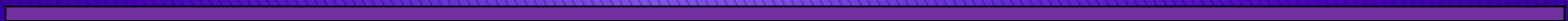




This is part of a series of financial education workshops for graduate students provided by a grant from the Council of Graduate Schools and TIAA-CREF.

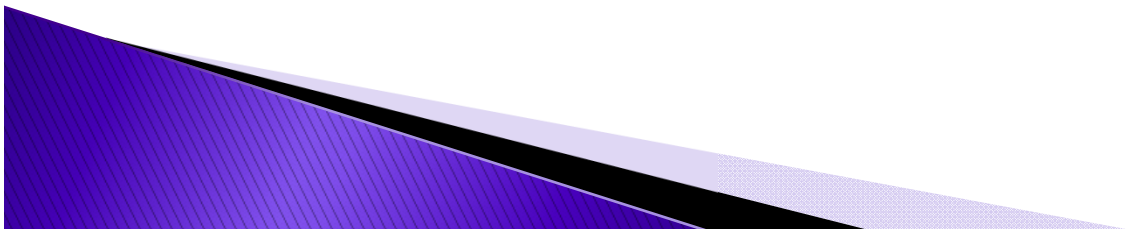
Financial Independence: Home & Insurance Purchasing

Jodi Kaus, Director
Powercat Financial Counseling



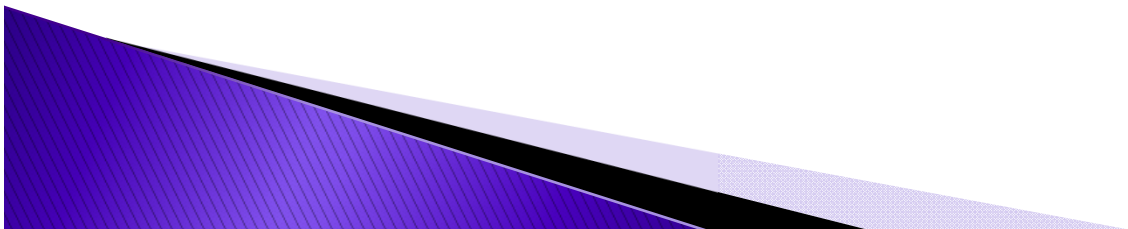
Today's Financial Topics

- First Home Purchase
- Transition to Own Health Insurance
- Other Insurance Needs
- How Powercat Financial Counseling Can Help
-



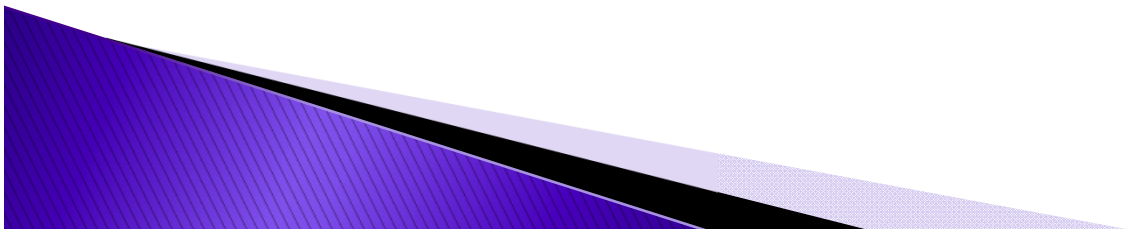
Are You Ready to Buy Your First Home?

