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](http://www.annualcreditreport.com)
  - [www.creditkarma.com](http://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/l1slcrit.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
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

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Personal Financial Counseling and Workshops

PowercatFinancial@k-state.edu
(785)532-2889
302 K-State Student Union - Third Floor
https://www.k-state.edu/powercatfinancial/