

# Red to Black™



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## Pre-Marital Financial Information

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# Premarital Counseling

There are several things couples can do before getting married to help ensure a successful marriage.

Couples planning to get married should seek premarital counseling from a qualified counselor. During the sessions you will explore personal values and goals, discuss communication, and cover other topics that commonly result in marital disputes. The Texas Tech Counseling Center can provide this service for free if one or both partners are students at Texas Tech. Call (806)742-3674 to make an appointment. The Family Therapy Clinic, offered through Texas Tech's Department of Applied and Professional Studies provides this service for Lubbock community members. You can call (806)742-3074 to make an appointment. Many churches also offer premarital counseling.

Another important part of premarital counseling is financial counseling. Sessions with a financial counselor can cover topics such as financial goals, debt, and setting a joint budget among other topics commonly resulting in financial stress and tension. Studies show that most marital disputes are related in some way to finances. Red to Black- can provide this service for free if one or both partners are students at Texas Tech. If neither you nor your partner are students at Texas Tech, you might consider meeting with a financial planner, or taking a basic personal finance course together. Texas Tech offers a course, PFP 3301 called Personal and Family Finance through the Personal Financial Planning program that covers a wide variety of financial topics.



# Topics to Discuss

There are several topics relating to finances that couples should discuss before getting married to ensure a successful marriage.

- **Banking**– Do you both have accounts? Do you want to combine checking and/or savings accounts? Do you use a checkbook and register, or ATM cards?
- **Childbearing**– How many children do you want to have? How soon? Who will take care of the children? How will you pay for additional expenses? Will a spouse stay home with the children?
- **Employment**– How do you feel about dual-career arrangements? Are you satisfied with your careers? Are you earning enough money? Are you willing to move for your spouse's advancement?
- **Clothing**– How important is clothing to you? Are you satisfied with the amount, quality, and prestige value of clothing that you have?
- **Food**– Is the food you are eating at home the quality you really want? Who should do the cooking and shopping for food? Do you want to eat out more often? Where?
- **Debt**– How comfortable are you using credit to buy now, thereby committing future earnings? How much debt have you acquired presently and how do you intend to pay for it? How do you feel about borrowing money or taking out loans?
- **Housing**– How much do you want to spend on home furnishings? Do you really want to buy a home, or is renting acceptable? Where would you like to live? Do you have good enough credit to be accepted for a home loan?
- **Contracts**– Do you want a prenuptial agreement? Should you establish a will?
- **Transportation**– Could you cope by using mass transportation and by having just one automobile? Could one car be an inexpensive vehicle that gets higher miles per gallon of gas? If so, who would drive it? Do you associate status with the car you drive?
- **Recreation**– Would you be satisfied spending less (or more) money on recreational activities?
- **Vacations**– What do you really want to do on vacations? Should you consider separate vacations? Do you prefer one long vacation each year or more frequent long-weekend breaks?
- **Future Security**– How important are savings? Will your retirement plan actually provide you with a decent (or high) level of living? What would happen financially if you became disabled or died? Do you need life insurance to support your family if you die?

Source: *Personal Finance* by Garman & Forgue (2003).



# General Financial Tips

- **Keep important information in a safe place**, such as a safe deposit box or a fire-proof safe. This should include:
  - A home inventory of everything you own with a value. Then if there is a fire, natural disaster, or someone breaks into your apartment or dorm, you will have a record of what was lost to give to the insurance company.
  - Tax records and returns for at least the last 3 years
  - Insurance policies
  - Titles to vehicles or the deed to a house
  - Social security card and passport
  - Expensive jewelry
- **Order and check your free credit report once per year from** [www.annualcreditreport.com](http://www.annualcreditreport.com) to ensure there are no errors. Checking your report and fixing errors before you get ready to apply for a mortgage to buy a house can save you time and money.
- **Keeping your files organized** makes it easier for you to find information about your earning and spending and to update important financial information.
  - Keep a file for all financial aid and scholarship paperwork
  - Keep a file for each utility company
  - Keep a file for pay stubs and work information
  - Keep a file for insurance
  - Keep a file for bank statements and receipts
  - Keep a file for car information such as payment stubs & registration papers
  - Keep a file for student records such as transcripts



