RIZE

Adulting 101

Being a grown up is hard.
Personal finance shouldn't be.

www.Rizemoney.com

Adulting 101: The Inside Story

At Rize, we focus on tackling just one money problem: helping you save automatically for the goals that really matter. It's the most important problem to solve, because when you can consistently put money aside for the future, then an entire world of options opens up to you, but if you can't save, then all those doors are closed.

However, we believe that saving is just one part of a much bigger financial picture, and that to be truly financially fit, you need to have a solid foundation across all four major categories of personal finance: Spending, Saving, Borrowing, and Protecting.

We can't solve all money problems (yet, maybe some day!), but having a solid financial foundation isn't rocket science–you can do a whole lot by getting the basics right–so we decided to put together this guide to help you do just that.

We've boiled it down to 9 basic steps. Complete them all and you will be in fantastic financial shape. Each section of this guide is broken into 3 parts:

The Basics: A brief overview of the topic and what you really need to know.
Pro Tips: How to make a good decision in that category and things to watch out for.
Do It Now: The most important part–how to take action, and which products to use.
The whole Rize team really likes geeking-out on this money stuff, so we put an immense amount of effort into researching the best financial products in each category and figuring out how to fit all the various puzzle pieces together. Our view is that you don't need ten, twenty, or one hundred options to make good financial choices; you just need a few really good ones. If you want to know more about how we chose the products we recommend in this guide, check out the Selection Criteria appendix at the end.

We hope you find Adulting 101 helpful, and if you do, please share it with a friend (or many friends!). The hardest part of making smart financial decisions is knowing where to start, and the more people this guide can help take that first step, the better.

Finally, if you like this guide, come give Rize a try, because Adulting 101 is just a fun side project. What we're really good at is saving, and you should see what we can do when we're at our best!

Enjoy, a better financial future awaits!

- Your Friends at Rize

Join the Rize Life

Introduction

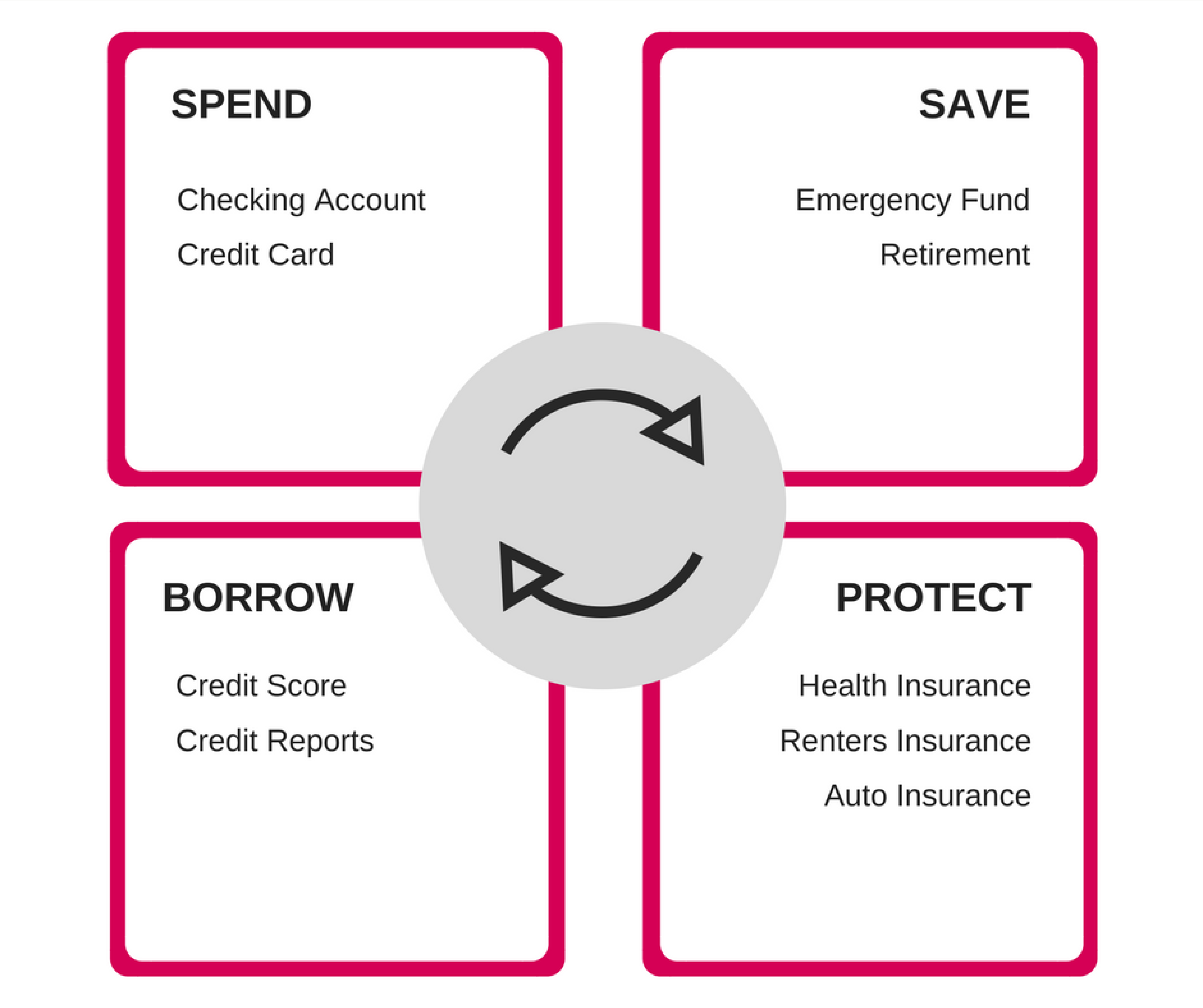
Adulting is hard, but personal finance shouldn't be.

The key is to keep it simple. When you're just starting out, you don't need a financial advisor to run your life. You need some basic building blocks that will help you move money around, save some of your income, build a strong credit history, and protect yourself and your belongings. The right foundation makes all the difference.

Right now, you may not know where to start, or who to ask for help, or what questions you should be asking. Guess what? That is perfectly normal. Adulting 101 is designed to give you the tools to handle your money with confidence (we would say "like a real grown up," but the truth is, most grown ups have no idea what they're doing when it comes to money either). We've done the research and boiled it down to nine money must-haves to set you up for a lifetime of success. They include things like a checking account to be at the center of your financial universe, a credit card to help you build a strong credit history, and insurance to protect you when life gives you a swift kick in the pants. We have answers to the where do I… and how do I… and who can help me… questions, so you don't have to get lost in a Google wormhole.

In short, Adulting 101 is the guide we wish we had when we were first trying to navigate the real world as adults. Hopefully, it can help you get started on the right foot and avoid some of the painful mistakes we made before we did the hard work to figure it out!

Break it Down



We Want Your Feedback

Once you've completed the book and become a savvy saver, let us know what you thought. Was this e-book helpful? Did you learn something useful? Did it inspire you to make some changes? We want to hear it all. Not just about the content of this e-book, but also about the products and companies we recommend. If you have a bad experience with something we recommend (or a really good one), let us know. Your feedback will help us make sure we are always recommending the best solution in each category, and if new and better options become available, or if a company falls off its game, we promise to make the necessary changes.

