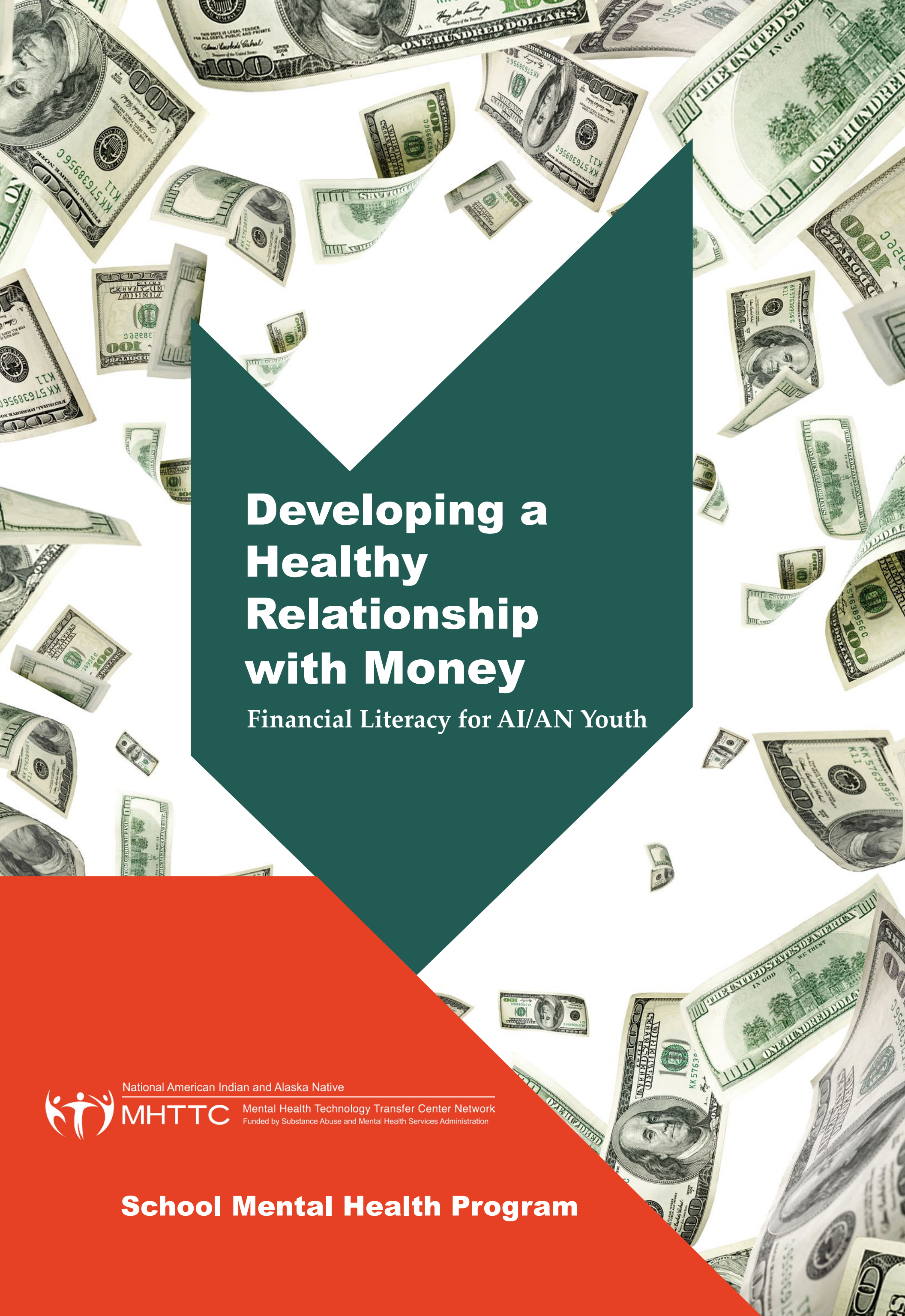


Developing a Healthy Relationship with Money

Financial Literacy for AI/AN Youth

National American Indian and Alaska Native
MHTTC
Mental Health Technology Transfer Center Network
Funded by Substance Abuse and Mental Health Services Administration

School Mental Health Program

How *money* impacts mental health

A sudden influx of money can cause a great deal of stress. For youth who may never have had any money to manage, the responsibility of deciding what to do with per capita payments, trust accounts, or other large sums of money may feel overwhelming. This booklet was developed to provide Native youth with a basic understanding of financial management concepts.