# Marriage Checklist

- √ Update Social Security card with new name and address
- √ Obtain new drivers license with new name and address
- √ Update “next of kin” or emergency contact information on all forms, including Motor Vehicle Registrations and employment paperwork
- √ Add your spouse as the beneficiary to retirement and savings accounts and insurance policies
- √ Change address and name on all employment paperwork in the Human Resources Office
- √ Update bank accounts, insurance policies, credit cards, car titles, etc. with the names of both partners
- √ Check benefits provided through special memberships and clubs for including your spouse. Examples might be Sam’s Club Card, Auto clubs etc.
- √ Check into life insurance to provide for your spouse should something happen to you
- √ Consider writing a will that indicates power of attorney
- √ Request parents or guardians listing you as a beneficiary for a will, insurance policy or deed to list your spouse as secondary beneficiary

## Ten Steps to Starting Your Financial Life

1. Commit to keeping track of your finances
2. Put yourself on a budget
3. Get out of debt
4. Begin a savings plan
5. Establish a short-term emergency fund
6. Think about tax planning
7. Set realistic financial goals
8. Start retirement investment fund
9. Read the business page (more than occasionally...)
10. Have some fun



# Family Background

Discussing your money background with your spouse can be helpful in understanding his or her perspective. We grow up with different feelings and values associated with money. Take some time to discuss the following questions.

- Do you have any childhood memories that involved money?
- Who brought money into your family?
- Who controlled the distribution of money in your family?
- What were the overt messages you received regarding money in your family?
- What patterns related to money can you trace through the generations?
- What did your parents say about money?
- What were the money rules in your family? Which ones have you changed?
- How comfortable was the discussion of money in your family? Who could you talk to and not talk to about money?
- What was the connection between money and work in your family? Education and money?
- How did your family view charity? The poor? The wealthy?
- What messages did you receive about money and success?
- How did your family define security?

Source: Dr. Glen Jennings, Texas Woman's University



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# Values

Discussing your personal financial values with your spouse will open the doors of communication and help you understand what motivates each other. Many couples have never had these discussions and later find that they have assumed their spouse felt the same way they did.

- What does money mean to you?
- What is important to you?
- How am I honoring my values as I live day to day?
- What values are important to me as I look at my financial picture?
- What values will be important 10 years from now? 20?
- What is the first thing that comes to mind in the area of finances that I have been meaning to get to?
- If I got to it, how would it affect my life?
- Do I link self worth to what I have or what I am spending?

Rank the following items from 1 to 10 with 10 being the most valuable to you.

- \_\_\_\_\_A comfortable retirement
- \_\_\_\_\_Helping the poor, sick, or handicapped
- \_\_\_\_\_Accomplishment in life
- \_\_\_\_\_Financial Independence
- \_\_\_\_\_Traveling and vacations
- \_\_\_\_\_Financial security
- \_\_\_\_\_Success in a job or career
- \_\_\_\_\_Social recognition
- \_\_\_\_\_Freedom to live life as you choose
- \_\_\_\_\_New experiences and adventure
- \_\_\_\_\_Being outdoors, away from the city
- \_\_\_\_\_Living in the city, access to city living
- \_\_\_\_\_Having nice things, such as cars, boats, furniture

Source *Till Debt Do Us Part* by Bernard Poduska



# Goals

Goals are an important part of what make us happy as individuals and couples. Take some time to discuss your financial goals with each other and then set goals for yourselves as a couple. The following questions will help you.

- What is something you would like to have accomplished within the next year?
- What would you like to have done in five years?
- Now visualize yourself in ten years. You are older and your children are older. Where do you see yourself then?
- At what age would you like to retire? Do you have any goals to meet before you retire? Do you want to help fund your children's college education?
- What are your plans and goals for education in the next few years?
- How far do you want to go in school?
- What are your personal financial goals for the future? What are your short-term goals dealing with the next year and your long-term goals like saving for retirement? List your personal long and short-term goals below.