You can always count on us, so be sure to contact us and let us know what's going on.
Email us: hello@rizemoney.com

What to Expect

Spend: Checking Account

Where will you put your money?

You probably already have a checking account. Maybe your parents set it up for you, or maybe you did it all by yourself. Either way, it's time to take another look at where your money sits and whether your checking account is giving you everything that it should.

Your checking account is the beating heart of your financial life. It's the place where most of your money goes in, and where it comes out. Given that your bank touches almost every dollar that runs through your world, you don't want one that takes every opportunity to charge you fees while giving you virtually nothing in return (hint: most big-name banks do exactly that). In the first section of Adulting 101, we're laying the groundwork, and having the right checking account is where it all starts.

There is no reason to pay anything for basic banking services. If you are, it's time to find a new bank ASAP. Here's what to look for:

KNOW THE BASICS

NO MONTHLY FEES

Fees are unnecessary. Don't pay to use or save your own money.

NO MINIMUM BALANCE

Know when to say no.

ONLINE/MOBILE ACCESS

You do everything on your phone. Banking should be no exception.

NO TRANSACTION FEES

It's your money. Never pay to use it.

HIGH INTEREST RATES

Interest rates are low these days, but every little bit counts.

EASY ATM ACCESS

It should be easy to get cash when you need it? Are you reimbursed for fees for using other banks' ATMs?

Pro Tips

Sign up for Direct Deposit
Who has time to deposit checks? Not you.

Turn off Overdraft Protection
Most banks now offer overdraft protection, which means that if you write a check, pay a bill, or use your debit card and you don't have enough money in your account, then they will front you the money so the payment doesn't bounce. Here's the problem: you just went into debt. The bank just gave you a loan, they are charging you interest on it, and they probably charged you a fee as well ($30 on average!). Just turn off overdraft protection stay aware of how much money you have in your account.

Use notifications
It is the easiest way to keep track of your balance, follow transactions, catch fraudulent activity, and generally build awareness of what's happening with your money.

Use online bill pay
No more forgetting, no more late fees. Schedule your payments 3-5 days before the deadline to make sure they go through on time.

Super Pro Tip: Call the companies that send you a monthly bill and get them to move your monthly payment due date to the same day. Most will be happy to do so (except maybe your landlord). Pick a day that's 3-5 days after your paycheck gets deposited so you know you'll have enough money in your account. Then set yourself a monthly calendar reminder to review all of your bills at one time and input the payments. And just like that, you're done; all of your bills are dealt with in half an hour or less each month.

Consider automatic payments, but be careful
Most companies that send you a monthly bill will allow you to set up automatic payments. You give them your banking information, and they will automatically pull the payment from your checking account each month. On the plus side, this is super convenient, and you never have to worry about a late fee. However, automatic payments can be dangerous if you don't still check your bill each month for mistakes. If you want to use automatic payments, a good practice is to only use it with bills that will be very consistent.

Do It Now

If you don't have a checking account, or if your current bank violates any of the standards we outlined above, then you should seriously consider these options:

Online bank: the right choice for almost everyone

Our favorite banks are online-only, meaning they don't have physical branch locations. Not having to support a branch network means they pay better interest rates, they have better online and mobile functionality, and they don't nickel-and-dime you for unnecessary fees. You won't go wrong with either of these choices:

	Capital One	Ally Bank
Reasons to choose:	$50 bonus at signup No foreign ATM fees No overdraft fees	Free access to any ATM Mobile deposit up to $50k per day 24-hour live support
Account Names:	360 Checking / 360 Savings	Interest Checking / Online Savings
Monthly Fees:	none	none
Minimum Balance:	none	none
Overdraft Charges:	none	$9 per transaction, max one fee per day
Foreign Transaction Fees:	none	ATM: 1%; Purchase: 1%
Interest Rate (Checking):	Under $50K: 0.20% $50K - $100K: 0.75% Over $100K: 0.80%	Under $15K: 0.10% Over $15K: 0.60%
ATMs:	38,000 Allpoint® ATMs + 2,000 Capital One Bank ATMs	Reimbursed for all ATM fees nationwide
Mobile Check Deposit:	Yes, $3,500 daily limit	Yes, $50,000 daily limit
Online / Mobile Access:	Excellent	Excellent
Customer Service:	Live support 8AM - 8PM daily	24/7 live support

Do It Now

Credit union: if you really need a local branch

If, for example, you consistently have to deposit cash, then look into using a local credit union instead of a big national bank. Credit unions are nonprofits that are owned by their account holders, so making piles of money isn't their goal. They usually have much lower fees and are nicer to deal with all around.

Reason to choose:	You really want a local branch You are affiliated with an organization that has a great deal with a local credit union
The fine print	Some credit unions have restricted memberships (i.e. only open to members of the military)

Additional Resources

- More about annoying bank fees and how to avoid them.
- Are automatic payments worth it?

Spend: Credit Card

Credit cards are more than an alternative to cash; they are important for your financial fitness. A credit card allows you to establish a credit history, which is a huge factor in your credit score. A good credit score allows you to get that mortgage or that car loan—and on favorable terms. It could be the difference between one day having your dream home or forever sharing a bathroom with five random Craigslist roommates. Good credit means you can aim higher. Someone with bad credit will pay thousands more over the course of a lifetime than someone with good credit—for the same stuff!

Let's crunch some numbers...

	Average Credit	Excellent Credit
$15,000 Car Loan		
Interest Rate	5.0%	2.5%
Total Interest Paid Over 5 years	$1,984	$973
Difference: $1,011		

The key is to get your credit card to work for you not against you. That means getting a good credit card and only using it as a payment mechanism, not as a way to splurge on anything you want. Doing this the right way can entitle you to some sweet perks like cash back or travel rewards. But more importantly, you can finally leave those random roommates behind.

The Basics

FEES

You shouldn't pay an annual membership fee unless the extra rewards are truly justified.

REWARDS

Travel rewards or cash-back? Unless you travel extensively, we prefer cash-back as that puts money in your pocket immediately. Not to mention that travel rewards are becoming less valuable and harder to use .

QUALIFICATIONS

Certain credit cards require a higher credit score and/or higher income to qualify and therefore, may not be options if you're just getting started.

Pro Tips

Pay your balance in full each month

There's an urban myth that carrying a balance on your credit card will help you build your credit history more quickly than paying off your full balance each month. It's just that, a myth. If you carry a balance, you're just handing over more of your hard-earned money to the credit card company in the form of interest. We've said it before, and we will say it again: a credit card is just a payment mechanism. Credit card debt is the most expensive kind of debt you can have, and carrying any balance is a slippery slope that will lead to pain, misery, and regret (seriously!).

