Financial Independence: Home & Insurance Purchasing

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Powercat Financial Counseling

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.
Today’s Financial Topics

- First Home Purchase
- Transition to Own Health Insurance
- Other Insurance Needs
- SALT online financial tool
- 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 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/l/ll/code/lsslcrit.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

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<th>Product</th>
<th>Rate</th>
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<td>15 year fixed</td>
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<td>5/1 ARM</td>
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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
KSU’s Powercat Financial Counseling bought you SALT! {saltmoney.org/K-State}
Your Student Loan Picture

**MY NUMBER IS $33,000.00 FOR 4 STUDENT LOANS**

Understanding your payment options

Want to pay more or less than your estimated monthly repayment amount? We'll help you through the options.

**FEDERAL LOANS**

- **$379/MO**

**PERKINS LOANS**

- **$0/MO**

**OTHER LOANS**

- **$0/MO**

**TOTAL**

$68,713

Can you afford to pay more? See how you can save.

**YOUR STUDENT LOANS**

With some basic info about your loans we can estimate what you owe and give advice on how to pay.

<table>
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<tr>
<th>Loan Type</th>
<th>Year</th>
<th>Original Loan Amount</th>
<th>Current Balance</th>
<th>Interest Rate</th>
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</table>

Select a loan type: [ ]

There are more options

**STANDARD REPAYMENT**

**WHY TO CHOOSE IT**

You pay the least interest.

**What It Costs**

- **$379/MO**
  - Years 1-30

**Making the Change**

If you've never changed plans, you're currently in standard repayment. To get back to this plan, contact your servicer—the company who sends your bills. Not sure who your servicer is? Find out on [www.sallie.net](http://www.sallie.net).

**The Bottom Line**

- Lower Total Cost
- Higher Total Cost
SALT is for you!

{saltmoney.org/K-State}

Save and Make Money!

Scholarships

Crunch your Student Loan Numbers

Use Money 101

Jobs and Internships

Demystify Student Loans

Get Deals from Salt

Learn Stuff!
Get SALT @ saltmoney.org/K-State
Powercat Financial Counseling

Free and Confidential
Personal Financial Counseling
and Workshops

PowercatFinancial@k-state.edu
(785)532-2889
809 K-State Student Union, Ground Floor
Office of Student Activities & Services

www.k-state.edu/pfc/