Long-term Goals	Short-term Goals





# Choosing a Bank or Credit Union

## Determining your Bank/Credit Union Needs

Answering the questions below can help you choose a bank or credit union that is right for you.

- Does it offer the services I need?
- Is it close to my apartment or dorm?
- Does it have reasonable hours?
- Does it have ATMs? If so, are they located near school, where I live, work, or shop?
- If I am choosing a credit union, am I eligible for membership?
- Do any employees speak my language?
- What, if any, fees will be charged?
- Is the bank or credit union federally insured?

## Determine Your Checking Account Needs

Think about how you plan to use your checking account. Answering these questions will help you determine what is best for you.

*Convenience:*

- How many checks do you think you will write every month?
- Do you want a bank that is close to where you live, school, or work?
- What are the bank's hours of operation?
- Will you use the ATM often?
- Does the bank have ATMs close to school, where you live, or work?
- How often do you plan to visit the bank to use teller services?
- What other bank services are important to you?

*Cost:*

- How much money will you keep in your account?
- Will you be charged for writing extra checks?
- Are you willing to pay a monthly fee?
- If so, how much?
- Will you be charged to use your bank's ATM?
- Will you be charged for using other banks' ATMs?
- Will you be charged for using teller services?



# Types of Checking Accounts

After you determine what you need in a checking account and understand the different fees involved, you might be ready to choose the type of account you should open. Keep in mind that banks sometimes refer to these accounts by different names. Before making a decision, read the materials (disclosures), ask questions, and understand which checking account best fits your needs. The main types of checking accounts include:

## **Low-cost checking**

Many banks offer low-cost checking for people who don't write a lot of checks. The charge is often less than \$5 per month. There might be a limit to the number of checks you can write without an additional charge.

## **ATM-checking**

Some banks offer an ATM-checking account for you at reduced-cost or a free checking account if you do all of your banking by phone and ATM. This type of account usually requires you to use direct deposit. The bank might charge you a fee if you use the services of a teller. This type of account usually offers unlimited check writing privileges, in other words, there are no additional charges based on the number of checks you write.

## **Regular checking**

With a regular checking account, there is often a minimum balance required to waive the monthly service fee. This type of account usually offers unlimited check writing privileges.

## **Interest checking**

There are different interest-bearing accounts such as the Negotiable Order of Withdraw (NOW) account and the Money Market Deposit Account (MMDA). With these accounts, you usually need to maintain a high minimum balance in order to earn interest and avoid fees. The minimum balance is often at least \$1000.



# Checking Account Fees

Ask the bank for the fee schedule for checking accounts. Compare the costs of the various account you are considering. Ask the bank whether fees can be waived and how to avoid fees. Some of the fees may include:

## **Monthly Service Fee**

Also called a maintenance fee. The bank might charge a fee each month just for having the account. You might also be charged a fee if your balance drops below the required minimum.

## **Per Check Fee**

Some accounts charge a fee for each check you write. Depending on the account, you might pay the fee for each check or only when you write more than a certain number of checks (perhaps five) a month.

## **Check Printing Fee**

You can buy checks from the bank or through the mail from other companies. If you buy checks from the bank, the charge for printing the checks is usually automatically deducted from your checking account. Fancy checks cost more than basic checks. You can buy more than one box at a time. Carbon copy checks are an option

## **ATM-Use Fee**

You might be charged each time you use the ATM or each time you use an ATM at a bank other than your own

## **Overdraft Fee**

Also called non sufficient funds (NSF) fee. Expensive fees apply when you bounce a check. The bank will notify you if a check is returned to the person or company to whom it was issued because there were insufficient funds in the account. Your bank will charge a processing fee to your account because of the cost to return the check. Merchants might also charge a fee if a bounced check is used to purchase goods or services. The fee charged is usually posted near the cashier.

## **Returned Deposit Item**

Banks might charge a fee if a check you deposit in your account bounces.

