

# Money & Mental Health Toolkit

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GuidanceResources®

# Financial Resources

## Get the Expert, Objective Help You Need

Just call your ComPsych® GuidanceResources® toll-free number. You'll be connected to a highly trained, caring clinician who will talk with you about your specific situation and schedule a phone appointment for you with one of our financial experts.

Our in-house staff includes Certified Public Accountants, Certified Financial Planners and other professionals dedicated exclusively to providing financial information to you by phone.

And because our experts are not associated with any financial institution, you are assured that they will provide impartial and objective information on your money topics.

### Our financial experts can help you with:

- Credit card and debt management
- Budgeting, retirement and estate planning
- Tax and real estate questions
- Financing for college
- Investment options
- Mortgages, loans and refinancing



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## Tips for Saving and Spending

Are you a saver or a spender? How you handle money now can have dramatic results later on in life. Use this information to guide you through making changes to your spending and saving habits.

### Steps You Can Take

1. If you have a retirement plan through your employer, fund it to the maximum amount. The saying "There is no such thing as a free lunch" is not true when it comes to most retirement plans. By contributing as much as you can, you are collecting "free money" in several ways. Because your contributions are deducted from your gross income, you are saving a significant amount by contributing to your plan before taxes are taken out of your check. Your money grows tax-deferred, meaning that you pay no taxes on any interest or appreciation while your money grows until you withdraw the funds many years from now. If your employer matches your contributions, as many do, you are missing a golden opportunity if you do not contribute the maximum your employer will match. With the employer match and compounding interest (earning interest on your interest), over a lifetime, your fund can grow to several times what you contributed.
2. If you receive your annual pay raise, divert at least one-third of it to an increase in your retirement fund or savings plan. An increase of a few percentage points can disappear easily into your monthly budget after taxes are taken out. If you earmark part of your raise each year toward your savings plan, it can make a significant difference over your working lifetime.
3. When you select your retirement or investment options, make sure you factor in the risks of being too cautious, as well as too aggressive. By leaving money in a safe but low-interest account, you run the risk that your investment will barely beat inflation over time. On the other hand, you do not want to be overly aggressive if you may need those funds in the next few years. Normal market fluctuations can mean that if you need your money during a downturn, you might be forced to take a loss on your investment because you cannot wait for the market to rebound.
4. Remember that even if you are reaching retirement age, you most likely are still investing for the long term. A healthy person in their sixties today has a reasonably good chance of living for another 15 to 20 years. Plan your spending and investing accordingly.
5. Consider long-term care insurance carefully. Medicare does not pay for long-term care. While it is true that Medicaid pays for the majority of long-term care for the elderly in nursing homes, to become eligible, you first need to spend all of your assets until you are impoverished. When considering long-term care insurance, remember the Rule of Thirds. This divides potential candidates into three groups. The top group includes those who have such significant assets that they can likely pay for their care for several years and have a good deal left over. The bottom group includes those with so few assets that the cost of insurance to protect them outweighs the benefits of what they are trying to protect (remember that the majority of long-term care policies are canceled because of an inability to keep up with the premiums). The middle group includes those who have assets significant enough to warrant the cost of the insurance, but not so large that they can comfortably self-insure. If you are in

this group, consider purchasing long-term care insurance while you are healthy and in your middle years when the premiums are more reasonable. Read the fine print, and avoid policies that exclude illnesses like dementia, the primary reason long-term care is needed.

6. Carry the right amount and types of insurance. Make sure you have adequate health, disability and life insurance to maintain your family's standard of living should you die or become disabled.
7. Only insure against those catastrophes you cannot afford to endure financially. Go for the higher deductibles on your auto-collision insurance, for example, but carry adequate liability insurance on your car and home. Avoid insuring against a particular disease or catastrophe, like cancer or a commercial airline crash. Life insurance is a bet between you and the company about whether you will die sooner rather than later. One of you will end up being right, but no one can predict exactly how or when you will die.