- ▶ Buying versus renting
 - Planning to move soon
 - Job security
 - Financial analysis
- ▶ Examine your credit
 - www.annualcreditreport.com
 - www.creditkarma.com
- ▶ Do you have funds for down payment?
- ▶ Reduce other debts



Benefits of Home Ownership

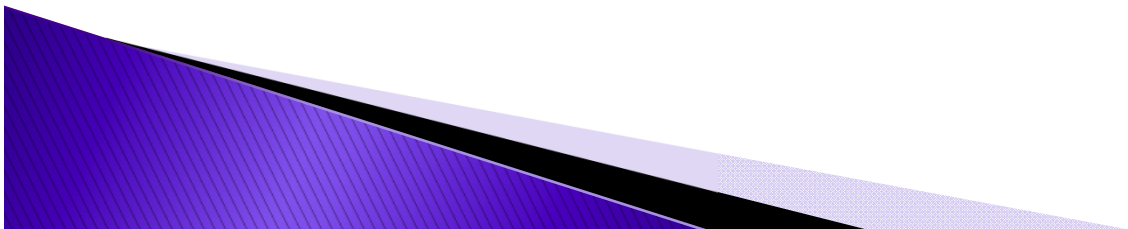
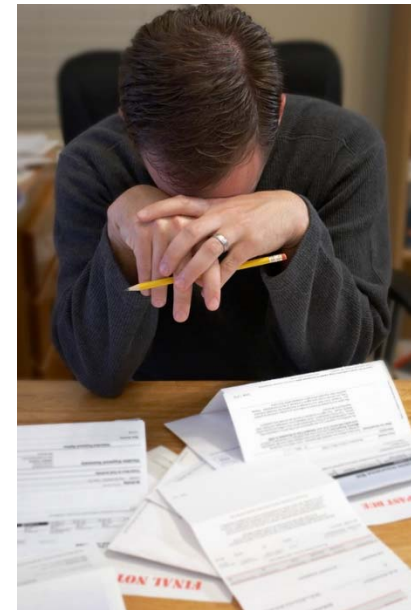
- ▶ Build equity (or lose equity if value declines)
- ▶ May deduct mortgage interest and property taxes
- ▶ Build credit if pay on-time
- ▶ More control/security
- ▶ Be part of community (less flexibility if need to move quickly)



How much can you afford?

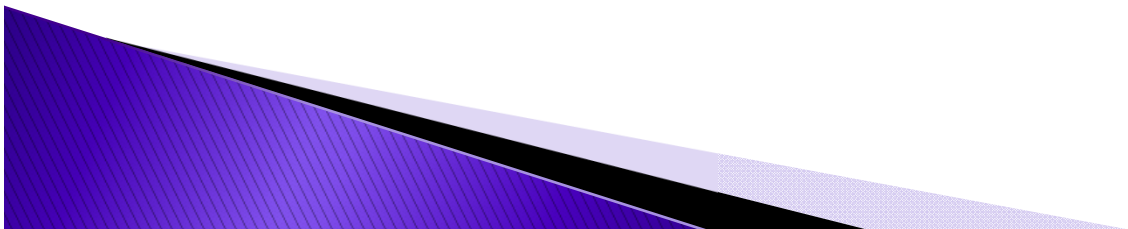
No more than 30% of gross income on housing costs (mortgage, taxes, insurance)

- ▶ Mortgage
- ▶ PMI
- ▶ Taxes
- ▶ Insurance
- ▶ Maintenance
- ▶ Repairs
- ▶ Home Association dues
- ▶ Special Assessments
- ▶ Utilities



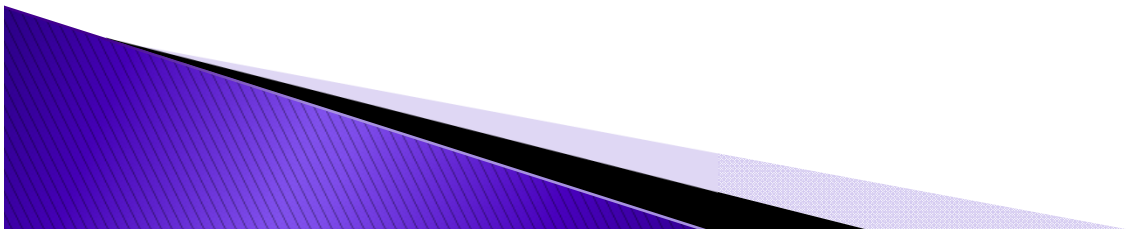
Home Start Up Costs

- ▶ Appliances
- ▶ Furnishings
- ▶ Window Treatments
- ▶ Fencing
- ▶ Lawn mower
- ▶ Ladder
- ▶ Wheel barrow
- ▶ Vacuum
- ▶ On and on and on