## **Stop-Payment Fee**

If you lose a check or need to make sure a check is not paid by the bank for some other reason, you can request a "stop payment." There is a fee for this service, and the bank might not be able to catch the check before it is paid.

## **Phone Inquiry Fee**

Some banks charge a fee if you call to check your balance or to see if a check or deposit has cleared.

## **Fee for helping you balance your checkbook**

Some banks will help you balance your checkbook. Some might charge you for this service.



# Using Your Check Register

Record each time you put money into your account, write a check, or take money out of your account.

1 Check #	2 Date	3 Description of Transaction	4 Payment/ Debit (-)	5 Fee	6 Deposit/ Credit (+)	7 Balance
	8/25/06	Open Account—Deposit			\$ 2000.00	\$ 2000.00
	9/1/06	Maintenance Fee		\$ 5.00		\$ 1995.00
001	9/10/06	Target—Room Furnishings	\$200.00			\$1795.00
	9/18/06	ATM Withdrawal	\$20.00			\$1775.00
	9/25/06	Citibank Credit Card Purchase	\$50.00			\$1725.00

- Check Number:** If you are writing a check, record the check number in this column. Otherwise, leave it blank.
- Date:** Record the date you wrote a check, made a deposit, took money out (made a withdrawal), or were charged a service fee.
- Description of Transaction:** Record items such as who you wrote the check to, reason for the deposit, or the location of the withdrawal (such as ATM or debit card).
- Payment/Debit (-):** Record the dollar amount of checks written, ATM withdrawals, or debit card transactions.
- Fee:** Record any fees charged, such as a monthly maintenance fee or an ATM fee.
- Deposit/Credit (+):** Record any deposits or credits made to your account.
- \$ Balance:** Add any deposits or credits and subtract any fees, payments or other debits to your account.



# Reconciling Your Checking Account

When you get your monthly statement, there will usually be a difference between the statement balance and your check register balance. Reconciling your account just means to find those differences. Here is a chart to help you reconcile your account statement. A chart like this is often found on the back of checking account statements. If you have any questions, contact your bank for help.

Withdrawals Outstanding Not Charged to Account		Bank balance shown on this statement	\$
Check Number	Check Amount		
		Subtract withdrawals outstanding	\$
		Total	\$
		Add deposits outstanding	\$
			\$
			\$
		Balance	\$
		* This balance should agree with the balance in your check register	
Total	\$		



# Why Budget?

Have you ever taken \$20 out of the ATM and, at the end of the day, not known where it all went? It is critical you understand where your money goes. Knowing what your income and expenses are every month will help you take control of your financial situation.

Taking control of your financial situation helps reduce the anxiety of not knowing whether you have the money to pay your bills when they are due. It is important to have a sense of control over money, rather than letting money have control over you. Budgeting will help you build assets. Building assets improves the quality of life for you and your family.

A good place to start taking control of your financial situation is to develop a savings and spending plan. This is called a budget. A budget is a step-by-step plan for meeting expenses in a given period of time.

