offer career counseling to students and women seeking to change careers.

In addition, visit the National Career Development Association (NCDA) www.ncda.org for more

information on finding a career counselor in your community. NCDA also provides resources for choosing a career that best suits your needs.

Many scholarship and direct-assistance programs are available to help abused women pursue education and job development opportunities. Below is a brief list of various education and training options available:

General Educational Development (GED) program is a way to obtain a high school diploma. Most businesses, colleges and technical schools recognize the GED as the equivalent of a high school diploma.

On-The-Job Training (OJT) can be provided at the work-site. Training ranges from a month to a year or more. It sometimes includes classroom training.

Community Colleges provide associate degrees and the opportunity to transfer to a four-year college or university. Community colleges are often less expensive than four-year colleges and universities. Many offer open enrollment. This eliminates the need to take tests such as the Scholastic Aptitude Test (SAT) or the American College Testing (ACT) program.

Trade or Vocational Schools provide specialized training in specific fields. Fields can include nurse's aide, plumbing technician, heat, ventilation and air conditioning technician, truck driver, cosmetologist and more. A trade school may be appropriate if you know what you want to do and prefer hands-on learning.

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Certification Programs provide training to work in a specific profession. Some certificate programs are run by the state. Others are offered by colleges, universities or professional schools. Many certificate programs require a college degree in addition to a standardized exam. Some certifications must be renewed regularly, requiring continuing education courses.

Online Education is an alternative to trade schools, community colleges and four-year colleges and universities. Most online education programs allow you to work at your convenience and anywhere you can access a computer. Online education programs are especially appropriate for women with transportation problems or are trying to balance family, work and education.

Four-Year Colleges and Universities grant bachelor's, master's and doctoral degrees, and professional certificates.



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Thanks to Heather Jarvis, NNEDV Student Loan Expert, for her contributions to this section.

Another factor to consider when continuing your education is how you are going to pay for it. **Financial aid**, including grants, scholarships and loans, can help you afford higher education. Grants and scholarships have a big advantage—they do not have to be repaid. Student loans are also a type of financial aid, but loans must be repaid, with interest.

Financial aid comes from several main sources:

- the federal government
- the state where you live
- the college you attend
- private organizations

Grants and Scholarships

The first types of financial aid to consider are grants and scholarships. The following steps will help you get started:

Everyone Should Submit the FAFSA

The *Free Application for Federal Student Aid (FAFSA)* is used to determine who is eligible for all federal student aid programs, including programs that are not based on financial need. In fact, most states, schools and private organizations require you to complete the FAFSA. Some schools and programs will require additional submissions, such as the CSS/Financial Aid Profile. Deadlines tend to be early so visit FAFSA.ed.gov right away.

Research and Apply for Available Grants and Scholarships

Your FAFSA application will serve as your application for the main federal grant program, the **Pell Grant**. Colleges and universities often offer students grants and scholarships using their own funds. Check with your school's financial aid office for application requirements and deadlines.

You can use these search tools to locate grants and scholarships, both public and private:

- U.S. Department of Labor scholarship search tool: *CareerOneStop* <http://careerinfonet.org/scholarshipsearch/ScholarshipCategory.asp?searchtype=category&nodeid=22>
- College Board search tool: *Big Future Scholarship Search* <https://bigfuture.collegeboard.org/scholarship-search>
- *FastWeb!* Scholarship Search <http://www.fastweb.com/>

Consider the Women's Independence Scholarship Program. It is a powerful tool that breaks down barriers and opens doors of opportunity. The objective of the Women's Independence Scholarship Program is to help survivors of domestic abuse obtain an education. Such education will in turn offer them the chance to secure employment, personal independence and self-sufficiency. Support is available for full or part-time students applying to accredited programs at educational institutions. For more information on the fund, go to <http://www.wispinc.org/Programs/WISP/tabid/62/Default.aspx>.

Student Loans

Choose Federal Student Loans over Private Student Loans

Private student loans can be risky and are typically more expensive than federal loans. Interest rates for private student loans are usually variable and will almost certainly increase over time. Private loans lack the advantages of federal student loans, such as flexible repayment options and forgiveness provisions.

Most federal student loans don't require a credit check or a cosigner. (But you do need to fill out the FAFSA!). Federal student loans do not require payments until after you leave college or drop below half-time. If you demonstrate financial need, you can qualify to have the government pay your interest while you are in school. Federal student loans usually have grace periods of six months. A grace period is a set time after leaving school before you have to start making payments.