Larger incomes have been associated with a greater sense of well-being and satisfaction (Killingsworth, 2021). Unfortunately, about 64% of Americans say money is a significant source of stress in their life (Cassata, 2021). Groups living with incomes below $35,000 a year experience even more anxiety and stress (Evidation, 2022).

Stress can show itself in different ways such as sleep loss, anxiety, headaches, high blood pressure, depression, and more. Troublingly, there are still great inequalities when it comes to finances in the U.S. While the Census Bureau does not include statistics on income estimates for American Indians, independent research has shown that Indigenous peoples are more likely to live in poverty than white Americans (Yixia Cai & Fremstand, 2022). Some research estimates that as many as 1 in 3 Indigenous persons live in poverty (Institute for Policy Research, 2020).

Education on finances and how to build independent wealth is an important way to combat these statistics and build a better life for Native youth and families.

Terms to know

Asset
Something you own or something that is owed to you (such as a refund from a purchase, etc.).

Bank
A financial institution, usually for profit, licensed to receive deposits and make loans. Banks may be retail, commercial, corporate, or investment. Regulated by state and federal governments.

Collateral
An asset that a lender accepts as security for a loan (for example, a car or home). If you fail to repay the loan, the lender may take possession of the collateral.

Credit bureau
A company that collects information about your record of paying your bills. Lenders use 3 main credit bureaus to determine whether you are a good risk for a loan: Experian, Equifax, and Transunion.

Credit card
A card issued by a financial institution that allows you to make purchases against your credit limit instead of against your checking account. Credit cards may be unsecured or secured by a deposit of cash that equals your credit limit.

Credit score
A number between 300 and 850 that tells lenders how likely you are to repay a loan. A higher score means you are a safer risk to lenders.

Credit union
A customer-owned, not-for-profit financial institution with many of the same services as a bank.

Debit card
Similar to a credit card, except that it deducts money from your checking account at the time of purchase.

Default
Failure to repay a loan according to the terms you agreed to when the loan was made.

Financial literacy
Knowledge about finances and managing money.