## **Tips to Decrease Spending:**

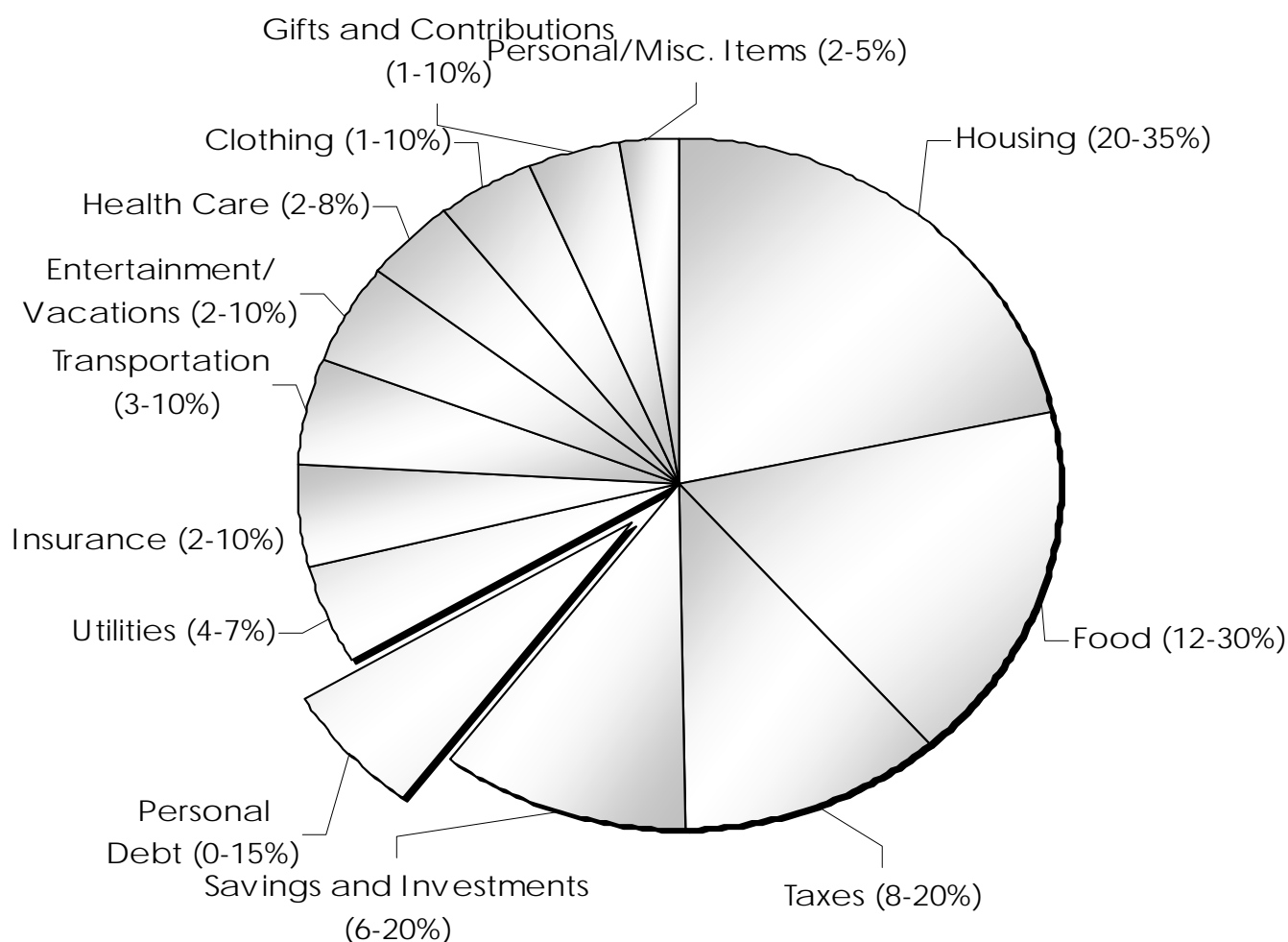
- Carry only small amounts of cash in your wallet so you won't spend it.
- Use direct deposit. You will be less likely to spend money if it goes straight into your account.
- Control your use of credit cards.
- Don't go shopping just for fun.
- Take your written savings goals with you as a reminder.
- Buy only what you need-don't buy things just because they are on sale.
- Use coupons to save money.
- Use a grocery-shopping list to prevent impulse buying.
- Take your lunch instead of eating out.
- Shop around to get the best deal for big-ticket items like cars and appliances.
- Pay your bills on time to avoid late fees, extra finance charges, utilities being turned off, eviction, repossessions, and the costs of a bad credit rating.



# Spending Allocation Guide

These figures are meant to be used as a guide. If you spend less in one category than is indicated, simply apply the extra money to another category of your choice.

Make copies of the spending diary on the next page and use it to track your expenses for one month. Then fill out the blank monthly spending plan at the end of this booklet to figure out how much money you will have and determine your own budget based on your spending habits.