## Resources

- Financial Literacy Education Commission: [www.mymoney.gov](http://www.mymoney.gov)

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## Budget Plans

Without a proper plan for financial success, it's difficult to know which decisions to make. Creating and sticking to a budget will give you a clearer financial picture and a better sense of control over your money.

### The Benefits of Budgeting

Creating and living within a budget is not as complicated as you might think. In fact, it will make your life simpler. Instead of worrying about living beyond your means, you will be in control of your spending and saving decisions.

To create a budget that will work, you need to follow one simple rule: you cannot spend more than you earn over an extended period of time. Some types of debt are inevitable, like what you'll owe for a mortgage on your home. These debts are managed through monthly payments over a known period of time. Creating a budget will help you avoid the kinds of debt that stop you from realising your long-term financial dreams.

The goals of creating a budget are to:

- Make your debts and expenses manageable
- Reduce debt as quickly as possible
- Ensure your income outstrips your outgoings, allowing you to put something aside
- Help you change negative spending habits

To reach these goals, you might need to boost your income by working overtime or taking on a second job. However, most people find it easier to control their spending. Sticking to a budget plan is a useful technique for doing this.

### Getting Started

To get started on your budget, you will need your payslips, bank and investment statements, bills and credit card statements, receipts, paper and a pen (you can also use the budget worksheet below). It's up to you whether you follow an annual, biannual, quarterly, monthly or per-paypacket budget. That said, it's advisable to start by estimating your monthly income and outgoings to get a clear idea of how much you're earning and spending over a reasonable time frame. Here are the steps involved:

1. **Estimate your take-home pay** by looking at the net (after tax) amount on your payslip. It is easy to be misled into thinking you have more money than you do by looking at your gross income. Take-home pay is the only pay that counts. Bank statements can also be helpful for tracking non-wage income, such as interest, dividends and other earnings.

2. **Calculate your expenditures.** Identify all of your typical expenses and list categories for each. It is easy to track certain categories like bills and loans, but pinpointing exactly what you spend on entertainment, gifts, and other and other personal purchases can be trickier.
3. **Deduct all outgoings from your income.** If you have a surplus, aim to save as much of it as possible. If you have a deficit, you need to cut back on certain expenses. In the end, your budget must be in balance.

## Tips for Living Within Your Budget

- **Focus on savings versus spending.** Reassess your priorities. Put off buying non-essential items today, and set aside that money for a dream purchase down the line. Challenge yourself to exceed the amount you've saved each month.
- **Make sensible cuts.** Review your outgoings by listing them in order of importance, and decide which expenses can be reduced or removed altogether. Reconsider major purchases like home renovations to ensure they're truly necessary and that you'll achieve the best return on your investment.
- **Document every transaction.** Create a system to file and organise your income and expenditures. Consider buying a recordkeeping book to log these transactions. Set up a filing system using plastic trays, a filing cabinet or paper envelopes. File all receipts and invoices in different categories as you process them. Remember to keep your cheque register regularly updated. There are also free smartphone apps and websites that can be helpful for logging your transactions if you prefer to track your finances electronically.
- **Digitise your efforts.** Consider purchasing financial-management software that can help you record each transaction, monitor your savings and outgoings, and manage your accounts online through your bank.
- **Monitor your budget on a monthly or weekly basis.** Check the budget regularly to see if you are on track and to keep you motivated. Compare the amounts spent to the amounts budgeted, and adjust your spending habits accordingly. Be especially mindful of the entertainment category.
- **Set your withdrawals in advance.** Before going to the bank or cash machine, decide exactly how much money you are going to withdraw. Make this money last a designated period of time.
- **Pay off your credit balance each month.** Whenever you use credit, record each charge in your financial tracker or recordkeeping book on the same day it is made. This will make sure credit bills don't catch you by surprise without adequate cash in your bank account to cover them.
- **Work with others.** Tell your partner and encourage them to follow these procedures as well. Once you have created a budget worksheet to properly manage your financial situation, you will enjoy greater peace of mind knowing exactly how you have spent your money. Sticking to your budget may not always be straightforward, but with the right discipline and commitment, you should be able to stay on track and realise your future financial goals.