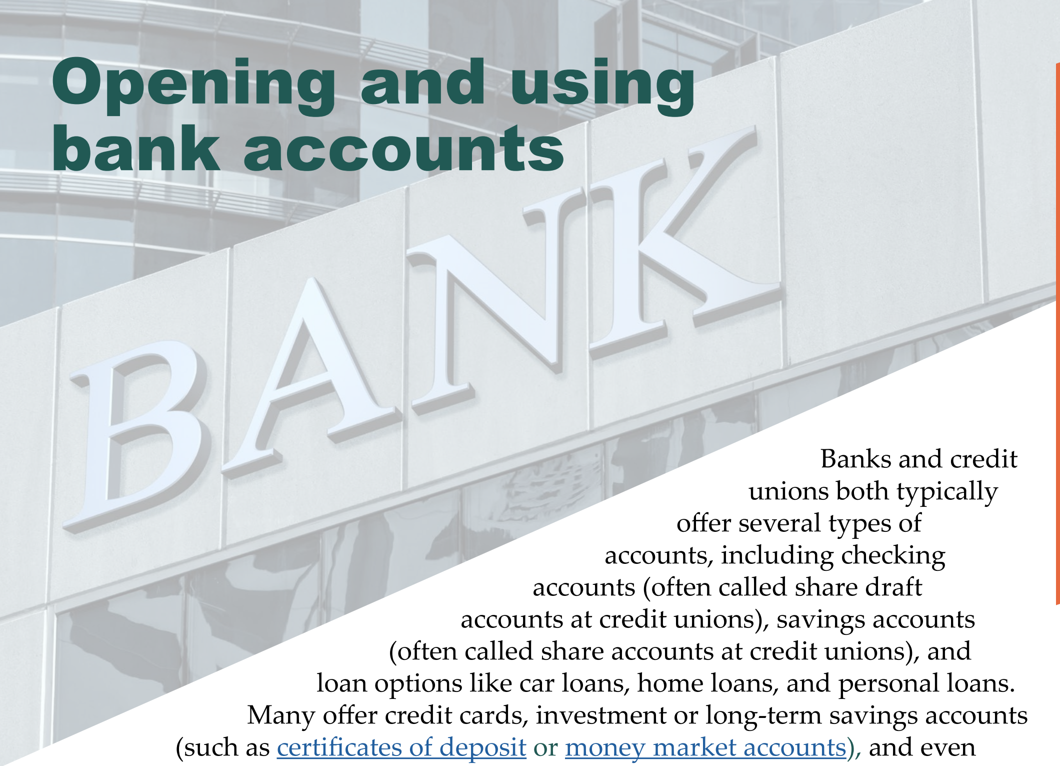
Interest
Money you pay a lender for using their funds instead of your own.

Liability
Debt you are responsible for, such as loan or credit card payments.

Mortgage
A loan to purchase real estate. The property is the collateral for the loan and the lender may seize the property if you don't pay back the loan.

Personal loan
Money borrowed from a bank, credit union, or online lender that you repay in monthly installments, usually over 2 to 7 years. Personal loans usually do not have any collateral.

Revolving credit
Credit that is automatically renewed as debts are repaid (for example, credit cards, or a home equity line of credit).



Opening and using bank accounts

Banks and credit unions both typically offer several types of accounts, including checking accounts (often called share draft accounts at credit unions), savings accounts (often called share accounts at credit unions), and loan options like car loans, home loans, and personal loans. Many offer credit cards, investment or long-term savings accounts (such as certificates of deposit or money market accounts), and even individual retirement accounts.

Choosing a bank or credit union

Shopping for a bank or credit union is similar to shopping for anything else; you want to make sure the one you choose is right for you. Here are some things to look for:

- **Convenience**
    - Is there a local branch that's easy for you to get to?
    - Do they offer online banking options?
    - Are their debit cards accepted at ATMS and retail outlets near you?

- **Fees**
    - What kind of fees do they charge?
        - Some banks charge monthly service fees if your balance falls below a certain dollar amount.
        - Some banks charge fees if you use your debit card too frequently or not frequently enough.
    - Do they offer overdraft protection, so you don't have to pay a fee if you accidentally write a check or use your debit card when you don't have enough funds to cover it?
    - Do they charge a fee to transfer money between your accounts?

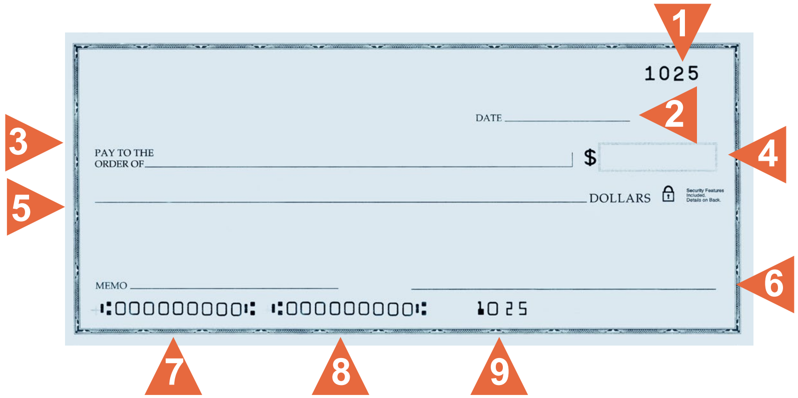
- **Interest rates**
    - Do they offer interest for your checking and/or savings account?
    - How do their interest rates compare with other institutions?
    - How often do they credit your account for interest earned?