Get only one or two credit cards

Having more than one or two credit cards gets exponentially more confusing, and dangerous. Don't chase the various offers that come in the mail. Get a good primary card with low fees and relevant rewards and stick with it. However, if you get an American Express card as your primary card, you should also get a Visa or Mastercard as a backup because a lot of places still don't take Amex (and some Amex cards charge extra fees if you use them overseas).

Review your bill each month

Set yourself a monthly calendar reminder to check your credit card statement at least one week before the payment is due to make sure that all the charges are correct and that you will have sufficient funds in your account to cover the full amount. Most credit card providers will also allow you to choose what day of the month you want your payment to be due (just give them a call if you need to change it). It is a good idea to schedule your due date a few days after your paycheck hits your account. That way you can be sure that you have enough to cover the payment. (Remember this from the Checking Account section? You're learning so much already. Maybe adulting isn't so hard after all.)

Avoid international fees

Many credit cards, even some really good ones, will charge you additional transaction fees if you use your card outside the United States. In our view, these fees are absolutely ridiculous. If your primary credit card does charge international transaction fees, it's a good idea to get a backup card that doesn't.

Avoid retail credit cards

We've all had this happen to us: you're buying a great new outfit at your favorite store, and when you're checking out the clerk says, "Hey, you can get an extra 20% off on everything you buy today if you sign up for our credit card!" Just say no. That 20% off is just a trick to get you to spend more than you intended to. Plus, retail credit cards are some of the worst cards around with extraordinarily high interest rates and terrible customer service. If you're making a big one-time purchase (i.e. buying furniture for your new apartment), then maybe, just maybe, the savings justify taking an offer like this. But only if you pay the full amount as soon as it is due and then cut up the card afterwards. In all other cases, it's just not worth it. Retail cards are, by and large, terrible financial decisions.

Do It Now

Get a good credit card

We break down credit cards by fees, type of rewards, and what it takes to qualify. Starter cards are good if you're a beginner and don't have a long credit history. Standard cards offer better terms and rewards, but they tend to require higher credit scores and income thresholds to qualify. Here are our favorite cards in each category:

	Starter Cards		Standard Cards	
	Cash Back	Travel	Cash Back	Travel
Card	CapitalOne Journey, Student Rewards	CapitalOne Venture One Rewards	American Express Everyday Cash Back	Capital One Venture Rewards
Average Credit Score	627	694	717	724
Annual Fee	$0	$0	$0	$59, waived for first year
Reward	1% cashback on all purchases Additional 0.25% cashback for on-time payments	1.25 miles for each dollar spent, can be redeemed for any travel expense	Cashback: 3% on Groceries 2% on Gas 3% on Everything	2 miles for each dollar spent, can be redeemed for any travel expense
APR	19.8% variable	11.9 - 19.9%	12.99 - 21.99%	13.9 - 20.9%

Additional Resources

- Should I close my existing card or not?
- How to cancel a credit card
- See how credit cards impact your credit score
- How to improve your credit score so you can get a credit card with better rewards
- Struggling with credit card debt? Here are some tips on how deal with it
- What's this Chip-and-Pin thing we're all hearing

Save: Emergency Fund

Because s#@% happens.

You're finally living on your own. You've got a trendy apartment in the city, a bunch of plants, and a panini press. The last thing you want to do is move back in with your parents in boring suburbia. That means it's time to talk safety net.

An emergency fund is just what it sounds like: it's a stash of money in case s#@% happens. Because s#@% always happens. It's what allows you to sleep at night knowing that even if you lose your job, you've got savings in the bank that will keep you afloat until you find the next one.

Your emergency fund isn't just for rainy days, it is also there to make the good times that much sweeter. Picture this: you're offered your dream job, but the gig is in a different city. With your emergency fund, you've got the moving costs covered, so you don't even have to think twice about taking it.

The Basics

HAVE ENOUGH

The ideal rule of thumb here is that you should have at least 3 months of take-home income in your emergency fund. If your monthly take-home income is $3,000, then you should shoot for having a $9,000 emergency fund. That sounds like a lot, but again, you're protecting yourself in case you lose your job, so you need a good chunk set aside.

KEEP IT SEPARATE AND SAFE

Your emergency fund should sit in its own savings account where it is accessible but safe. By keeping it separate from your checking account, you won't be tempted to dip into it for things that aren't actually emergencies. You should NOT invest your emergency fund because investing involves risk, and this money absolutely has to be there when you need it.

KEEP IT FULL

If you dip into your emergency fund (and at some point almost everyone has to), your top priority is to fill it back up again. Half full means only half the protection (or half the freedom!).

Did you know?

69% of Americans have less than $1,000 in savings, and 34% have nothing at all.

Talk about living on the edge.

Source: gobankingrates.com

Pro Tips

Make it automatic

Pay yourself first. The best way to build your savings is to automatically set money aside from each paycheck so that you save before you spend. If you put this stuff on auto-pilot, you're much more likely to be successful. In fact, that's why we built Rize, to make it easy to save automatically for things you really care about (like an emergency fund!). More on that below.

If you have debt, get your emergency fund to $1,000, then reassess

If you're struggling with a lot of debt, putting aside three months of take-home income might sound completely unattainable/ridiculous, so start small. Build your emergency fund to $1,000. Even with a lot of debt, you still need some cushion. Otherwise, the first surprise that comes your way will put you even further into debt, or worse, knock you out.

Once you've hit $1,000 in your emergency fund, then start paying down that debt as fast as you possibly can. When you've made a big dent in your debt, then you can come back and top-up your emergency fund to the full 3-month level.

As you get older, make sure you increase your emergency fund

Remember, you are aiming for 3 months of take-home income in your emergency fund at this point. As you move up the ladder at work, your emergency fund should increase as your salary increases. Also, as you start taking on more responsibilities (like a house or a family), you should have 6 months of income in your emergency fund. Once you start making the big bucks, you need 12 months. It may be counterintuitive, but as you get more senior in your career, it is actually harder to find a new job because you are more expensive to hire.

An emergency fund is really a freedom fund. It says, "I believe in myself and I'm ready for opportunity."

Do It Now

Create a separate savings account for your emergency fund (with Rize!)

This is the one time in Adulting 101 when we will be just a little bit self-serving, because we built Rize specifically to make it incredibly easy for you to save automatically for things you care about. With Rize, you can save for pretty much anything, and almost half of our customers sign up specifically to create their emergency fund. Money in your Rize account is fully insured up to $250,000, you get a fantastic interest rate, and you choose how much you pay to use Rize (it can even be free if you want). It only takes about 5 minutes to sign up and start saving, so do it now!

Start filling up your emergency fund

If you haven't saved any money yet:

That's okay! We all start somewhere.

Start setting aside at least 5% of your paycheck and put it into your emergency fund until it's full.

If you can partially fill your emergency fund:

Move as much as you can into your emergency fund to get it started.

Set aside part of your paycheck each month (at least 5%) and put it into your emergency fund until it's full.

If you can already completely fill your emergency fund:

Nice! Pat yourself on the back.

Move your goal amount into your new emergency fund account. That way you know it's always there in case you need it.

Additional Resources

- What should I do first, pay down debt or fill my emergency fund?