## Creating a Budget Worksheet

It is important to monitor your budget on an annual or monthly basis, or over a given period. Here is a sample of a monthly budget worksheet:

**A. Income:**

Take-home pay \_\_\_\_\_

Partner's take-home pay \_\_\_\_\_

Interest \_\_\_\_\_

Other \_\_\_\_\_

**Total income: A = \_\_\_\_\_**

**B. Expenditures:**

Property \_\_\_\_\_

Car payments \_\_\_\_\_

Other loans \_\_\_\_\_

Home & car maintenance \_\_\_\_\_

Transport costs \_\_\_\_\_

Education \_\_\_\_\_

Utilities \_\_\_\_\_

Food \_\_\_\_\_

Clothing \_\_\_\_\_

Child care \_\_\_\_\_

Elder care \_\_\_\_\_

Gifts \_\_\_\_\_

Retirement savings \_\_\_\_\_

Other savings \_\_\_\_\_

Religious payments \_\_\_\_\_

Charity contributions \_\_\_\_\_

Subscriptions \_\_\_\_\_

Memberships/clubs\_\_\_\_\_

Entertainment\_\_\_\_\_

Holidays\_\_\_\_\_

Pocket money\_\_\_\_\_

Other\_\_\_\_\_

**Total expenditures: B =**\_\_\_\_\_

**C. Net surplus or deficit (A minus B)**\_\_\_\_\_

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## Establishing Credit

There are some financial arrangements that allow us to purchase goods and services that cost more than we have readily available in cash.

### Building a Credit History

A good credit history enables a person to get loans sanctioned quickly and without any trouble. If you want a loan, you will need to build a solid credit history as this has a direct impact on the ease with which you get loans.

Your credit history is a way of tracking your credit behavior and habits. It shows how disciplined and regular you are when it comes to repaying your dues on loans. It will show a complete record of your past borrowing and repayments, including details about any late payments or non-payments on a loan.

This track record is readily accessible to banks and is used by them while reviewing your loan application. If you have a history of default payments, you will see that your loan approval is delayed or your loan application is rejected. On the other hand, if you have a clean credit history and have applied for a new loan, banks will consider you as a low or no risk borrower and might even offer you concessions.

Building a clean credit history is important because it enables you to:

- Negotiate with the lender: A healthy credit record enables you to bargain with the lender for slightly lower interest rates for your loans.
- Get loans faster: A good credit history will ensure that your loan gets sanctioned quickly. This will save you a lot of time.

You can find your credit information report at the Credit Information Bureau India Ltd (CIBIL). It captures your credit history by means of a score. If you wish to know your score, you can apply for it and get your credit history by paying a fee.

However, if you have no credit record to be examined or this is the first time you are applying for a loan, you might want to consider obtaining a loan against your savings account as security. Loans are also normally issued based on your employment and wage earning capacity.

### How to Maintain a Good Credit History

Building and maintaining a clean credit history is totally within your control. Some good habits that you should follow include:

- Paying your bills on time: Maintaining a good repayment record on all your payments due is the first step to a clean credit history.

- Keeping the number of loans to a minimum: Multiple loans might give the impression that you are living beyond your means. This will also result in a vicious cycle where you may have to take fresh loans just to pay off old debts. Clear off your existing debts before you take fresh loans.
- Ensuring that you have enough money in your savings account to cover payments that are due. You do not want a late payment.

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## What negatively impacts a credit score?

Credit scores are important for anyone who wants or needs to use credit. With the mortgage crisis and subsequent tightening of credit by lenders, understanding credit and obtaining good credit is more important than ever.

Until recently, estimating the exact damage done to a credit score by late payments or other credit mishaps was little more than a best guess.

Fair Isaac Corp. (FICO), whose scores for measuring credit risk are the most widely used in the world, has released some of its credit scoring methods. This information can help consumers have a much clearer picture of how greatly mistakes can hurt a credit score, even though the math behind the scenes is still hidden.