Why open bank accounts?

Banks and credit unions offer a secure place to keep your money. Depending on the institution and account type you choose, your money can earn you a little extra in the form of interest. Most institutions offer online banking, which makes it convenient to pay your bills and keep an eye on your spending. And having these accounts makes it easier to access loans when you need them.

How to fill out a check

Writing a check isn't as common as it used to be, but you may run into situations where a check is your best payment option. If you've never had a checking account before, here's a look at what everything on that piece of paper is for.



1. Check number.
2. Date: Enter the date you're writing the check.
3. Pay to the order of: Write the name of the person or company the check is for.
4. Enter the amount of the check in numbers (for example, 150^{00}. (Cents are usually underlined).
5. Write out the amount of the check (for example, One hundred and fifty and $^{no}/100$).
6. Sign the check.
7. These numbers are the institution's routing number. You'll need this number to link accounts outside the institution (such as direct deposit for paychecks).
8. This is your account number.
9. This is the check number. It should match the number in the upper right corner.

Did you know?

When you write a bad check, your bank or credit union will charge you a fee (usually $35) for non-sufficient funds. If you write *several* bad checks, you'll be charged $35 *for each one.*

Managing your money

Simple way to calculate percentages:

Income x .5 = 50% (2,800 x .5 = 1,400)
Income x .3 = 30% (2,800 x .3 = 840)
Income x .2 = 20% (2,800 x .2 = 560)

Making a budget is an essential step in managing your money. Budgeting allows you to make more mindful decisions, ensure that you have enough money to pay your bills, determine what you can afford, and meet your financial goals.

A good rule of thumb for budgeting is 50/30/20: 50% of your monthly income should go toward fixed expenses (expenses that are the same every month, like rent, car payment, etc.); 30% should go toward flexible expenses like groceries, utilities, entertainment, and shopping; and 20% should go toward your financial goals, such as a down payment on a car or house, college or retirement savings, or paying off credit card debt.

Here's a sample budget for a monthly income of $2,800:

Total net income (after taxes and other deductions) per month: $2,800		
Fixed expenses (50%) $1,400	Flexible expenses (30%) $840	Financial goals (20%) $560
Rent: $800 Car payment: $200 Car insurance: $180 Utilities: $100 Loans: $120	Groceries: $250 Entertainment: $100 Subscriptions: $50 Shopping: $200 Vacation: $240	Emergency funds: $200 Credit card debt: $150 Retirement savings: $210

Creating SMART Goals

Using the SMART approach is a proven method for helping you achieve your goals, and this applies to money management, too. Think about the things you want to do with your money now, 5 years from now, and 10 or 20 or more years from now. For example, you may want to buy a house in 5 years, or maybe you want to go on a fantastic vacation. Figure out how much money you'll need for each specific goal, and then write down your plan for achieving that goal.

Your goals should be **specific**, **measurable** (how will you know when you've reached your goal?), **action-based** (what steps can you take to achieve your goal?), **realistic** (can you reach your goal with the actions you've identified?), and **timed** (when do you want to achieve your goal?). For our house-buying example, your SMART goal might look something like this:

- Buy a house (specific and measurable)
- Save $18,000 for a down payment (action-based)
- Put aside $300 per month for the down payment (realistic, depending on your income and expenses)
- Buy a house in 5 years (timed)

Remember, you can adjust your SMART goals to fit your needs and circumstances.