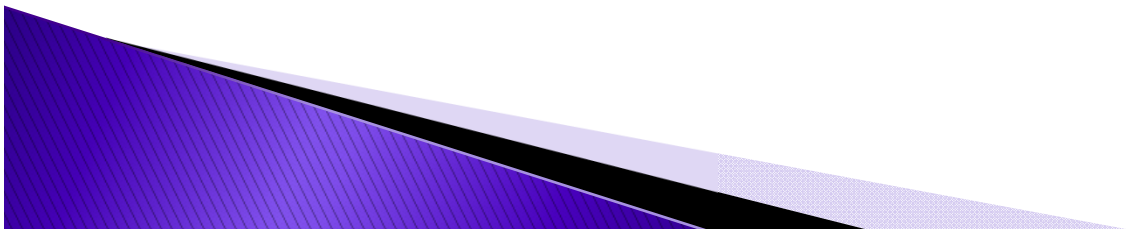
Mortgage Pre-Approval

- ▶ Prequalified or preapproved
- ▶ May take a few months
- ▶ Need: pay stubs, bank account statements, w-2s, tax returns, credit statements, prior landlords
- ▶ Helps expedite home purchase



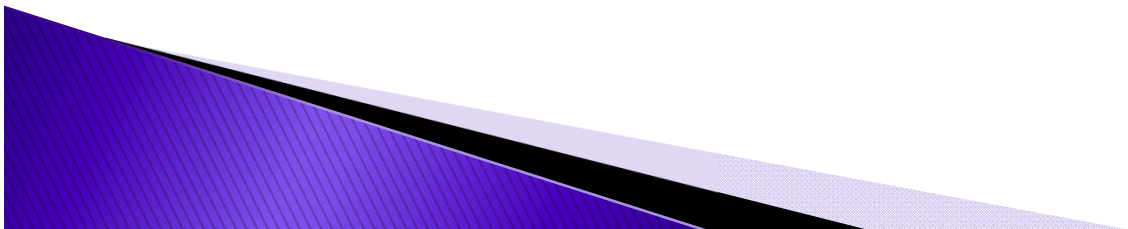
Private Mortgage Insurance (PMI)

- ▶ Do you have 20% to put down?
- ▶ Protects your lender against your default
- ▶ Costs between 0.5% to 1% of loan amount annually
- ▶ PMI ceases or can be cancelled when loan-to-value ratio hits 78%
 - Some FHA loans require PMI for life of the loan



Federal Housing Administration (FHA) Loans

- ▶ HUD insures your loan so lender can offer you a better deal
- ▶ First-time homebuyers
- ▶ As low as 3.5% down
- ▶ Lending limits by county/state/home type
- ▶ FHS approved lenders at <http://www.hud.gov/ll/code/llslcrit.cfm>



Home Inspection

- ▶ Inspector: history in the profession, cost, length, association membership, reporting, attendance
- ▶ Follow up on inspector's recommendations
- ▶ Operation/age of mechanical systems



Compare Mortgages

- ▶ Term: 30, 20 or 15 years
- ▶ Fixed interest rate
- ▶ Variable or adjustable-rate
- ▶ Hybrid rate – mix of fixed & adjustable
- ▶ Balloon payment or prepayment penalties
- ▶ Interest-only
- ▶ Points – one point equals 1%, paid to lower your interest rate, may be tax deductible
- ▶ Use Bankrate.com to compare rates

