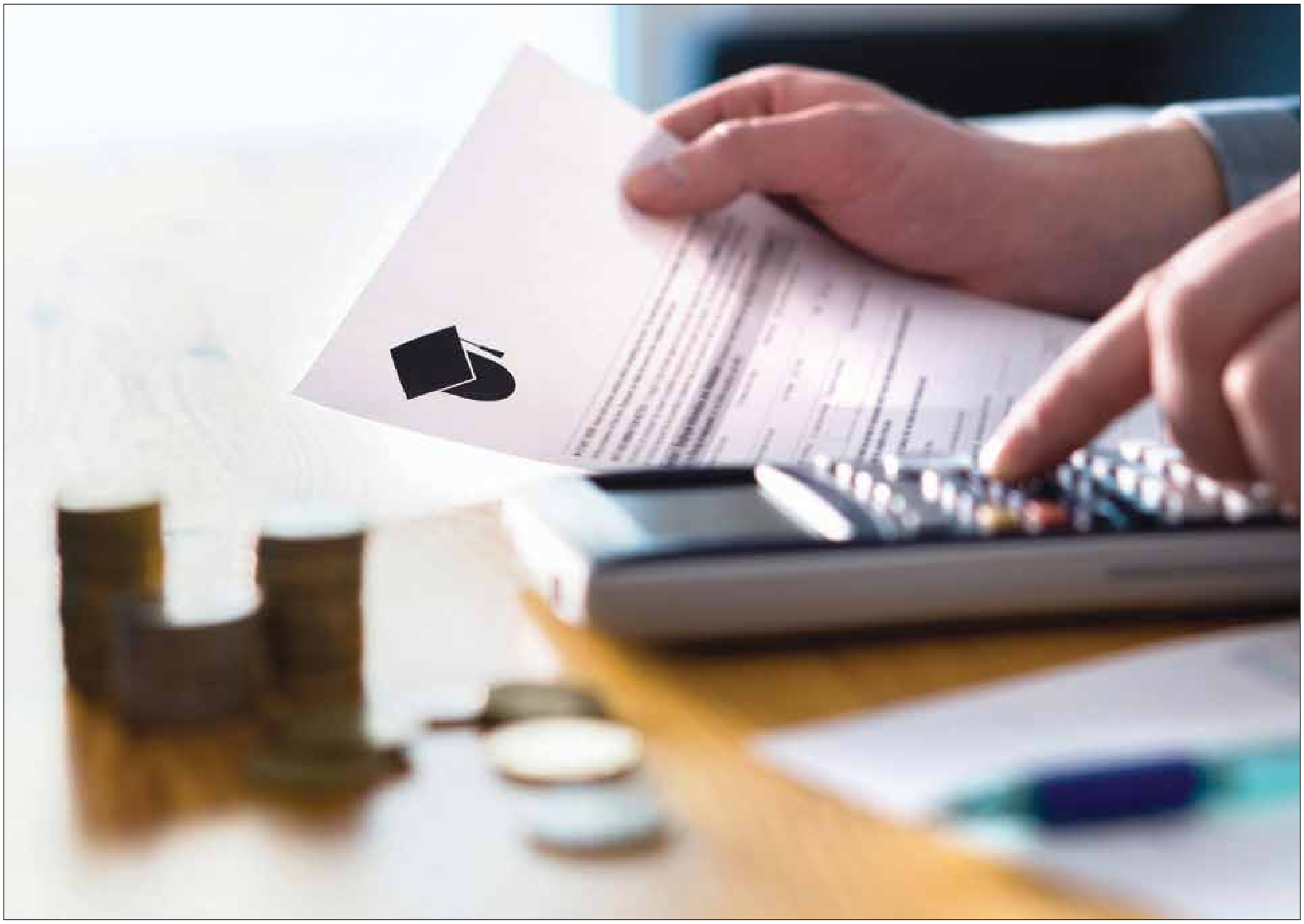
Personal Finance

© ADOBE STOCK

Repaying Student Loans


© ADOBE STOCK

Late in 2023, student loan repayments resumed after an unprecedented COVID-19 hiatus.

Along with those bills came a flood of emails that loans had been forgiven.