If you're having trouble making payments, federal student loans offer flexible repayment plans and options to postpone your loan payments. If you work in certain jobs, you may be eligible to have a portion of your federal student loans forgiven, if you meet certain conditions.

Types of Available Federal Student Loans

Direct Subsidized Loans are loans given to eligible undergraduate students who demonstrate financial need. They help cover the costs of higher education at a college or career school.

Direct Unsubsidized Loans are loans made to eligible undergraduate, graduate and professional students. For these, the student does not have to demonstrate financial need to be eligible for the loan.

Direct PLUS Loans are loans made to graduate or professional students and parents of dependent undergraduate students. They help pay for education expenses not covered by other financial aid.



Direct Consolidation Loans allow you to combine all of your eligible federal student loans into a single loan with a single loan servicer.

Federal Stafford Loans are awarded on the basis of financial need and are regulated by the federal government.

Federal Perkins Loans is a school-based loan program for undergraduates and graduate students with exceptional financial need. Under this program, the school is the lender.

Understand Your Repayment Options

Before taking on a student loan, evaluate how much you can afford to borrow and learn what it will take to repay it.

In general, the longer it takes to repay loans the more they cost over time. If you need low monthly payments, the income-driven repayment plans for federal student loans can help. If your student debt is relatively high as compared to your income, these repayment plans provide significant advantages. Monthly payments are established as a percentage of income so when you don't earn a lot, your payments are low. But income-driven options have the disadvantage of requiring annual income verification and other paperwork. Because monthly payments are low, interest charges will be correspondingly high.

Once you estimate how much you will owe when you graduate, the Department of Education's calculators

at <https://studentaid.ed.gov/sa/repay-loans> will help you figure out the right repayment plan for you.

Learn more about student loan repayment and forgiveness from these sources:

- studentloanborrowerassistance.org
- askheatherjarvis.com

If You Are Planning to Go to College, Try to Save in Advance

A 529 plan, or “Qualified Tuition Program,” is a tax-advantaged investment plan that can help you save for future higher education expenses. The plans are administered by state agencies and organizations.

States offer two distinct types of Qualified Tuition programs: **Prepaid Tuition Plans** or College Savings Plans. Prepaid Tuition Plans allow participants to purchase future tuition at today’s rates. **College Savings Plans** invest your savings and the account’s earnings are based on the performance of the investments. When you use the savings from a 529 plan for qualified higher education expenses, you will not be required to pay federal income tax on the growth in your investment. Many states provide a similar tax benefit.

Be Cautious When Considering Using IRA Withdrawals for College Costs

You may withdraw from an IRA to pay higher education expenses for yourself, your spouse, your child, or your grandchild. You will owe federal income tax on the amount withdrawn, but won’t be subject to the early withdrawal penalty. Consider this option with care, since it is also important to plan for retirement.

Take Advantage of Available Tax Credits and Deductions for Higher Education Expenses

There are two higher education tax credits may reduce the amount of your federal income tax:

- The American Opportunity Credit allows you to claim up to \$4,000 in qualified education expenses that can result in up to \$2,500 in tax credits per student, per year for the first four years a student works toward a degree or similar credential.
- The Lifetime Learning Credit reduces the federal tax liability, up to \$2,000 per student per year for qualified education expenses.

If you do borrow to finance education, you may be able to take an adjustment to your income for the interest paid on student loans. The maximum student loan interest deduction is \$2,500 a year. Reporting student loan interest results in reducing your adjusted gross income, which in turn reduces your tax liability.

Tuition Reimbursement (tuition assistance) is an arrangement between an employer and employee that outlines the terms under which the employer helps pay for continuing education. Most companies base the amount on the employee’s grade in the course. Although some companies pay at registration, others only reimburse after successful completion of coursework.

One last reminder: *never forget the importance of safety*. Consider using a PO Box for university or college enrollment applications. This will keep your home address private, in case the school publishes a student directory or posts addresses on its website. Research the school’s privacy policy and its process for protecting, storing or publishing student information. Also research the school’s opt-out policy for information sharing. These steps will help prevent your private information from being published or shared.

For additional strategies to stay safe while pursuing additional educational opportunities, work with your local domestic violence advocate.