Save: Retirement

You're not that old. But you are too old to not start saving for retirement.
Does $1 million sound crazy? It's not. In fact, it's probably conservative given your growing life expectancy.

We can't count on social security or pensions the way our parents did. That stuff is slowly going away and may be gone entirely long before we ever get to think about retiring. More and more, we're finding ourselves responsible for our own futures.

Here's the good news: this is completely doable. The key is to get started as early as you can so that your money can take advantage of the magic of compounding.

The Basics

"Ok, I get it. So now what?"
Retirement accounts come in two flavors: accounts you get through your employer (e.g. a 401K or a 403B account), and accounts you can get on your own (e.g. IRAs). Different accounts have different tax advantages, but the important thing is to get one and start using it.

IF YOUR EMPLOYER GIVES YOU A RETIREMENT ACCOUNT, USE IT!
Employer-based retirement accounts are the ultimate "pay yourself first" tool because they allow you to put money aside directly from each paycheck into your retirement account, usually pre-tax. If you don't see it, you don't spend it (in fact, part of the inspiration for Rize came from asking ourselves, "If 401Ks are so effective for retirement, why isn't there a 401K for everything else?").

If you don't have access to a retirement account through your employer, open an IRA for yourself (more on that below).

GET YOUR FREE MONEY: 401K MATCH
Most employers will match some portion of the money you put into your 401K. Make sure that you are contributing at least the amount that gets you the full match. If you don't, you are literally not getting your full paycheck!

MINIMIZE FEES
Compounding is great, but a nasty secret about the investment industry is that there are fees hidden everywhere. You can be charged advisory fees (i.e. if you use a financial advisor), administrative account fees, and investment fees (e.g. by a mutual fund). Fees eat away at your hard earned savings, so you want to minimize them at every level.

Pro Tips

A Target Date Fund is an excellent (i.e. cheap and easy) investment choice

You will have to choose an investment when you set up your 401K or IRA account. A Target Date Fund is a great choice; they are the "easy buttons" in investing. These funds automatically adjust your investments as you grow older and have your money ready in the year you plan to retire. You simply pick one that ends in a year close to your estimated retirement age, and good ones also have very low fees. Great investing doesn't need to be complicated, and for now, it's more important to start than to be perfect.

Automate your investments

Again, pay yourself first. If you have an employer-sponsored retirement account then this is easy. If you're using your own IRA, make sure that you contribute automatically every month from your checking account.

Leave it alone!

Retirement accounts are all about the long game. You might be tempted to check your investment accounts daily. Do yourself a favor, just don't. Stock markets fluctuate. They have really good days and really bad ones, too. You definitely should not make long-term decisions based on these outlier days. You should care about how your retirement funds grow over decades, not day-to-day, week-to-week, or even year-to-year.

If you have a 401K from an old job, roll it into a Rollover IRA

You can move your money from an old 401K into a Rollover IRA tax-free in what's called a "rollover."

Here's why you want to do a rollover:

You will minimize fees and maximize flexibility. A good IRA from one of the providers below will almost certainly charge fewer fees and offer better investment options than your old 401k.

You will have fewer accounts to keep track of. It's a pain to have a bunch of 401K accounts from old jobs lying around. You can roll all of them into a single Rollover IRA account. Consolidation will make it much easier to keep track of everything and to invest your retirement savings correctly.

Additional Resources

- How much can I contribute to my IRA each year?
- How should I invest my IRA?
- What is the deadline for retirement plan contributions?
- What are the rules for withdrawing from my IRA?
- My employer has vesting for my 401k match; What does that mean?
- Where can I find a detailed comparison of 401k and IRA accounts?

Do It Now

STEP 1: Get the full match in your employer-sponsored retirement account

Contact your HR department and make sure you are getting your full match. You can actually contribute up to $18,000 in your 401K in 2017, but we suggest just contributing enough to get your full match, and then putting additional savings into a Roth IRA (Step 2) because they tend to have lower fees and better investment options.

If your employer doesn't offer a retirement plan, go straight to Step 2.

STEP 2: Open a Roth IRA and max it out

IRAs come in two main types: Roth IRAs and Traditional IRAs. For a detailed comparison of the two check out this page, but we like Roth IRAs because they offer key benefits over Traditional IRAs. Currently, you can put up to $5,500 into your Roth IRA each year.

STEP 3: Go back and max out your 401K

If you can still save more after getting your full employer match maxing out your Roth IRA, then it is worth going back and putting as much as you can into your 401K. Your 401K might have higher fees, but you want to put as much as you can into tax-advantaged accounts, so it's worth it. Between your Roth IRA and 401K you can get more than $23,000 in tax-advantaged savings each year!

Here are our favorite providers for Roth IRAs because they have the lowest fees around and they're really good at what they do. In fact, we use them ourselves:

	Vanguard®	Betterment
Reason to chose	You like having more control and flexibility for your investments.	You like a simple worry-free tool that you can set and forget.
The fine print	You can't invest your money until you have at least $1,000 in your account. No account fees as long as you sign up for electronic statements, which you were going to do anyway.	You have to contribute at least $100 per month to avoid additional fees. If you're just getting started, Betterment will charge a 0.35% fee each year. That's about $20 but a small price to pay for hands-off service.

Borrow: Credit Score

How financially datable are you?

Let's say you're on OkCupid or Tinder. You're mindlessly swiping, but you stumble upon a real cutie. You swipe right. You made that decision without much information at all– just a snapshot. Finance isn't so different. Credit card companies and banks also make decisions about you as quickly as a swipe of the finger.

In the money world, your credit score is your profile pic on a dating app. It's a single number that lenders use to judge how attractive you are. To them, attractiveness is measured by risk. They want to gauge whether or not you will pay them back if they loan you money. The higher your credit score, the less risky you look to them, and the more likely they are to give you what you want. Your credit score will affect every aspect of your financial life—credit cards, auto loans, renting/buying a home, and even your employment. Yep, some employers look at your credit score as a way to gauge how responsible you are (you've been warned!). Your score will determine whether you are approved in the first place, as well as the terms of your approval. People with bad credit pay thousands (and sometimes hundreds of thousands) more in interest over the course of a lifetime than people with good credit—for the same things!

The Basics

Your credit score is an estimate of your individual level of credit riskiness. The goal with your credit scores is simple: know where you stand, and get those scores as high as possible. Here's how to make sense of your score:

INTERPRETING YOUR SCORE

Credit scores range from 300 to 850.

This is how your score will be interpreted by a lender:

Credit Score	Rating	Result
740+	Excellent	Approved every time at the best rates
680 - 740	Good	Almost always approves at good rates
620 - 680	Acceptable	Likely approved, but rates start to increase
550 - 620	Subprime	Might get credit, but with extremely high rates
300 - 550	Poor	Rejected every time. Keep swiping.