CNBC says more than 3.6 million borrowers have seen their student loans erased under President Joe Biden through existing programs such as Public Service Loan Forgiveness or income-driven repayment plans.

MORE FORGIVENESS MAY BE ON THE WAY

Biden stumped on student loan forgiveness, and many voters looked to the president to make good once he was in office. However, the Supreme Court ruled the White House didn't have the power to forgive up to $20,000 per borrower earning less than $125,000.

The Biden administration switched gears, targeting debt forgiveness under the Higher Education Act. In this lengthy process, known as negotiated rulemaking, the public can submit topics for consideration before a committee of stakeholders comes together to propose a new rule. The public then has another opportunity to comment before the new rule goes into effect. The first phase of this process wrapped up at the end of 2023 with a proposal to relieve debt for four groups of borrowers: Those with balances greater than what they started with can see relief up to $10,000; borrowers who have paid for more than 20 or 25 years, depending on the circumstances, may see their debt cleared, as would borrowers who are eligible for existing relief programs but have not applied. Lastly, borrowers whose schools or programs failed to meet earning expectations may see their loans forgiven entirely.

SAVE PLAN

In mid-2023, just before payments resumed, the Biden White House rolled out a new income-driven repayment plan, the Saving on a Valuable Education, or SAVE Plan. It replaced the Revised Pay As You Earn income-driven plan and hopes to make repayment more affordable. Any individual borrower who earns $15 an hour or less can qualify for a $0 monthly payment as part of SAVE. CNBC says more than 5 million borrowers have enrolled as of the end of 2023.

COMING SOON

There are more changes other than a possible wave of forgiveness in 2024. Employers will have the option, under the Secure 2.0 Act, to match student loan payments with a match to the employee's retirement account.

Also, the SAVE income-driven repayment plan, which was set to 10% of the borrower's discretionary income, will drop to 5% for undergraduate borrowers. Graduate loan payees will pay a weighted average between 5 to 10% of their discretionary income, depending on their starting balance.

© ADOBE STOCK

What Is PMI?

Private mortgage insurance (PMI) may pop up if you're buying a house with a conventional loan and are making a down payment of less than 20% of the home's purchase price.

It serves to protect the lender if you stop making payments on your loan. It may help you qualify for a loan you may not otherwise get, but it will also raise your monthly note. Even though PMI protects the lender, not the homeowner, the homeowner foots the bill.

HOW YOU'LL PAY

The most common way to pay for PMI, the Consumer Financial Protection Bureau says, is through your monthly house note. The premium for the policy will be added to your mortgage payment every month. You can also choose to pay through an up-front premium that you pay at closing. If you go that route, you may not be entitled to a refund if you move or refinance. A third way to pay is to mix them up, paying part of the PMI up front and the rest as part of your monthly note.

No matter what, PMI costs should be clearly detailed on your loan estimate and closing disclosure documents. Ask your lender about your PMI options and have the loan officer calculate the cost of each one of these scenarios for you.

AVOIDING PMI

You may find a lender that will offer a conventional home loan with a smaller down payment that does not require PMI. Typically, the CFPB says, these loans will carry a higher interest rate. Depending on several factors, this could either be a more expensive or less expensive plan than paying the PMI. Ask your loan officer to run a few possible scenarios for you.

You can explore other loan programs, such as federally backed loans, that may be more expensive but different in the servicing and repayment. Ask your real estate agent or loan officer about programs available in your area.

There may be assistance for certain types of homeowners through municipal, state and federal programs. Your loan officer or real estate agent can help you navigate these programs and advise you on application dates and other requirements.

Buying Renters Insurance

Even if you don't own your own home, you can still purchase insurance policies to protect your belongings. Renter policies protect you for damaged or stolen goods from your rented home.

© ADOBE STOCK

Your landlord's policy will cover damage to your structure, say if the burglar kicks the door in, but it won't replace your stolen television.

WHAT DOES IT COVER?

Typically, renter policies cover your personal items inside the rental property, the loss of use of the property when a covered loss prevents you from living in your home, liability for covered damage or bodily injury caused by an accident in your home, medical or funeral expenses for someone injured in your home, and it may even pay for unauthorized transactions on your debit and credit cards.

