

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia

*(The OFS Tip of the Week is available in PDF format at:
<http://financialsuccess.missouri.edu/tipoftheweek/check-up.pdf>)*

Well, the questions were answered this week ... since I started providing information in January, it was apparent student loan rates would raise, the only question was how much. The answer – nearly 2%! **READ BELOW** to find out what to do next (if you haven't already consolidated) – info for students as well as parents (consolidate your PLUS Loans!) ... the June 30th deadline is fast approaching!

PUTTING YOUR FINANCIAL HOUSE IN ORDER ...

We all regularly have “check ups” in our life ... dental, medical, automobile, etc. to help us monitor progress, find potential problems in advance, fix existing problems, etc. Do you do the same with your personal finances?

One of the more common struggles facing consumers and their money management is the ability to maintain a “financial house of order” – several things come to my mind beyond simply being organized and keeping good records (which is definitely part of it). Here are some things that I think can be explored or more closely examined. The list is designed to serve as a starting point; it is not intended to be exhaustive. The end/beginning of the semester is always a nice opportunity to take a “personal inventory” of our situations. A few questions to initiate the process:

ORGANIZATIONAL Q's:

- Do you know where important documents are located?
- Do you have a “system” for maintaining order?
- Do you shred rather than simply throw old documents?

INSURANCE Q's:

- (LIFE) – Do I need to begin looking into it? Do I need to increase/decrease existing coverage(s)? ...
- (HEALTH, HOME/RENTERS, AUTO, DISABILITY, OTHER) – Are current levels of coverage adequate? Am I over-insured? Do I have coverage that can/should be dropped? Raise/lower deductible(s)? Should I shop around to ensure I still am paying the best price for my coverage/service?

DEBT/CREDIT Q's:

- Do I have a plan to eliminate existing debt? How recently have I looked at that plan? Are there expenses I can cut to aid my plan?
- Am I using PowerPay as a system to repay my debt in the most efficient manner? Do I know what PowerPay is?

- Am I paying too much interest in credit cards? Is there an opportunity for me to get a better rate? Have I asked?
- Do I have too many cards and should cancel some of them?
- Have I viewed my credit reports in the past year? (can do for free)

LOAN Q's:

- Does refinancing any existing loans currently make sense (home, auto ...)?
- Have I consolidated my student loans to lock their rate?
- Should I consolidate my debt? Does it make sense or is it simply a short-term solution to a bigger problem?

SAVINGS/INVESTMENTS Q's:

- Do you have a regular savings plan/ automatic investment?
- Do you have an emergency fund?
- For those with investments – how are your investments performing?
 - o Do you have a financial plan? Short- and Long-term plans?
 - o Are you comfortable with your current allocation?
 - o Are you contributing enough to your 401(k) to receive your company match?
 - o Are you contributing to a Roth IRA?

ESTATE PLANNING Q's:

- Do you have/need a will? How recently have you reviewed or updated it?
- Other considerations – power of attorney, living will, trusts, etc ...

OVERARCHING QUESTIONS TO ASK:

- (1) Where am I financially?
- (2) Where do I want to be financially?
- (3) What do I need to do to get to where I want to be?

MIZZOU Personal Finance Course Offerings – fall ...

The Personal Financial Planning Department has agreed to offer the 1-credit Financial Survival course this coming fall term!

FALL:

Financial Survival (FINPLN 1183, ref# 44250); W 3-3:50 (1 credit).

Other PFP fall course offerings (<https://sis.iats.missouri.edu/soc/select.cfm>)

Student Loan Consolidation ... The “new” interest rate [starting July 1st] has ‘officially’ been announced; it now becomes even more essential to consolidate now [**WHETHER YOU ARE GRADUATING OR NOT**]. If you’re in-school, simplify things and do it over the phone (if all you’re consolidating is Direct Loans) – (888-758-

9730). The phone is a fast (2 minute average), easy way to do it – doing it online is more time consuming and many have problems doing it.

If you're out of school/graduating this semester:

- If you're **planning an extended repayment** (10+ years), review North Carolina info below ... (find program with the biggest rate reduction benefits).
- If you **plan to repay your loans within 6-10 years**, consider a program like "Educational Loan Company" (<http://www.educationalloancompany.com> – click on "consolidation"). They offer a better than average rate reduction incentive (1.75%), but unlike most programs that require 3-4 years of on-time repayment to receive the full benefit, ELC offers .5% reduction for auto payment and 1.25% reduction after only 24 on-time benefits (they do require \$20,000 or more in loans being consolidated to be eligible for all of their benefits). Something to consider if that fits your situation ...
- If you **plan to repay loans over a short period of time** (5 years or less), consider a program like FinanSure (<http://www.finansure.com>). The reason? Most consolidation agencies provide the bulk of their rate incentives after 36-48 on-time payments [not very beneficial if you've paid off the loan by then!]. What you should seek is a company that provides the best principal balance credit rather than rate reductions (unless the rate reductions are provided quickly (like Iowa's which is provided after 6 months)). FinanSure offers .25% reduction for auto pay and a total of 4.5% total loan credit after 48 months (.25% credit to principal after first payment, .50% credit after 12 on-time payments; .75% credit after 24 on-time payments; 1.00% credit after 36 on-time payments; 2.00% credit after 48 on-time payments). Something to compare other offers with ...

Currently, three programs (North Carolina, South Carolina, and Iowa) are open to students [don't have to call them 'home' to use them] where their consolidation benefits exceed those of the "average private program" (programs to consider when planning to 'extend' your loan repayment as outlined above). **North Carolina** is the only one that requires a connection (they also offer the largest rate reduction benefits – *2% total reduction after on-time payment*), but creating that 'connection' is not difficult (5 minutes and \$5) – read more about **STATE CONSOLIDATION INFO** at: (<http://financialsuccess.missouri.edu/stateprograms.pdf>).

THE UPCOMING STUDENT LOAN RATE CHANGE

- The interest rate is scheduled to change on July 1st.
- Lock your unconsolidated loans at **4.75%** by consolidating before June 30th.
- The variable interest rate on Stafford Loans will rise to **6.54%** (6.625% after being raised to the next 1/8th) for students that are in-school or in grace (.6% higher if in repayment).
- The interest rate will rise to **7.94%** (8% rounded) for PLUS Loan borrowers.

Consolidating now at 4.75% for Stafford Loans and 6 1/8th percent for Parent PLUS Loans makes a lot of sense. I guess my barking since January to do it appears pretty smart now. Don't wait until Friday the 30th at midnight to do it.

More information is available on the 'student issues' section of our site to gather information about calculating your weighted rate (if you consolidated last year also), consolidating while in school, estimating your monthly student loan payment, etc.

Tip Archive.

Free access to recent weekly financial tips ...
<http://financialsuccess.missouri.edu/archive.htm>

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The Financial Tip of the Week is a service of the Office for Financial Success

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Interested in a career in Financial Counseling/Planning? (<http://pfp.missouri.edu>)
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