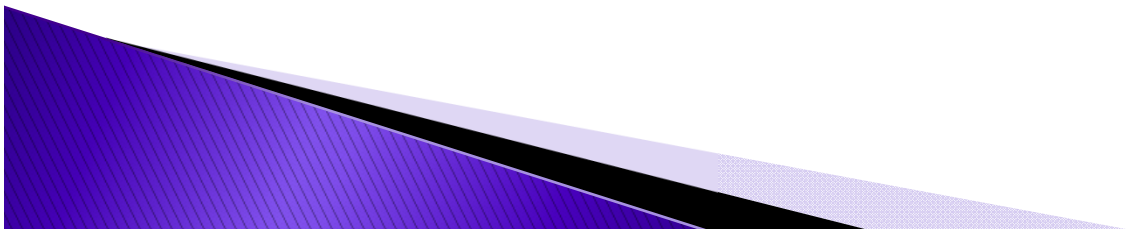
MORTGAGE	HOME EQUITY	AUTO	CDs	CREDIT CARDS
Product	Rate	Change	Last week	
30 year fixed	4.04%	↓ 0.08	4.12%	
15 year fixed	3.18%	↓ 0.07	3.25%	
5/1 ARM	3.29%	↓ 0.19	3.48%	

Location, Location, Location



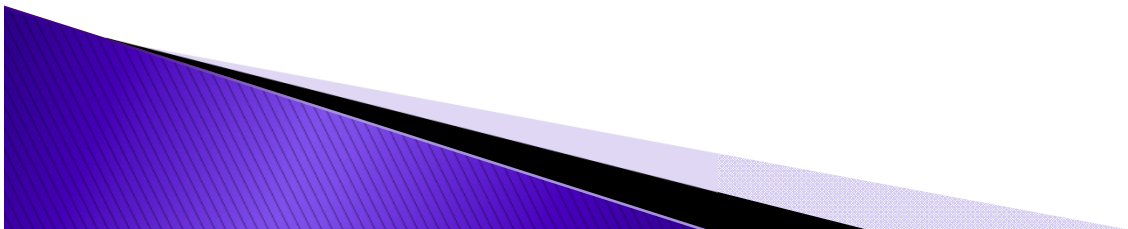
Helpful Housing Resources

- ▶ HCCI Housing & Credit Counseling, Inc.
- ▶ HUD.gov
- ▶ Bankrate.com
- ▶ Homefair.com
- ▶ Frontdoor.com
- ▶ Mortgage101.com
- ▶ Realtor.com or Realtor.org



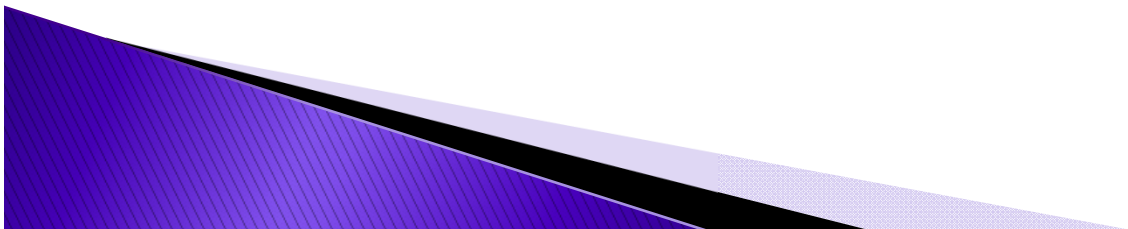
I'm 26, now what . . .

- ▶ Buy health insurance on state's health insurance exchange within 30–60 days of turning 26 or wait until next open enrollment
 - May qualify for government subsidy
- ▶ COBRA continuation coverage for 18 months
 - Premiums may be higher
- ▶ Health insurance through job
- ▶ Medicaid if low income
- ▶ Student health insurance
- ▶ Alumni association health insurance



Health Insurance

- ▶ Employer subsidized or group insurance coverage v. private medical insurance
- ▶ Understand who pays what % of the premiums
- ▶ If a “managed-care” plan – understand your “network” providers
- ▶ Take advantage of preventative care benefits
- ▶ Prescription/vision/dental coverages
- ▶ Possible flexible spending account for uncovered medical and dependent care expenses
- ▶ High deductible plans with a health saving account