Generally, a good FICO score is 760 or above (with 850 being the highest), and a low FICO score is 600 and below (with 300 being the lowest).

It is worth noting that the higher the credit score before the mistake, the more the mistake harms the credit score.

The table below, taken from [www.myfico.com](http://www.myfico.com), provides examples of various amounts of damage done to a credit score.

Current FICO Score	680	780
	<b>Damage in Points</b>	
Max out a card	10-30	25-45
30 Day delinquency	60-80	90-110
Settling a debt	45-60	105-125
Foreclosure	85-105	140-160
Bankruptcy	130-150	220-240

Breaking the scores down by percentage of the current FICO score results in a greater decrease for those with the higher starting scores.

Current FICO		
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Score	680	780
	<b>Damage as a Percentage</b>	
Max out a card	-4.41%	-5.77%
30 Day delinquency	-11.76%	-14.10%
Settling a debt	-8.82%	-16.03%
Foreclosure	-15.44%	-20.51%
Bankruptcy	-22.06%	-30.77%

Negative events or mistakes can happen to anyone. People with higher credit scores are punished more by mistakes, both in terms of absolute decline and percentage decline.

In the examples above, after a bankruptcy, the person who had the 680 score could see his score drop down to as low as 530, a decrease of 22.06 percent, while the person with the 780 credit score could see the score drop to 540, for a decrease of 30.77 percent.

## Resources

Do not contact the three nationwide consumer reporting companies (Equifax, Experian and TransUnion) individually. They provide free annual credit reports only through [www.annualcreditreport.com](http://www.annualcreditreport.com).

- Financial Literacy and Education Commission: [www.mymoney.gov](http://www.mymoney.gov)
- Federal Reserve Board: [www.federalreserve.gov](http://www.federalreserve.gov)
- Federal Trade Commission: [www.ftc.gov](http://www.ftc.gov)
- Federal Deposit Insurance Corp.: [www.fdic.gov](http://www.fdic.gov)

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## Consumer Fraud and Scams

Like most criminals, those who perpetrate fraud and scams tend to choose victims they view as the easiest prey. They target individuals from whom the potential gain is high and the risk of being caught is relatively low. Unfortunately, this often includes the elderly, those who are very trusting and those whose greed outweighs their common sense.

### Characteristics of Scam Victims

According to the National Fraud Information Center, victims of scams and fraud share some common characteristics. They are easy targets for criminals because they tend to:

- **Be too trusting and not skeptical enough.** These consumers do not question or verify the credentials of those trying to market to them. They chase good money after bad by giving more money to scam artists in an attempt to recoup their initial losses. No reputable business or person you meet would ask you for good-faith money to begin a transaction.
- **Think they have greater knowledge about a product or service than they really do.** These consumers tend to avoid doing research about a product or service because they are not willing to admit they lack the knowledge to make a safe and wise decision.
- **Let their greed overtake their judgment.** Remember: if it sounds too good to be true, it probably is. Con artists use the greed factor to get a potential victim to disregard red flags about a purchase or contract. They rely on the consumer's fear of being left behind, thus overriding common sense and judgment.
- **Seek the fountain of eternal youth and beauty.** Be wary of products promising medical cures, weight reduction or beauty without research and a track record to back up their claims. Avoid products that rely on personal endorsements and testimonials rather than valid research.
- **Believe it is true if they see it in print or on television.** The fact that a publication accepts a company's advertising money is no proof that its ad is factual or accurate.
- **Be easily pressured or intimidated.** High-pressure sales techniques can be a red flag. Consumers who give in to high-pressure telemarketing or other tactics are at a higher risk of being scammed.
- **Be unwilling to investigate or enforce their legal rights.** Out of fear that they will look foolish, many victims avoid reporting to police or the district attorney that they have been scammed. Others just refuse to accept they have been scammed and their money is gone.

