

Introducing the Toolbox on Change Machine

On Change Machine you will find more than 150 customer engagement tools to help program participants navigate financial insecurity issues. These tools fit into a six-part framework that help customers build financial security and attain their goals.

Enclosed you will find a variety of tools you can use in your work. One of the most essential coaching tools in the Toolbox is the **Action Plan**, which serves as the table of contents for the sample set of tools. Get the conversation started using the **Financial Tune-Up** below.

GOALS

Financial Tune-Up

1 DO YOU PAY YOURSELF FIRST BY SAVING—NO MATTER HOW SMALL—ON A REGULAR BASIS?

- A "Pay yourself first?" What does that mean?
- B Sometimes, but not regularly.
- C Faithfully, every pay period.

2 HOW DO YOU PAY YOUR BILLS?

- A At a check cash outlet or using money orders.
- B I write checks through my bank.
- C I pay my bills online.

3 ARE YOU PAYING FEES ON YOUR CHECKING OR SAVINGS ACCOUNT?

- A No, I don't have a checking or savings account.
- B Yes, I am always paying bank fees.
- C No, I don't pay bank fees.

4 HAVE YOU EVER REQUESTED A COPY OF YOUR CREDIT REPORT?

- A My what?
- B Yes, once a year.
- C Yes, and I even know my credit score.

5 EVERY MONTH I...

- A Ignore my credit card bills.
- B Pay the minimum balance on my credit cards.
- C Pay more than the minimums on my credit cards.

6 DO YOU GET PHONE CALLS OR LETTERS FROM CREDITORS?

- A Yes, and it's so bad that I screen my calls.
- B Yes, but that was a long time ago.
- C No, never.

7 DID YOU FILE YOUR TAX RETURNS LAST YEAR AND GET A REFUND?

- A No, I didn't file—can I get money back?
- B Yes, but I spent it or I got a letter from the IRS or the state tax authority.
- C Yes, I even saved some of it!

8 DO YOU HAVE A PERSONAL GOAL?

- A Why bother?
- B Yes, but I'm stuck.
- C Yes, and I put some money toward that goal on a consistent basis.

Number of A answers x 1 =

Number of B answers x 2 =

Number of C answers x 3 =

TOTAL =

0 to 12 points: If this were your car, your mechanic would love you! You have lots of work to do to get real with your finances. The best place to start is with figuring out your financial goal, whether that is getting out of debt or starting your own business. Everything else—rainy day funds, dealing with creditors, and credit reports—follow that critical first step.

13 to 18 points: You are making strides, but just like your car, it needs fuel and regular oil changes. Your financial goal isn't going to happen all by itself. Think about creating a detailed action plan that lists all the things you'll want to do to make your dream a reality.

19 and over: You are in great financial shape: you've got your finances in order and are planning for the future, congratulations! Just remember that your personal finances need periodic attention: make sure you are saving regularly, avoiding predatory financial services, and taking concrete steps toward your financial goal.