Understanding credit scores

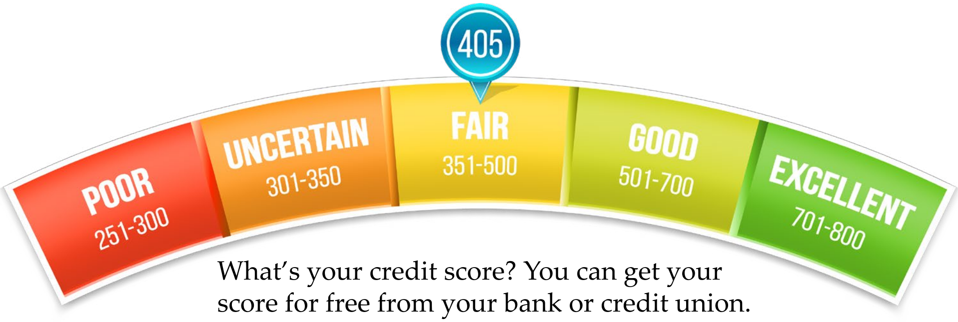
Credit scores play a huge role in your financial life. Your score can determine not only whether you get a loan or credit card but also how much that loan or card will cost you.

For example, if your credit score is in the poor range (251-300) and you have a $300,000 mortgage, your monthly payment will be about $300 more than if your credit score was above 800. Over 30 years (a common term for mortgages), that difference adds up to more than $100,000 in extra interest payments.

The same is true for other types of credit, including car loans and credit cards.

Did you know?

You can get your credit report for free from each of the three primary credit bureaus: Equifax, Experian, and Transunion. You can only get a free report once a year from each bureau, so experts recommend staggering them. For example, you could get your Equifax report in January, your Experian report in April, and your Transunion report in August, then start the cycle over the following year.

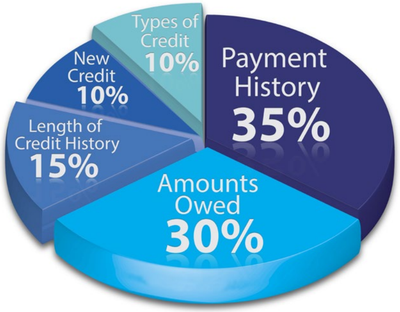


What's your credit score? You can get your score for free from your bank or credit union. Some credit card companies and apps like Credit Karma also offer free credit scores.

Your credit score is determined by several factors, and some of these factors carry more weight than others:

- **Payment history.** Lenders look at whether you pay your bills on time. This includes credit cards and loans, but also things like utility bills, rent, medical bills, etc.
- **How much you owe.** Lenders look at something called your debt-to-income ratio. Ideally, lenders like you to owe less than 45% of your income to others (including things like rent or car payments).
- **The length of your credit history.** If you've been paying your bills on time for 10 years or more, that looks better to lenders than if your credit history only goes back a year or two. So, as time goes on, your credit history becomes more attractive to lenders (as long as you pay your bills on time).
- **New credit.** If you've applied for or received a lot of new credit recently, lenders may be skeptical of offering you additional credit. A good rule of thumb is to apply only for credit you need. If you're building up your credit history, open one credit card account instead of two, and be sure to pay at least the minimum payment on time every month.
- **Types of credit.** Lenders like to see a mix of secured and unsecured credit in your history. Loans like mortgages and car loans are secured with collateral; credit cards and department store accounts are usually unsecured.

How much weight each factor of your credit score carries



Planning for the future

For too many people, and particularly for minorities – including American Indians and Alaska Natives – poverty is generational. One way to break the poverty cycle is through "generational wealth."

Generational wealth refers to assets, such as real estate, cash, or investment accounts, that are passed down from parent to child, grandparent to grandchild, and so on. Those who inherit wealth have immediate advantages; they may be able to avoiding taking out loans for college or to purchase a car or house, or they may be able to reduce their existing debt, thus freeing up more money for other goals.