Source: Credit.org

The Basics

HOW YOUR SCORE IS CALCULATED

The most common credit score is the FICO Score (developed by the Fair Isaac Corporation–hence "FICO"). It is used in almost 90% of all lending decisions, so even though you've probably never heard of it, FICO is the big daddy of the credit world. The FICO algorithm uses the information contained in your credit report to generate your credit score. In fact, you actually have three FICO scores based on your credit report from each of the three Credit Reporting Agencies. We'll explain this in the Credit Reports chapter. The actual algorithm is kept secret so no one can game it, but here's an approximate breakdown:

Credit Category	Weighting	Impact
Payment history	~35%	Paying bills on time, every time, shows you are trustworthy.
Amount owed	~30%	Less debt = less risk.
Length of credit history	~15%	The longer the better.
New credit	~10%	Lots of new credit accounts over a short period of time is a red flag.
Type of credit used	~10%	Looks at the types of accounts you have open like student loans, credit cards, auto loans, etc.

Source: www.myfico.com

Additional Resources

- How to improve your credit score
- The impact of your credit score on loan rates
- How different credit missteps can affect your credit score

Borrow: Credit Score

PRO TIPS

WATCH OUT FOR SCAMS

Given the importance of credit scores, it's not surprising that there are tons of firms out there promising to help you monitor or boost your score. Most are useless. You can do everything they do for free on your own. Many claim to be free, but then will start charging you after the first month. Others will straight up steal your identity. Let's put it this way: if they ask you for your credit card number, assume they will start charging you.

CHECK YOUR SCORE BEFORE

If you are applying for a credit card, an auto loan, a mortgage, or any other type of credit, the lender is going to pull your credit score. Don't you think you should have some idea of what they're going to see before they see it? Knowledge is power. Do your homework and be prepared.

MYTH BUSTER

There's a myth that checking your credit score will impact the score itself. Not true. Check it as often as your heart desires.

Do It Now

Get your credit score

The only way to get your actual FICO scores is to pay for them at myFICO.com. And they aren't cheap, costing as much as $60 to get all three. It might be worth it if you're about to apply for something really important, like a mortgage, but outside of that, it's probably not a good use of money. However, there are some legitimate services that will give you a credit score that is a good approximation of your FICO score for free. In our opinion, the best of these companies is Credit Karma.

credit karma

Here's what you get:

Your TransUnion credit score & credit report:

TransUnion is one of the three national Credit Reporting Agencies. They calculate their own score, which is usually pretty close to your FICO score. You can also access your actual TransUnion credit report through Credit Karma.

Credit monitoring:

Alerts every time something hits your credit report that changes your score. This is an easy way to keep on top of your whole credit situation.

Credit management tools:

Access to tools that show you where to improve and how taking various actions could impact your score

Take 5 minutes to get yourself set up with a Credit Karma account and get your credit score. Then continue on to the next chapter where we'll help you get the other half of your credit picture: your credit reports (also for free).

Borrow: Credit Reports

In the world of money, your credit report is like your academic transcript, and your credit score is like your GPA.

Your credit report has all the nitty gritty details of your financial life. It tracks all your debt (your credit cards, your student loans, your car loan, etc.), the history of your payments on that debt, and other fun stuff like bankruptcies.

Banks, credit card companies, and even landlords are going to do a credit check before giving you a loan or a credit card, and you can bet they'll check it before allowing you to rent an apartment. Having bad credit will make your financial life miserable, and unlike your college grades that stop mattering after you've been out in the real world for a bit, your credit will always matter.

Your credit history is linked to your Social Security Number, and it is tracked by three national Credit Reporting Agencies (CRAs): Experian, TransUnion, and Equifax. Your creditors report your outstanding debt and your payment history on a monthly basis to all three CRAs. The CRAs then use that data to generate your credit report. That means you actually have three credit reports, one from each CRA.

Having a clean credit report is super important. It's not just a tool for your creditors; it's a tool for you, too.

The Basics

Keep your credit report clean and check it regularly.

Keeping it clean means paying your bills on time, every time, and not taking on debt that you can't afford.

Checking your credit report is simple (see Do It Now below), and by law, you are entitled to a free credit report from each of the three CRAs every year.

Here's what to look for when reviewing your credit report:

IDENTIFYING INFORMATION

This section of the report lists your name, Social Security Number, current address, etc. Make sure that everything is correct.

CREDIT HISTORY

This is the biggest section. It lists your open and paid credit accounts, total loan amounts, credit limits, and any late payments. Review this section very carefully. Again, make sure that everything is accurate, and make sure there aren't any accounts you don't know about (that's how you catch identity theft).

PUBLIC RECORDS

You want this section to be completely empty. This is where nasty things like bankruptcies, tax liens, and judgments get listed. These make your credit radioactive, so just avoid them at all costs.

INQUIRIES

This section lists anyone who has asked to see your credit report. Soft inquiries are from your current creditors who are checking on you, or from anyone who wants to send you promotional materials (all those stupid offers you get in the mail). Hard inquiries happen when you fill out a credit card or loan application, and sometimes when you sign up for services like cable or a cell phone plan. Hard inquiries are what really matter. Too many of them will lower your credit score, and any that you don't recognize can be another sign of identity theft.

Pro Tips

Check one credit report every four months

You are entitled by law to a free credit report from each of the three CRAs every twelve months, but that doesn't mean you have to get them all at the same time. All three credit agencies are basically working off the same information, so if you want to be a real credit master, you can get one report at a time and spread them out over the course of the year. That way, you can check your credit report more frequently and still not have to pay for it.

Save a copy of each report

Print it out, save it as a PDF, whatever you need to do, but definitely save a copy. You never know when you might need it. For example, if you're searching for an apartment, the landlord is probably going to charge you a fee to check your credit, but if you can show them a recent copy of your credit report, that might be sufficient and could save you the fee.

Don't pay for your credit scores, you can get them for free, too

When you go to each of the three reporting agencies through AnnualCreditReport.com (see below), they are going to offer to give you your credit score for a fee. Don't bother because you can already get those scores for free. Check out our section on Credit Scores to see how.

Don't pay for credit monitoring, it's not worth it

Each of the CRAs may also offer you credit monitoring for a fee (so will all sorts of other financial institutions, from your credit card company to your bank). These services will supposedly alert you to any suspicious changes in your credit report. By simply checking your credit report and credit scores on a regular basis, you are doing the same thing—for free. There are some more advanced credit monitoring services that will actually step in and assist you in fixing problems if you are the victim of identity theft, however they can be very expensive. Paying for that kind of service is ultimately your call, but we don't spend our own money on it.

Watch out for scams

AnnualCreditReport.com is the official site set up by the government to get your free credit reports. Watch out for other sites that sound similar. Some are straight up scams. Some are legitimate businesses that will promise free credit reports, but only if you sign-up for various other paid services (that you absolutely do not need).

Do It Now

Step 1: Check your credit reports

If you haven't checked your credit reports within the last 12 months, do it now. It will take less than 10 minutes. AnnualCreditReport.com is the free website set up by the government for this very purpose. No rocket science here. Just follow the instructions on the site.

AnnualCreditReport.com
The only source for your free credit reports. Authorized by Federal law.