FINDING A POLICY

When you're looking to rent a home, ask the landlord what their insurance does and does not cover. Usually, it's just the structure itself and not your personal property. It also won't cover the cost of any bodily injury related to certain types of damage to the structure or liability for guests in your home. A renter policy can — and should — offer you protection in those instances.

Start by talking to different insurance companies about adding a rental policy to your coverage. Companies that offer other kinds of property insurance, such as for a car, may also offer rental policies as well as a discount for carrying more than one policy with the company.

CALCULATING THE COST

Usually, the cost of your property policies is determined by the cost of the assets covered. Before you pursue quotes, you should estimate the value of your personal property. Include every piece of your personal property, including electronics, clothing, jewelry, linens, furniture, art and more. Estimate the current value of the items, not what you paid for them. Depending on the item, it could be worth more than what you paid.

Using that estimate, start getting quotes for coverage. An agent familiar with your market can help you determine exactly what kinds of coverage you may need and come up with a policy that fits both your needs and your budget.

Generally speaking, a plan with a lower premium will have a higher deductible and vice versa.

Strategies to Help you Save

© ADOBE STOCK

America's savings rate is falling (it's down to around 4% at the end of 2023, the federal government says).

The decades-long average savings rate is more than twice that, CNBC reports, and it's got experts worried.

"I'm concerned," Tomas Philipson, a professor of public policy studies at the University of Chicago and a former acting chair of the White House Council of Economic Advisers told CNBC. "People are hit on both fronts — lower real wages and higher rates."

Here are some strategies for increasing the amount of money you save.

AUTOMATE TRANSFERS

Set up automatic transfers from your checking account to your savings account. This will move the money without you thinking about it and, if you leave it alone, the savings account will build up over time. You can do this through your bank's website or through apps such as Digit or Qapital.

GET GROCERIES AND SOME GREEN

Plan your grocery shopping carefully around what you already have on hand. Make a list and stick to it, avoiding impulse buys. Join loyalty programs and use (not abuse) coupons to get the best deals on items you need. Some cash-back cards also offer extra percentages on grocery purchases, but remember to pay the balances off every month to avoid interest rates and fees.

MAP OUT MAJOR PURCHASES

Try to plan for major purchases such as home appliances and cars during annual sales periods. You can also use apps and websites to track prices over time to alert you to the best time to pull the trigger.

USE THE 30-DAY RULE

Avoid overspending by giving yourself a 30-day cooling-off period between the time you see the thing you want and when you make the purchase. Use that time to look for coupons and better offers to save yourself money on the purchase.

SEE WHAT YOU CAN BUNDLE

Check into bundling some of your bills, such as cable and Internet and wireless plans. Downsize any services you don't use, and keep track of your subscription services so that you aren't paying for something you rarely or never use.

PAY OFF HIGH-INTEREST DEBT

Target high-interest debt first, paying it off more quickly through extra payments. Then, start rolling that money into a savings account to build up a nest egg.

As you grow your money, consider putting some money aside in a high-yield savings account to help it grow even faster.

Retirement Plans Explained

Social Security is the most common source of retirement income, but with the ever-present threat of the government-run system's demise, American workers are urged to save on their own for retirement.

© ADOBE STOCK

Here are some types of retirement accounts and their benefits.

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

IRAs allow you to make tax-deferred investments to provide for you in your retirement. There are two main kinds: Traditional IRAs and Roth IRAs. Traditional IRAs are funded by personal savings. Contributions may be tax deductible. Roth IRAs' contributions are not deductible, but qualified distributions may be tax-free.

Other, less common, types of IRAs include payroll deduction IRAs set up by your employer; a Simplified Employee Pension plan (SEP) set up by an employer; a SIMPLE IRA, which is also set up by your employer, where employees make salary reduction contributions and the employer makes matching or nonelective contributions; or a SARSEP, a Salary Reduction Simplified Employee Pension Plan, which was a type of SEP used before 1997.

401(K)

401(k)s are qualified profit-sharing plans that allow employees to contribute a portion of their wages to individual accounts. The contributions are excluded from the employee's taxable income.