Check out more tools at change-machine.org

Action Plan

NAME _____

DATE _____

My To-Do List

Coach's Notes

- _____
- _____

Use **Envisioning My Goal** to get started on **GOALS**

Goals

- _____
- _____
- _____

Next Meeting Agenda

- _____
- _____
- Date _____
- Time _____
- Place _____

● ASSETS

Use **Jumpstart Your Savings** to get started on **ASSETS**

● BANKING

Use **6 Easy Steps to Open a Bank Account** to get started on **BANKING**

● CREDIT

Use **Introduction to Credit** to get started on **CREDIT**

● DEBT

Use **Which Bills Should I Pay First?** to get started on **DEBT**

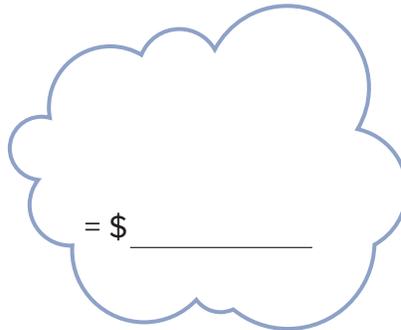
● TAXES

Use **7 Healthy Things to Do with Your Tax Refund** to get started on **TAXES**

Check out more tools at change-machine.org

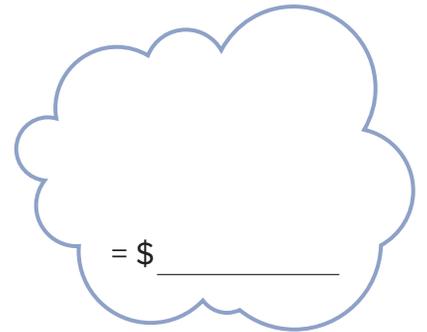
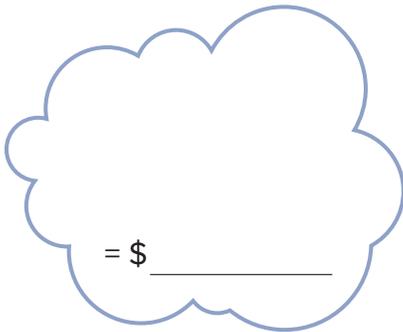
Envisioning My Goal

This worksheet will help you identify your financial goals. In the bubbles below, write your answers to each question. If you know how much your goal will cost, write in amount on the \$___ line. Feel free to create as many goals as you like!



?

Make up your own goal here



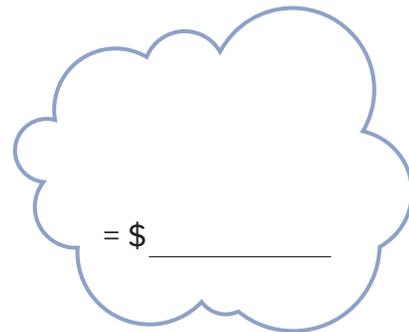
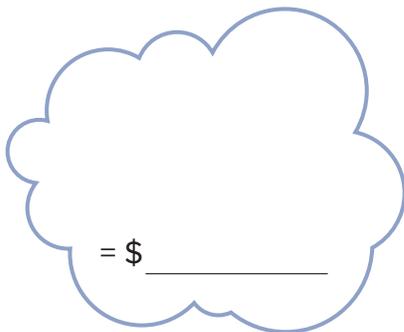
HEALTH

What do I want to do to improve my health?



FUN

What do I want to do for fun?



CAREER

What are my career goals?

FAMILY

What do I want to provide for my family?



Check out more tools at change-machine.org

Jumpstart Your Savings

Take charge of your money and build savings habits to achieve financial goals. Establishing the habit is most important. Once it's in place, adjust the amount.

Why Save?

- ▶ You work hard for your money, put some earnings toward savings.
- ▶ You never know when an emergency may strike. If you save money, even a small amount, it will be easier.
- ▶ It is possible to reach your financial goals, but only if you come up with a realistic savings plan to stick with.

How to Get Started

Step 1 - Become a saver:

- ▶ Research your local resources and get screened for work supports, including food stamps and health care.
- ▶ Save loose change. It's as simple as having a special jar or envelopes to put funds toward different goals.
- ▶ Set aside windfalls and unexpected income, such as gifts, rebate money, tax returns, bonuses, or raises to jumpstart savings plans or build on longer-term goals. Consider buying a U.S. Savings Bond or a Certificate of Deposit. Check out [CDs & Savings Bonds: A Surefire Way to Save](#).

Step 2 - Think like a saver:

- ▶ Think of ways to make small changes. By replacing a \$10 lunch a week and saving it, that's \$520 annually!
- ▶ Reverse impulse buys. Stop and ask yourself if you really need it. Save the money you would have spent.
- ▶ Decide where you want your money. Pick a secure place so you won't be tempted to draw down savings.

Step 3 - Save consistently:

- ▶ Look closely at your expenses to plug spending leaks and make changes to reach your goals faster.
- ▶ To optimize secure savings, open a free bank account. Dedicate fees previously spent on money orders, check cashing, or paid bank accounts to savings. Through savings accounts, banks can even pay you just for holding your money! See [6 Easy Steps to Open a Bank Account](#) for more details.
- ▶ Allocate a portion of each paycheck for savings even if it's only a small amount. Make your decision stick by considering an automatic deduction directly into a savings account.
- ▶ Open an online savings account to protect your savings from impulse spending. Many online accounts offer more flexibility and higher interest than traditional banks.
- ▶ Know your employee benefits, including reimbursement plans and pre-tax payroll deductions. If your employer matches your 401(k) contributions, you can reduce taxes and increase savings simultaneously!



Check out more tools at change-machine.org

6 Easy Steps to Open a Bank Account

A checking or savings account is a great way to start saving and take advantage of valuable banking services. Plus, a bank account will save you money if you are using expensive fringe services. If you know what to look for, you can soon be on your way to building your savings and achieving your financial goals.