Step 2: Correct any mistakes

If you find any mistakes on your credit reports, you must get them corrected. To do so, you have to dispute the information with the relevant CRA. Truthfully, disputing a mistake can be a massive pain, but your credit is too important to let it slide. Even a harmless mistake can lower your credit score, and a lot of mistakes can be a sign of identity theft that can literally wreck your life. Here's how to contact each of the three CRAs to get any mistakes fixed:

experian

TransUnion

EQUIFAX

Additional Resources

- What to do in case of identity theft

Protect: Health Insurance

You might be thinking, "I'm young and healthy. I never get sick, so I don't need to spend money on health insurance." You're wrong.

Here's why:
Most bankruptcies don't happen because someone is misusing their money. Instead, they result from an unexpected medical disaster that completely wipes them out. You can do everything else right with your money, but if you somehow end up in the hospital and don't have health insurance, all your hard work will go down the drain.

Hospital bills can be a nightmare. The average hospital visit costs $9,700! Thankfully, because of health insurance, the average cost to the American consumer is a small portion of that ($1,233). Health insurance companies actually pick up most of the tab for you.

Still not convinced? You are required to have it by law, so might as well learn now.

Did you know?

More than 60% of all bankruptcies in the US are tied to a medical issue.

Source: http://www.cnbc.com/id/100840148

The Basics

Choosing a health insurance plan comes down to two things: flexibility and cost. The more flexibility you want, the more it costs. There isn't a right answer here. Instead, it comes down to how much you value choice, and how much you are willing to spend. Pay close attention to these factors when comparing plans:

MONTHLY PREMIUM

How much you have to pay each month for your health plan is obviously an important element, but don't just focus on the premium. The variables below can have an even bigger impact on what you might pay over the course of a year.

ANNUAL DEDUCTIBLES

Deductibles are the amount you have to pay on your own before the insurance kicks in, and they reset every year. That means you are often paying 100% of the cost of medical services until you hit the deductible threshold.

CO-PAYS

This is the amount you will have to pay when you visit the doctor, for various prescription drugs, and in a variety of other situations.

CO-INSURANCE

Some plans require that you pay a percentage of the bill, even for medical services that are covered. For example, if your plan has 30% co-insurance for hospital stays, you would have to pay 30% of the total hospital bill.

OUT-OF-POCKET MAXIMUM

This may be the single most important factor. Your out-of-pocket maximum is the maximum amount of money you would have to pay each year in the event of a medical disaster. If you rack up a big medical bill, your insurance provider will make you pay this pre-set amount (and sometimes more if they find loopholes). This max amount resets each calendar year, so if you have an issue in December that crosses into the next year, they could charge you the max twice! Paying a bit more in monthly premium to lower your out-of-pocket maximum is definitely worth it.

Pro Tips

Don't ignore the open enrollment period even if you already have health insurance

A quirk of health insurance is that you can only enroll in a new plan or make changes to your current plan once per year during what's known as the Open Enrollment Period. For example, the National Open Enrollment Period for coverage starting in 2018 is November 1, 2017 - January 31, 2018. The dates may be slightly different if you get health coverage through your employer, but not by much. That means whatever choices you make regarding your health insurance, you will have to stick with them for a year before you can make any changes.

Even if you already have health insurance, you still want to review everything during open enrollment. Health plans change each year. Prices go up, your prescriptions and doctors may no longer be covered, or there might be a new plan that's a better fit for you. Check out this article for tips for open enrollment.

There is one exception to open enrollment: if you have what's called a Qualifying Life Event. Examples include losing your job, getting married, or having a child (here is a full list). You can make changes to your existing plan or get a new plan for a period of 30 days after a qualifying life event (60 days if you go through your state insurance exchange). If you miss that window, you will have to wait until the next open enrollment period. So, if you have a qualifying life event, get off your butt and make any necessary changes ASAP!

Understand the difference between an HMO and a PPO

If you have an HMO plan (HMO stands for "Health Maintenance Organization," a totally useless name), you will almost always need a referral from your Primary Care Physician in order to see a specialist. With a PPO plan ("Preferred Provider Organization," an equally useless name), you will usually be able to see any specialist that takes your insurance without a referral. Remember that flexibility/cost tradeoff we mentioned earlier? There are more differences, but this is the big one.

You can stay on your parent's' health insurance plan until you are 26.

This is a nice bonus that came in with the Affordable Care Act ("Obamacare"). If you don't get health insurance through your employer and can't afford it on your own, or if the insurance you get through your employer is really terrible (sometimes it is), you can stay on your parents' health insurance plan until you are 26. If your parents are willing to let you stay on their plan, it can be a great way to save money when you are in your early 20s. Just be sure to check whether your parents' plan provides out-of-state coverage if you live in a different state.

Pro Tips

If you are young and healthy, consider a High-Deductible Health Plan (HDHP) to save money

HDHPs have lower monthly premiums because they require you to pay more up front before the insurance kicks in. Basically, the insurance company is transferring some of their risk to you. If you are healthy and rarely visit the doctor, this can be an excellent option.

Many high-deductible plans now come with a Health Spending Account (HSA). Use it

With an HSA you get to set money aside pre-tax that can be used to pay for a wide variety of medical expenses. In fact, it will cover pretty much everything other than your monthly premium. This is a huge financial benefit, particularly because you don't have to use that money in the same calendar year that you put it aside. Just be aware that the IRS sets limits as to how much money you can put into your HSA account each year. Check out the current HSA limits.

Do It Now

You can get health insurance coverage through your employer or through a health insurance exchange. Here's how you can decide which option right for you:

If you can get health coverage through your employer, do it

If your employer offers health benefits, take them. Getting health insurance through your employer is almost always cheaper than getting it on your own. Plus, your health insurance premium will be taken out of your paycheck pre-tax, meaning you save even more. We wish we could be more helpful here, but it's on you to go talk to your HR department to find out more about the health plans your employer offers. However, check out the Additional Resources sidebar for tips on how to choose among plans.

No employer coverage? Get it through eHealth.

Out of all the options for getting health insurance on your own, we recommend eHealth. In our research we found that eHealth provides the same health plans as Healthcare.gov while also giving more flexibility for vision and dental plans. Plus, eHealth is the easiest to use and provides 24/7 chat support. Don't forget to check for subsidies.

HealthCare.gov

Additional Resources

- A great tool to help you compare various health plans
- Some important questions to ask your employer
- Tips on what to look for during Open Enrollment season
- Are Dental and Vision coverage worth it?
- Is a high deductible plan right for me?
- Learn more about Health Spending Accounts (HSAs)
- Compare average health insurance premiums by state
- Do I qualify for subsidies?
- Can I deduct healthcare expenses on my tax returns?

Protect: Renters Insurance

Let's say the guy in 2B manages to burn down your apartment building while attempting to make grilled cheese at 3AM.

Everything you own goes up in smoke. You may think that you don't own anything valuable, but start adding up the cost of your clothes, electronics, furniture, disco balls, a vintage unicycle, etc., and it's going to be a bigger number than you think. Replacing all those cherished items is going to be a gigantic pain.