Distributions, including any earnings, are included in taxable income at retirement.

403(B)

These plans are also called tax-sheltered annuities or TSA plans. It's a retirement plan offered by public schools and certain 501(c)(3) organizations. Both employers and employees can contribute to these accounts.

It's similar to a 401(k) in that it allows employees to defer some of their salary into individual accounts with tax not taken until it's distributed.

PROFIT-SHARING PLANS

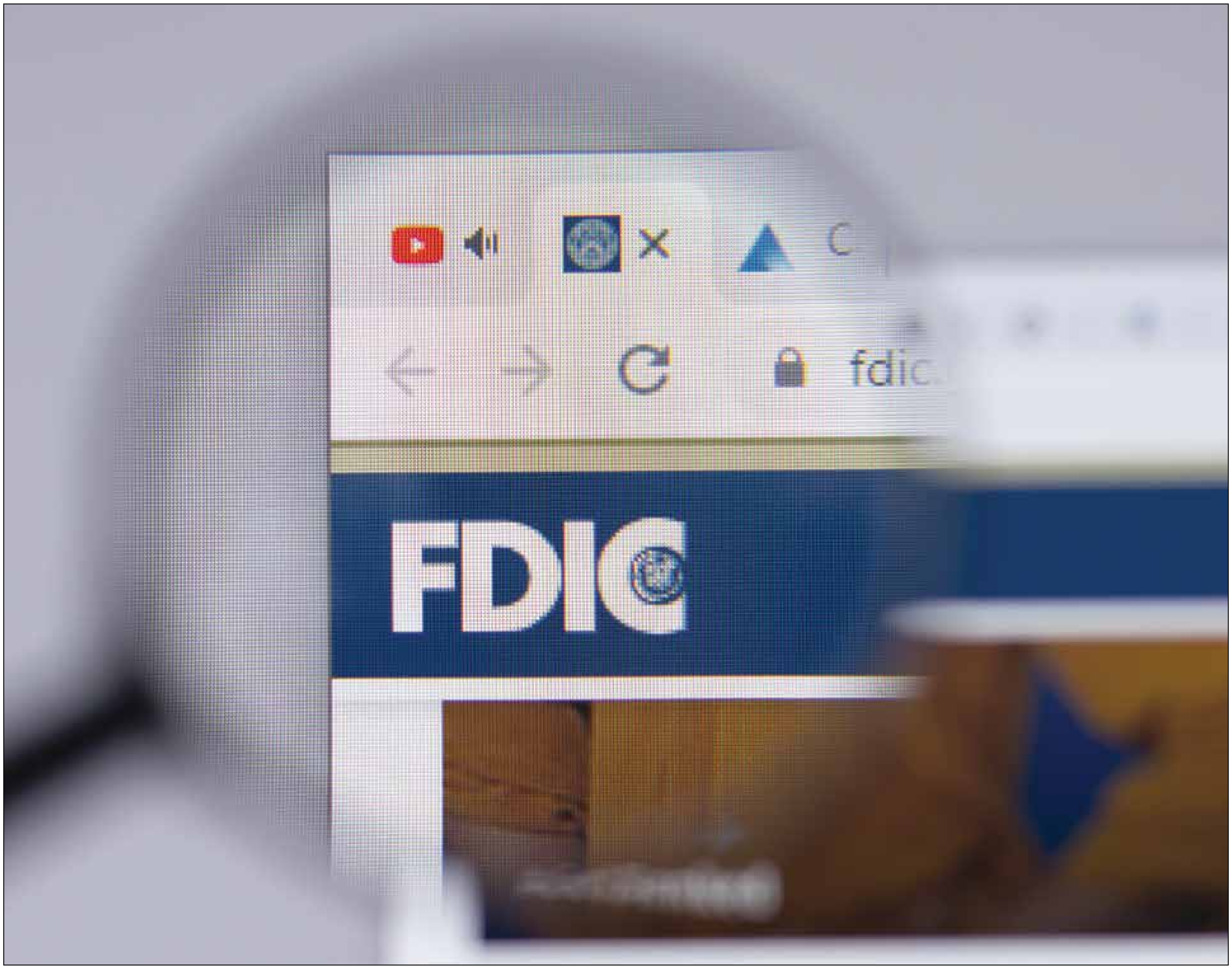
Profit-sharing plans accept discretionary employer contributions for the retirement of an employee.