1 Do Your Homework

Compare banks that have branches and/or ATMs close to where you live or work. If you use the Internet regularly, research online comparison shopping using the [Which Accounts Work Best for Me?](#) Tipsheet. Credit unions can be a great alternative to banks since they offer many of the same convenient services, but usually with lower fees and higher interest rates.

2 Be a Savvy Customer

Look for bank accounts with the most features (high interest rates, debit card, direct deposit, auto bill pay) for the least amount of money (no monthly account fees, no minimum balances, low ATM fees). Don't forget that under some state laws, banks must offer a "lifeline account," essentially basic banking services at low cost. Explore your local resources and go online at joinbankon.org to see if the national "Bank On" movement has reached your city.

3 Be Prepared

Once you identify a bank account, the application will likely require you to prove your identity and address. Call ahead to confirm the documents your bank will accept, but typical requirements are a government-issued ID (U.S. or foreign, including consular cards) and a utility bill in your name.

4 ...And Ready to Do Business

Banks often require a minimum opening deposit. You may also want to ask about how to avoid certain fees and minimums if you maintain a certain balance. Save time by setting up direct deposit of your paycheck. You may be able to save on fees. Plus you'll have access to your paycheck instantly, no matter what day or time.

5 Let the Bank Do the Hard Part

Take advantage of the auto-deduct feature on accounts. Set it up so that the bank automatically transfers a few dollars every week or month to your savings account. Don't get stuck on the numbers – savings is not an amount but an activity.

6 Get Creative

Consider how multiple bank accounts can help to keep you organized and on track to reaching your financial goals. A checking account can be used for managing day-to-day expenses, while a savings account can keep money separate and designated for different goals. Additional savings accounts can have specific purposes, such as an emergency savings fund, holiday spending account, or vacation savings account. Speak with a financial coach about 529 plans and retirement accounts.

Note: Monitor your banking history regularly. Credit card companies aren't the only ones reporting your financial history. Mishandled checking and savings accounts are reported into a centralized system. Keep track of your banking record by getting your free [ChexSystems](#) report yearly. Call 800-428-9623 or go to consumerdebit.com.



Check out more tools at change-machine.org

Introduction to Credit

Many elements of daily life depend on whether or not you have a credit file someone can check. Getting a cell phone, an apartment, a room at a hotel, or an airline ticket is very difficult to do if you have no credit or bad credit. Here is what you need to know about how credit works.

1 What Is Credit?

In simple terms credit is borrowed money, money that is not yours. Credit is when someone, usually a bank, lends you money upfront, in exchange for the promise that you will pay them back at a later date, usually with interest. When people borrow money from banks that information gets reported to Credit Reporting Agencies (CRAs), which compile detailed records of everyone's history of paying their bills. These records allow CRAs to determine a credit score. People now often refer to having good credit or bad credit based on their credit score. Your credit is a measure of how much confidence people have that you will be able to pay them back on time.

2 How Is Credit Used?

Over time, the CRAs have become powerful. Now many aspects of daily life depend on a credit check. Employers often check job applicants' credit. Before renting an apartment, the landlord will check the prospective tenant's credit. And if you apply for a cell phone or credit card, your credit will be checked.

3 Why Does Credit Matter?

If you have no credit or bad credit, a prospective landlord or a prospective employer may not trust you. You may not get the job or the apartment just because of your credit, even though you know you would be an excellent tenant or an excellent employee. While denying people for jobs and housing because of their credit may seem unfair, there is nothing illegal about it in many states.

4 How Can I Get Credit and How Can It Help Me?

Without a Social Security number, getting a credit card to build your credit file is difficult, but it is not impossible. You will need to get an ITIN (check out [Undocumented? File Taxes Without Fear](#)) and then you can try applying for cards. Once you have a credit card, you'll be able to make larger purchases and maybe even qualify for a mortgage in the future. You'll also have a credit profile that will look good for prospective employers and landlords and you'll be able to look at your own credit report to see what other people see about you.

5 What Credit Is Not

Credit is not free money; you always have to pay back the money you borrow. And if you don't pay back your credit cards in full each month, you will be charged interest. You should never use more credit than you can afford to pay back. It's very easy to get in over your head with credit card debt very quickly, but if you use credit wisely it can open many doors for you, making it easier for you to get a job and find a place to live. You will also get the best interest rates whenever you need to borrow money.



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Which Bills Should I Pay First?