That's why renters insurance exists. It protects all your belongings from damage or theft while you're renting. With renters insurance, you're also protected from personal liability; you know, in case someone trips over a couch at your housewarming party and decides to sue you.

Renters insurance is often required, too. If you're renting in a building managed by a big company, renters insurance will likely be a requirement in your lease. And if you rent from a private owner, your landlord's insurance probably just protects the building itself and not you, so it's in your interest to have some minimum level of coverage for yourself.

The Basics

Renters insurance is already cheap, so it's not where you want to cut corners. Price always matters, but these factors matter, too:

PERSONAL PROPERTY COVERAGE

This part of the insurance covers your personal belongings in case you need to get anything replaced. Even if you don't have much stuff, you should get at least $25,000 in personal property coverage. If you want to get more precise, do a quick assessment.

LIABILITY COVERAGE

Liability coverage takes into account how much you are covered for in case you cause damage to someone else's property (i.e. if you're the guy in 2B who burns down the building), or if someone gets hurt in your apartment, and you get sued. You should get at least $100,000 in liability coverage, or if your net worth is higher than $100,000, then get enough to match your net worth.

DEDUCTIBLES

This is how much you will have to pay out-of-pocket before your insurance kicks in. The best way to save money on your renters insurance is to set your deductibles high. You should use renters insurance to protect against big losses, not minor damage.

CUSTOMER SERVICE

When life punches you in the gut, you want an insurance company that will have your back and make life easier for you, not one that fights you at every turn.

Pro Tips

Choose Replacement Cost for your personal property coverage, not Actual Cash Value (ACV).

Choosing ACV will only make you eligible to get the (smaller) depreciated value of your things. If your computer gets stolen, you're going to have to pay full price to get it replaced. Replacement Cost will ensure that you get the original, full value of your belongings. It's slightly more expensive, but it's worth a couple of bucks per month.

Know what is covered, and watch out for exclusions

Renters insurance provides blanket coverage for most of the stuff you own and most disasters, but specific types of property and events are often excluded from coverage (hence "exclusions"). Common exclusions are property like valuable jewelry, art, and collectibles, and natural disasters like floods and earthquakes. If you own valuable property that is excluded, or if you live in a place where floods and earthquakes might actually happen, you should look into separate policies that will cover you. All the companies we recommend below can help you get additional coverage if you need it. Just bring it up when you talk them. Some general guidelines:

Pro Tips

Keep receipts and take pictures of your valuable property

If you need to make a claim, the best way to make sure you get full value for your property is to have proof. Scan copies of receipts for big purchases. Go through each room of your apartment and take pictures of how things are set up. Pay specific attention to your electronics; take pictures of the item and be sure to snap a close-up of the serial number, too. Date everything and save it in a place you can always access (they won't do much good if they are only on your phone or laptop that gets stolen or broken). With this kind of backup proof, you'll sail through any claims process.

Does this sound like a lot of work? Try using the Digital Locker app from Allstate. It's an easy way to make an inventory of your stuff and keep it in one place. And you don't have to be an Allstate customer to use the app.

Bundle your insurance to get bigger savings, and look for other discounts

Most insurance companies provide many types of property insurance including auto insurance, renters insurance, and valuable personal property insurance to name a few. The best way to bring down your premiums on all your insurance policies is to bundle a few of them with the same provider. Plus, consolidating your insurance makes it that much easier to keep track of everything. Just be aware that insurers may not excel in all categories. For example, GEICO has a great reputation for auto insurance, but their reputation for handling renters insurance claims isn't stellar.

Insurance companies will also give you discounts on your premiums for all sorts of things, specifically when it comes to renters insurance. Having a security system and upgraded smoke alarms that make your home safer will bring your premiums down. Be sure to ask your insurance company if you qualify for any discounts.

Set a recurring calendar event to update your personal property coverage every year

You may forget that you got a sweet new TV or upgraded your laptop around the holidays. Or maybe you got a new wardrobe to go with a new job. Whatever the case, you should update your coverage to make sure all your belongings are protected.

Do It Now

Get a quote from each of these insurance companies and pick the cheapest one

There are literally dozens of insurance companies out there offering renters insurance. After extensive research, we've narrowed the field down to three that are trustworthy, provide price-competitive coverage nationwide, and have excellent customer service. Each quote should take you less than 5 minutes, so get going.

StateFarm®

Nationwide®

Allstate®

Additional Resources

- Calculate how much personal property coverage you need
- Create an inventory of your belongings

Protect: Auto Insurance

You're running late for work, so you're driving a little faster than you should. You're a little anxious thinking about that presentation you have coming up tomorrow. You glance down as your phone buzzes; your friend just sent you a picture from your epic Saturday night. Good times. All of a sudden, BANG!

That's not your favorite pillow that just punched you in the face; it's your airbag. Without realizing it you just ran a stop sign and some guy with a jacked-up truck just T-boned you.

By law you have to have auto insurance, so we assume that if you own a car, you already have it. But how good is it? And how much of a haze will this be for you in terms of time on the phone and money out of your pocket? What are you covered for, exactly?

The Basics

This is going to seem complicated. But take a deep breath and we will guide you through all the important stuff in this section. If you don't have the time or patience to read through the details, here's a quick guide to the minimum level of coverage we would suggest in each category

If you do want to know more, here's what all that stuff means:

LIABILITY FOR BODILY INJURY

It's first on the list for a reason, because it pays for injuries to the people in the other car. This is what protects you and your assets from that other driver who says, "You hurt me, and on top of making you pay for my medical bills, I'm going to sue you for everything you're worth." It's often shown as a number like 100/300, and that means you're covered up to $100,000 per person, up to a maximum of $300,000. You need enough to cover all your assets like your savings, your house, etc. We recommend at least 100/300, and if you need more, get more. This is not where you want to skimp.

LIABILITY FOR PROPERTY DAMAGE

This coverage includes everything from backing over your neighbor's mailbox to rear-ending someone. This isn't about your property, it's about the damage you inflict on someone else's property. State minimums may differ, but you should get at least $25,000, and seriously consider more. Think about what it may cost if you total some dude's brand new Mercedes.

Category	Minimum Coverage Level
Liability for Bodily Injury	$100,000/$300,000
Liability for Property Damage	$25,000
Medical Expenses	$5,000
Uninsured/Underinsured Motorist	Same as above ($100,000/300,000/25,000)
Collision/Comprehensive Deductible	$1,000

The Basics

MEDICAL EXPENSES

Bodily injury coverage only pays for individuals in the other car. Medical Expenses coverage is for you and your passengers. You're probably thinking, "Why in the world do I only get a few thousand and the other guy gets $100,000 or more?" That's where Health Insurance comes into play. Your Medical Expenses coverage is for stuff that isn't covered by your health insurance, like co-pays and deductibles for you and your passengers, all the way up to your out-of-pocket max. We recommend at least $5,000.

UNINSURED/UNDERINSURED MOTORIST

Let's turn the tables around and imagine that dude in the Mercedes runs into you. And let's also imagine he decided to forego auto insurance (illegally, of course), so he can make his absurd car payment. He may be at fault, but he doesn't have insurance to pay for anything. This coverage helps bridge the gap. It's best to have the same limits as you chose for your Bodily Injury and Property coverage: $100,000 / $300,000 / $25,000.