You don't need to make contributions, nor does the business have to turn a profit to make contributions.

EMPLOYEE STOCK OWNERSHIP PLANS (ESOPS)

These plans are designed to invest primarily in employer securities. This means employees gain ownership interest in the company as shares of stock. Both the company and employee can get tax benefits. These plans tie the company's success to the employee's savings plan, encouraging both to excel.

What Is the FDIC?



© ADOBE STOCK

The Federal Deposit Insurance Corporation is part of the federal government. It protects bank depositors against the loss of their deposits in case the bank or savings association fails.

The agency's origins come from the Great Depression, when a rise in bank failures wiped out many people's savings. Since the FDIC was started in 1934, no depositor has lost insured funds due to bank failure, the agency says.

You don't purchase the FDIC's insurance; it comes with your account opened at an FDIC-insured bank. Deposits are automatically insured up to at least $250,000 per depositor, per FDIC-insured bank, per ownership category. In the event of a bank failure, the FDIC will pay insurance to depositors up to the insurance limit. This generally happens within a few days of the bank closing, usually the next business day, the agency says. As the receiver of the failed bank, the FDIC also assumes the task of selling and collecting assets of the failed bank and settling its debts. This will include claims for deposits above the insured limit.

Deposits are insured dollar-for-dollar, the FDIC says, up to the limit for that type of account. An example is the agency gives a depositor with a CD in her name alone with a principal balance of $195,000 and $3,000 in accrued interest. The full $198,000 would be insured, the FDIC says.

Banks that are insured by the FDIC will generally display a sign. You can also use the FDIC's BankFind online tool or call the FDIC at (877) 275-3342.

Remember, the FDIC only covers certain deposit accounts, such as checking and savings accounts. It also covers money market deposit accounts and certificates of deposit. Accounts that are not covered, the FDIC says, include investment accounts, such as mutual funds, annuities, life insurance policies, stocks and bonds.

You can get specific information about your coverage through the FDIC's Electronic Deposit Insurance Estimator online, or by calling the number listed above. It will also tell you how the limits apply to your specific deposit accounts and give you a printable report for your records.

Debit and Credit Card Safety

Just 9% of Americans use cash to pay for purchases, Forbes says, meaning that most purchases are paid for some other way, mostly by virtual or physical credit or debit cards.

Keeping those cards safe and criminals out of your bank account is important to protecting your purchasing power and your financial health.

LOST OR STOLEN CARDS

The FDIC says to report lost or stolen cards immediately. The agency recommends calling your financial institution or using the app as soon as the card goes missing. You're not responsible for charges or withdrawals after you report the loss, according to federal law, but you need to act fast. If you wait until someone uses the card, you may have to pay all or some of the charges.

After you report the card lost or stolen, follow up in writing, the FDIC advises. Include your account number, the date and time when you noticed your card missing and when you first reported the loss. Keep a copy of that letter and any notes from your calls with your financial institution.

Then, keep an eye on your accounts. Report fraudulent charges immediately, following up in writing each time. Check your property insurance policies; they may also protect you from charges due to card theft. Lastly, keep an eye on your credit report. You can get free copies of your credit report; monitor them for accounts or charges you don't recognize.

IDENTITY THEFT

If you see accounts you don't recognize and suspect you've been the victim of identity theft, call the companies where you know fraud occurred immediately. You should also place a fraud alert and report the identify theft to the Federal Trade Commission and your local police department. You can reach the FTC at FTC.gov or by calling (877) 438-4338.

Close all the new accounts and remove the bogus charges from your accounts, then request that your credit report be corrected with each of the big three credit bureaus. Think about adding an extended fraud alert or credit freeze and keep an eye on your credit reports for the foreseeable future.

If your Social Security number was compromised, you should report that to the Social Security Administration as well, and contact your local office for more steps to take to protect yourself. You may want to contact the Internal Revenue Service in case someone tried to use your number to commit tax fraud.