### Common Types of Scams

Scam artists run many different types of schemes. According to the National Fraud Information Center, these are some of the most common scams:

- **The free-prize scam:** The consumer is promised a free prize in exchange for purchasing or testing the merchandise.
- **The investment scam:** The consumer is offered the opportunity to invest at a deep discount or earn an extremely high rate of return. The investment instruments frequently do not exist.
- **The business-opportunity scam:** The consumer is offered the chance to make big money working at home or buying a franchise. Promised earnings may be inflated or fictitious.
- **The charity scam:** The consumer is asked to contribute to a nonexistent charity or one in which most of the money goes directly to the fundraiser.

## Characteristics of Deceptive Schemes

These traits in a business transaction or sale could indicate deceptive practices:

- Sellers sometimes use misleading advertising to sell products or services or solicit donations without disclosing all terms. Always read the fine print- that is where you can find many potential problems.
- Sellers make consumers think they are getting a good deal or something for free. Businesses cannot survive by giving things away or selling them for substantially less than they are worth.
- Consumers buy overpriced goods or services to qualify for a free gift or prize. The price of the purchase more than pays for the usually over-hyped gift or prize.
- Sellers use high-pressure sales tactics or demand immediate action. Any deal that can be offered on Wednesday also should be available on Thursday. Take a day to think it over, do your research and ask questions.
- Sellers promise unrealistically high returns on investments or earnings from business opportunities. If the deal was really that good with that little risk, the seller would not have to go looking for customers.

## Resources

For more information on scams and fraud or to report a scam or a fraud, contact:

- The National Fraud Information Center's (NFIC) Consumer Assistance Service: [www.fraud.org](http://www.fraud.org)
- Your local police department

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## 5 Things to Know About Your Student Loans

After graduation, there are some important things to know about your student loans.

### Types of Loans

If you attended college and used loans to pay for school, you may have one or more of the following loans:

- Federal loans
- Private loans
- State loans
- Loans from your school
- A combination of the different types

Different loan types have very different terms and conditions, so make sure you know the type of loan you have.

If you have federal loans, you can likely find your loan information online. There, you should be able to access a list of your federal student loans, including the loan type and information for your loan servicer. A loan servicer is a company that will handle the billing and payments on your federal student loans.

More information on federal student loans can be found at <https://studentaid.gov/h/manage-loans>

For all other types of loans, consult your records, or try contacting the financial aid office of the school you were attending when you took out the loan.

### Your Loan Balance

After you have determined the types of loans you have, you will need to determine your total balance. This information will be useful in developing your loan repayment plan. The balance for your federal loans should be available online. For your other loans, you may need to contact your lender.

### Your Loan Interest Rate

A student loan is just like any other loan – it is borrowed money that will have to be repaid with interest. As interest accrues, it may be added to the total balance of your loan if left unpaid. Some loans have grace periods, which provide an amount of time after you leave school before you have to start repaying your loans.

Some loans require an immediate repayment schedule as soon as you leave school or cease to maintain at least half-time student status. If you are a recent graduate, or if you recently left school, you may want to consider making student loan interest payments during your grace period to save money on the total cost of your loan.

## Options for Repaying Your Loans

Repayment options vary by loan type.

Federal student loans offer the greatest variety of repayment options. Options include income-based repayment, income-contingent, extended repayment terms or consolidating multiple federal loans into one for repayment. These repayment options often lead to a lower monthly payment; however, they result in higher overall cost for the loan. Under certain circumstances, federal loans may be forgiven, canceled or discharged. For more information on repaying federal loans, visit <https://studentaid.gov/manage-loans/repayment/plans>

For non-federal loans, consult your lender to determine what types of repayment options are available to you.

## Terms and Conditions for Loan Repayment

Learn and understand the payment options for all of your loans. Look for ways to reduce the cost of your loans by:

- Reducing interest charges by enrolling for automatic debit
- Paying more than your required monthly payment
- Knowing your options for loan forgiveness, cancellation or discharge.

## Resources

- Federal Student Aid: <http://studentaid.ed.gov>
- U.S. Department of Education: [www.ed.gov](http://www.ed.gov)

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