When money is scarce, prioritize which debts and expenses must be paid and what you can let slide. Some of the guidelines here may surprise you.

1 Pay for Necessities First

Your top priority should be paying for food and essential medical expenses for your family.

2 Pay Your Rent

If you don't pay your rent, you will have to pay late fees and you could be evicted. If you're behind, ask your landlord if you can pay the amount owed in three installment payments over the next three months.

3 Pay Your Utilities

Keep the lights and the gas on! Consider eliminating unnecessary utilities like cable, Internet and additional phone lines.

4 Pay Child Support

If you owe child support, there are serious penalties, including imprisonment, for not paying what you owe.

5 Make Car Payments

If you have a car and need it for work, this payment should be a top priority. If your car is not essential, this payment is not as important.

6 Pay Your Taxes

Stay out of trouble with the IRS. Even if you can't afford to pay all the taxes you owe, you must still file a return. Then, you can negotiate an installment payment plan.

7 Pay Student Loan Debt

If you have student loan debt, it should be a medium priority. Failure to pay student loans can result in the seizure of your tax refund and ineligibility for future federal student loans and grants. Even if you're not able to pay your student loans, you may be eligible for a deferment, forbearance, or income based repayment, which could make your student loan affordable.

8 Credit Card Debt Is a Low Priority

Even though you may be hearing from debt collectors, there isn't too much that these creditors can do to you in short term. Yes, being late on credit card payments will damage your credit, but having bad credit is better than not having enough food or a place to live. This rule also applies to bills from hospitals, doctors and attorneys whose services you are not currently using.

Please turn over for tips to deal with creditors and more ▶▶▶

How to Deal with Creditors and Collection Agencies

- ▶ Don't change the priority of a debt just because the creditor threatens to sue. Usually the threat is just talk and even if a creditor does sue, it will take some time for anything to happen. However, this rule does not apply to your landlord. If you are late or don't pay your rent, you can be evicted, which is why paying your rent on time is so important.
- ▶ Don't change the priority of a debt just because you're getting calls from a collection agency. Treat the debt collector politely on the phone, but make decisions about which bills to pay first based on the best interest of you and your family. Even if the collector threatens to ruin your credit, that shouldn't change your priorities because chances are, credit reporting agencies already know about the status of the debt. If a creditor appears to be crossing the line, check out [Know Your Rights When Debt Collectors Call](#).

Make a System That Works for You:

- ▶ Create a 3x5-inch index card for each of your bills.
- ▶ Write down what the bill is for, the amount due, the date due, the date you need to mail the bill, the contact information, and any special instructions (for example, "Must pay rent or may be evicted" or "Call to ask for extension").



Check out more tools at change-machine.org

7 Healthy Things to Do with Your Tax Refund

Congratulations! You've worked hard this year and your tax refund reflects it. Here are some ways you can use your refund.

1 Reward Yourself

You've worked hard and you deserve a reward. Keep in mind your current financial situation, but don't be afraid to put some of your refund aside for yourself.

2 Pay Down Priority Debt

Seek help developing a strategic payment plan for any outstanding debt. Prioritize debt using [Which Bills Should I Pay First](#).

3 Reward Your Future

Allocate some of your refund to your financial goals — like a new home, starting your own business, building your credit through a secured credit product, or jumpstarting your retirement savings. Consider opening up a new savings account, a CD, or a savings bond.

4 Secure Emergency Funds

Think about all the unusual expenses that could come up in the next few months: higher heating bills; a new starter for your car; or a child's graduation. Reserving some of your tax refund will help you get through emergencies.

5 Enjoy Your Refund Throughout the Year

If you receive a large refund, like \$6,000, you can deposit your refund into your savings account and then set up automatic monthly transfers of \$500 from your savings account to your checking account. This way you'll have \$500 "extra" every month. With this constant flow of money, you'll find it easier to pay your bills and cover emergencies.

6 Clean House

Getting a tax refund is a great opportunity to clean up your financial house: get your paychecks directly deposited; start monthly savings; and outline a strategic retirement savings plan.

7 Take Charge of Your Paycheck

If your refund was large because you had a lot taken out of each paycheck, consider lowering your withholding so that you can be the one using that money throughout the year. Tell your employer you want to revise your [W-4](#) and check out [paycheckcity.com](#).

Anticipated Refund \$_____

My 3 Important Goals	The Amount I Will Dedicate
1.	\$
2.	\$
3.	\$



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