One way to ensure your money can be passed down is by setting up either a trust or will. A will is a legal document that direct where your money goes after your death. A trust is also a legal document which directs where your money goes, but it may be implemented while you are still alive.

Income comes in two forms: passive and active. Passive income is money earned from an investment or previous work that continues to grow without any effort. Active income is any money earned from work. By increasing sources of passive income, you also build wealth that can be passed down.

Buying life insurance is another way to make sure money gets passed down upon your death. You may also start a family business, which can be passed down.

Managing Per-Capita Payments

Not every enrolled tribal member receives a per-capita payment. However, if you do, there are several ways you can use that money to create long-term wealth.

The first way is to invest a portion of that money (remember the 50/30/20 rule). To do so, set a goal for what you would like to see. Next, decide on an investing period (when and for how long you want to invest your money). Then decide how much risk you're willing to take with your money. In other words, how much money are you willing to lose?

There are several ways to invest your money:

1. Utilize investment apps. *Business Insider* recently published a list of "The best investment apps for beginners," which gives you a quick way to compare your options.

2. Invest in your employer's retirement account. Many employers offer a matching contribution if you participate, and that's essentially free money for your future. In addition, contributions to a qualified retirement account are taken out of your paycheck before taxes are calculated, which reduces the amount of income tax you owe at the end of the year.

3. Invest in bonds. This option is best for people who have a low tolerance for risk. In general, bonds are more valuable when the stock market is doing poorly and vice versa. You can learn more about U.S. Treasury Bonds and even purchase bonds from TreasuryDirect.

Before investing any large amount of money, it is also recommended to contact a fiduciary. This is someone who is legally and ethically bound to ensure that any money they manage is for the benefit of their client – not themselves.

MONTHLY BUDGET WORKSHEET

Use this worksheet to see how much money you earn and how much money you spend in a month. Then use this month's worksheet to help you plan your budget for next month.

Income this month	
Paychecks (salary after taxes, benefits, and any check-cashing fees)	$
Other income (per-capita payment, child support, etc.)	$
Total monthly income	$

Expenses this month	
Housing (rent, mortgage)	$
Car loan	$
Credit card payments	$
Insurance (renter's, homeowners, car)	$
Utilities (electric, gas)	$
Internet, cable	$
Phone	$
Groceries	$
Meals out	$
Transportation (gas for car, taxi fare, bus pass, parking)	$
Family expenses (child care, medical bills, clothing, etc.)	$
Savings/investments	$
Other	$
Total monthly expenses	$

$ − $ = $

Income **Expenses** **What you have left over, or how much you've overspent**

FINANCIAL SMART GOALS WORKSHEET

Use this worksheet to write down your financial goals and make sure they include the SMART (Specific, Measurable, Action-based, Realistic, Timed) formula.

Goal #1

Specific: ______________________ Measurable:____________________

Actions: ______________________ Realistic ______________________

Timed: ______________________

Goal #2

Specific: ______________________ Measurable:____________________

Actions: ______________________ Realistic ______________________

Timed: ______________________

Goal #3

Specific: ______________________ Measurable:____________________

Actions: ______________________ Realistic ______________________

Timed: ______________________

Resources

Learning about finances can be challenging. This is especially true if not many people in your family or community are familiar with various aspects of finances. Luckily, there are lots of resources available to help you learn more. Here are two that focus specifically on finance for Native people:

The National Congress of American Indians
The NCAI works to protect and enhance treaty and sovereign rights, secure traditional laws, ways, and cultures, and improve understanding and overall quality of life. Their website include the Native Financial Education Initiative and the Native Financial Education Coalition (NFEC).

First Nations Development Institute
The First Nations Development Institute partners with Native American tribes and communities to assist in designing and administering financial and investor education programs. Some of their projects are created in collaboration with the Fannie Mae Foundation. Check out their program for Achieving Native Financial Empowerment.

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School Mental Health Program

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IOWA

SAMHSA
Substance Abuse and Mental Health Services Administration