# Daily Spending Diary

When trying to set up a budget, sometimes tracking your expenses for one month in a Spending Diary can help you determine how much to budget. Write down every purchase in the exact amount and at the end of the month total the amounts for each category (see Monthly Spending Plan at the end of this booklet). Then you can decide where you may need to spend less money or where you need more money to spend.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	



# Budgeting Tools

Here are a few other types of budgeting tools you can use at home. You should use the one you are most comfortable with.

## Expense Envelope System

- This tool is useful if you pay your bills with cash each month.
- Make an envelope for each expense category (rent, utilities, food, etc.)
- Label the envelope with the purpose, amount, and date due.
- When you receive income, divide it into amounts to cover the expenses listed on the envelopes.
- Pay bills right away, so you won't be tempted to spend the money for something else.
- You can modify this system to use only with helping you keep track of spending in a particular category, like entertainment.

## Budget Box System

- The budget box is a small box with dividers for each day of the month, like a filing system.
- When you receive a bill, check the due date and place it behind the card that represents the due date.
- As you receive income, pay all the bills that are due.

## Computer System

If you have access to personal computers, you can create your own spreadsheet. You may also want to purchase a personal finance program, such as Microsoft Money. They are available for less than \$75. Using a computer to manage your finances is relatively easy. Once you set up the system, updating information is quick and easy. It is important to enter transactions frequently to truly understand your financial position.



# Choosing a Credit Card

Here are some tips when shopping for a credit card:

- Decide how you will use the credit card and what you will purchase with it.
- Start small. Don't charge too much on your credit card until you get comfortable with the monthly bill.
- Shop around for the plan that best fits your needs. Make sure you understand the terms of the plan before you accept the card. Read the fine print.
- Beware of introductory rates. You might start out with a credit card that has no annual fee for the first year, but you will be charged a fee in the second year. You might start out with a low interest rate and then find the interest rate is much higher after a few months.
- Beware of credit card issuers who require application fees. Most credit card issuers don't charge fees to open accounts.
- Make sure you understand the implications of fixed and variable rates.

## Credit Card Comparison Chart

	Card _____	Card _____	Card _____
Annual Percentage Rate (APR)			
Finance Charge			
Annual Fee			
Other Fees (late fees, over-the-limit fees etc.)			
Grace Period			
Other Benefits ( Points Earned, etc.)			
Credit Limit			



# When You Apply for Credit

When you apply for credit, the lender will review three main factors to decide whether you are a good credit risk and if you will be able to pay back what you borrow. The factors are often called the Three Cs.

## Capacity

Capacity is your present and future ability to meet your payments.

## Capital

Capital is your savings and other assets, which can be used as collateral for loans.

## Character

Character means how you have paid your bills or debts in the past.

Banks use credit reports to obtain character information. You can request a copy of your credit report by contacting any of these credit reporting agencies:

Equifax, Inc.  
PO Box 105873  
Atlanta, GA 30348-5496  
1-800-685-1111  
[www.equifax.com](http://www.equifax.com)

Experian  
PO Box 2002  
Allen, TX 75013  
1-888-397-3742  
[www.experian.com](http://www.experian.com)

TransUnion  
PO Box 1000  
Chester, PA 19022  
1-800-916-8800  
[www.transunion.com](http://www.transunion.com)

One Free report per year may be obtained by visiting:

[www.annualcreditreport.org](http://www.annualcreditreport.org)



# Checklist for Credit Decisions

Here are some questions you might be asked when applying for credit:

- How long have you been in your job?
- How much money do you make each month?
- What are your monthly expenses?
- How much money do you have in checking and savings accounts?
- Do you own a house?
- Do you have investments or other assets (e.g., car)?
- Have you had credit in the past?
- How many credit accounts do you have?
- Have you ever been denied credit?
- Have you ever filed for bankruptcy?
- Have you had any outstanding judgments, property repossessed or foreclosed upon?
- Have you ever made late payments?



# Credit Tips

Ask yourself these questions before obtaining credit:

- Do I need this?
- Do I need it now?
- Can I wait until I have cash to pay for it?
- Can I get credit?
- How much more will I pay if I buy on credit?
- Can I afford the monthly payments?
- What is the total cost of credit?
- Are there any fees?
- What is the annual percentage rate?