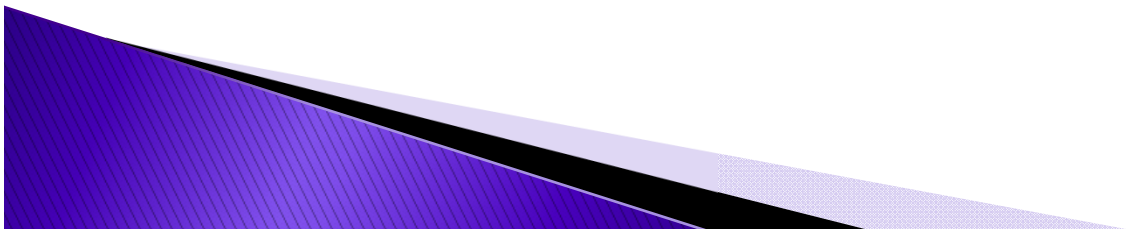
Health Savings Account (HSA) versus Flexible Spending Plan (FSA)

▶ HSA:

- Goes along with a high-deductible health insurance plan which generally have smaller premiums
- Deposits are pre-tax and can stay there forever or be withdrawn tax-free for out of pocket medical expenses
- HSA money can be invested

▶ FSA:

- Not tied to a health insurance policy
- Can be used for medical and child care out of pocket expenses
- Deposits to an FSA are pre-tax
- Use it or lose it!



What to look for in Auto Insurance

- ▶ **State requirements: Kansas 25/50/10**
 - Bodily injury liability limit of \$25,000/person; \$50,000 per accident
 - Property damage liability per accident \$10,000
- ▶ **Personal Injury Protection (PIP or No-fault)**
 - Covers you and your passengers injured in an accident regardless of fault
 - KS minimum \$4,500/person for medical
- ▶ **Uninsured/underinsured**
 - KS minimum \$25,000/person; \$50,000/accident
- ▶ **Collision**
 - Pays for repair in a collision or rollover
- ▶ **Comprehensive**
 - Pays for damage from wind, fire, hail, etc.



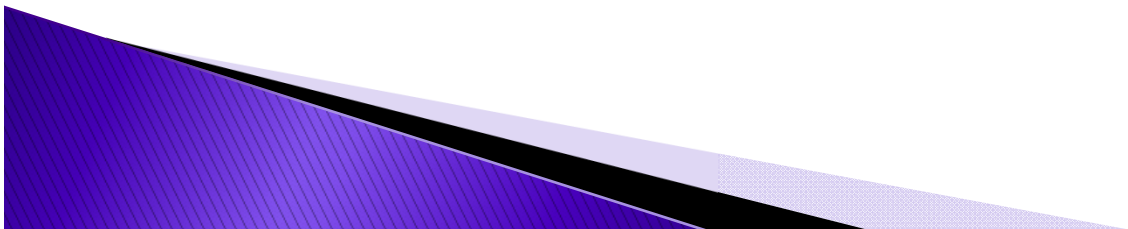
How to determine coverage amount

- ▶ Consider your assets
- ▶ Age
- ▶ Income
- ▶ Ability to pay premiums
- ▶ Ability to cover losses
- ▶ Legal liability



Auto Insurance Costs

- ▶ Deductible
- ▶ Depreciation of vehicle
- ▶ Premium determination:
 - Gender
 - Age
 - Marital status
 - Driving record
 - Vehicle
 - Miles driven
 - Location
 - Other household drivers



Discounts

- ▶ Good student – under 25 with above B average
- ▶ Driver training
- ▶ Mature driver
- ▶ Multi-vehicle
- ▶ Auto seatbelts and airbags
- ▶ Antitheft system
- ▶ Accident free
- ▶ Online discounts



Powercat Financial Counseling



Free and Confidential
Personal Financial Counseling
and Workshops

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[https://www.k-state.edu/
powercatfinancial/](https://www.k-state.edu/powercatfinancial/)