Once you get credit:

- If possible, pay off your entire bill each month. If you can't, try to pay more than the minimum balance due. This will reduce finance charges and total interest paid.
- Pay on time to avoid late fees and to protect your credit. If you cannot pay on time, call your creditor immediately to explain the situation. They may waive late fees or be willing to make different payment arrangements.
- Always check your monthly statement to verify transactions. Call your creditor right away if you suspect errors in your statement.
- Ignore offers creditors may send you to "reduce" or "skip" payments. You will still be charged finance charges during this period.
- Think about the cost difference if you purchase your item with cash versus if you purchase your item with credit:

Remember, if you purchase a \$500 stereo with a credit card with a 20% APR, it will cost \$1,084 and take 9 years to pay off if you only pay the \$10 minimum monthly payments.



# Cost of Making Minimum Payments

These charts assume you are not making additional purchases and you are making your payments on time.

Item	Price	APR	Interest Paid	How Much You Really Pay for the Item	Total Years to Pay Off
TV	\$500	18%	\$439	\$939	8
Computer	\$1,000	18%	\$1,899	\$2,899	19
Furniture	\$2,500	18%	\$6,281	\$8,781	34

Original Balance	APR	Monthly Payments	Total Number of Monthly Payments	Total Years to Pay Off	How Much You Really Pay for the Item
\$2,500	18%	Minimum Payment	404	34	\$8,781
\$2,500	18%	Minimum Payment plus \$50	94	8	\$4,698
\$2,500	18%	Minimum Payment plus \$100	32	3	\$3,163



# Tips to Build Your Credit History

- Apply for a small loan at the bank or credit union where you have checking and savings accounts.
- Apply for credit with a local store, such as a department store. They typically have a lower credit limit and a higher annual percentage rate (APR), but are generally willing to lend you money. There is usually no fee for department store cards.
- Make a large down payment on a purchase and negotiate credit payments for the balance. If you do not have a credit history but have a large down payment, there is less risk you will not make the payments. For example, if you are buying a used car for \$5,000 and have enough cash, you might consider making a down payment of \$1,000-\$3,000. Although the loan will be very small, it can prove you make your payments on time.
- You might ask a friend or relative, with an established credit history, to be a co-signer for you. A co-signer promises to repay the loan if you don't. The lender should report the payment information for both of you and the co-signer to the credit reporting agencies.
- Pay your bills on time. This will help establish a good credit history, so you can get credit in the future.
- Ask the lender to review your history of making rent and utility payments to demonstrate your ability to pay.



# Monthly Spending Plan

Expenses	Your Estimate	Actual	Budget
Rent or Mortgage Payment			
Renter's/Home/Health/Life Insurance			
Auto Insurance			
Child Care/Babysitting			
Monthly Debt Payments (from Worksheet)			
Car Payment			
Groceries/Food at Home			
Meals Out			
Vending Machines			
Electricity			
Gas/Heat			
Water/Sewer/Garbage			
Telephone/Long Distance/Cell Phone			
Internet/Cable Modem/DSL			
Clothing/Uniforms			
Dry Cleaning/Laundromat/Alterations			
Cleaning Supplies/Personal Items			
Gasoline			
Bus Fare/Parking Fees/Tolls			
School Tuition/Activities			
Hairdresser			
Books/Newspapers/Magazines			
Movies/Sporting Events/Cable TV			
Parties/Clubs			
Tobacco/Alcohol			
Book/CD/DVD Clubs			
Doctor/Dentist			
Drugs/Medicines			
Postage			
Bank/ATM Fees			
Church/Charity			
Auto Maintenance and Repairs/Tires/Tags			
Holiday/Birthday Presents			
Pet Expenses			
Vacation Expenses/Spring Break			
Gym Membership			
Sorority/Fraternity/Organization Dues			
Property Taxes/IRS			
Other			
<b>Total Income (From Identifying Income Sheet)</b>			
<b>Total Expenses</b>			
<b>Balance</b>			