COLLISION & COMPREHENSIVE DEDUCTIBLES

Collision is the coverage that will help you get your car back on the road. The Comprehensive coverage also covers damage unrelated to accidents, like vandalism, fire, or flooding. These two types of coverage aren't always required, but they are pretty cheap and usually worth the money, especially if your car is new. The decision here isn't how much to get, but where to set the deductible, and the key to saving money on car insurance (and insurance in general) isn't skimping on the total coverage, but lowering your premium by setting your deductibles higher. You're protecting yourself against a catastrophe, not a scratch on your bumper. We recommend setting your deductibles at $500 or $1,000.

NICE TO HAVE

Auto insurance policies often have add-ons, and a couple of them can be helpful. Imagine you can't get back to work for a couple days while your car is patched. Loss of Use helps you cover your lost income. Towing and Labor and Rental Reimbursement are pretty self-explanatory. They're relatively cheap and are a huge sigh of relief if you need them.

Additional Resources

- Find your state minimum requirements
- Calculate your ideal level of coverage
- Factors that impact your auto insurance premium
- What you should do in the event of an accident
- How to file a claim

Pro Tips

Always pay for the full 6-month premium

Insurance companies will usually give you the option of paying monthly or paying in larger chunks every six months. You almost always get a significant discount if you pay for six months. Set aside money each month, and you won't be caught off -guard by a big bill at the six-month mark. (Quick aside for a self-serving plug: This is another great way to use your Rize account. Just create a goal for your insurance payment and automatically set aside the right amount out of your checking account each month. It's so simple!)

Check if bundling can get you discounts

Insurance companies often give incentives like discounted premiums to customers who buy multiple products from them, so if you already have your renters insurance coverage with one company, you may get a better rate if you bundle your auto insurance with them. Just be aware that insurers may not excel in all categories.

Update your insurance coverage when something changes

Whether it's a small life event like moving to a new apartment, or a more significant one like getting married, you should always make sure to tell your insurance company. By giving them your current information, you ensure you won't hit any snags when filing a claim, and more importantly, you will be certain you and your passengers are all protected.

Stop driving like an idiot

You know what makes car insurance really expensive? Speeding tickets and accidents. If you have a bad driving record, you're going to end up paying a ton more to insure yourself. So, stop driving like you're playing Grand Theft Auto, and stop texting while you drive!

Wondering what else can impact your auto insurance premium? Here's a list.

Get a quote from each of these insurers and pick the cheapest one

There are a ton of companies offering auto insurance, and as you might expect, most of them are not so good. After extensive research, we've narrowed the field down to three that are trustworthy, provide price-competitive coverage nationwide, and have excellent customer service (particularly throughout the claims process). Each quote should take you less than 5 minutes, so get going. Even if you already have auto insurance, see if you can get a better rate from the best companies in this space.

GEICO

Nationwide

State Farm

Our Selection Criteria

At Rize, our goal is to be transparent in everything we do, so we wanted to give you some insights into how we choose the various products we recommend in this e-book. The process is slightly different for each product category, but here's what we look for across all products:

Low cost

Our philosophy on fees is simple: there shouldn't be any, unless you are getting something truly valuable in return. For a checking account, that means no monthly fees for basic services. For a credit card, it means no annual fee unless it kicks you up to a higher reward level that will make you more money over the course of a year. You get the idea.

Transparent and trustworthy

No one likes being duped, and the financial services industry is famous for being purposely opaque and making money at the expense of its customers. We look for product providers that are transparent about what fees they charge and that go out of their way to inform and educate their customers.

Simple

In money, as in most areas of life, simple is better. Extra bells and whistles on a financial product are almost always a sign that a company is trying to trick you into paying more for stuff you don't need. We look for products that are simple, well designed, and easy to use.

Great customer service

Money can be complex, and mistakes happen. Sometimes you just need someone to walk you through something, so you really understand it. We search for providers that have your back when something goes wrong and are there to lend a helping hand.

Play nice with others

A solid financial foundation involves putting a bunch of different financial products together. We look for products that are easy to link and that play nice in the sandbox, so you know where your money is at all times and can move it around as needed.

Embrace technology

Our generation does almost everything from a smartphone. We prefer products that have excellent online and mobile functionality, so we can access everything we need when we need it. We want our financial companies to embrace technology right along with us.

Appropriate for our audience

This e-book is about putting the basic pieces in place that solve 90% of all financial issues. Do you need an Amex Platinum card when you just graduated college (with a $450 annual fee!)? No, you don't.

Our Selection Criteria

No conflict of interest

We do not have relationships with any of the companies mentioned in this e-book, and we don't get paid for recommending their products. We recommend them because they get the job done while meeting all these criteria, and because ...

We use them ourselves

The products we recommend are the products we use. We aren't giving lip service to anyone. For real. These are the products we use to make our own finances run smoothly.

Glossary

The following definitions were collected from MyFICO.com, Healthcare.gov, and Investopedia.com.

ACV
Actual cash value is the amount equal to the replacement cost minus depreciation of a damaged or stolen property at the time of the loss. It is the actual value for which the property could be sold, which is always less than what it would cost to replace it. (Investopedia)

Annual deductibles
The amount you pay for covered health care services before your insurance plan starts to pay. With a $2,000 deductible, for example, you pay the first $2,000 of covered services yourself. After you pay your deductible, you usually pay only a copayment or coinsurance for covered services. (healthcare.gov)

Compounding
The process where the value of an investment increases because the earnings on an investment, both capital gains and interest, earn interest as time passes. This exponential growth occurs because the total growth of an investment along with its principal earn money in the next period. This differs from linear growth, where only the principal earns interest Compounding
each period. (Investopedia)

Co-insurance
The percentage of costs of a covered health care service you pay (20%, for example) after you've paid your deductible. (healthcare.gov)

Co-pays
A co-pay is a common feature of many health insurance plans, where the insured pays a set out-of-pocket amount for health care services. Insurance providers often charge co-pays for services such as doctor visits or prescriptions drugs. Co-pays are a specified dollar amount rather than a percentage of the bill, and they are often paid at the time the service is rendered. (healthcare.gov)

Credit history
A record of a consumer's ability to repay debts and demonstrated responsibility in repaying debts. A consumer's credit history consists of information such as: number and types of credit accounts, how long each account has been open, amounts owed, amount of available credit used, whether bills are paid on time, and number of recent credit inquiries. It also contains information regarding whether the consumer has any bankruptcies, liens, judgments or collections. This information is all contained on a consumer's credit report. (Investopedia)

Credit report
A credit report is a detailed report of an individual's credit history. Credit bureaus collect information and create credit reports based on that information, and lenders use the reports along with other details to determine loan applicants' creditworthiness. (Investopedia)

Glossary

Credit reporting agencies (CRA)
This term refers to businesses that maintain historical information pertaining to credit experience on individuals or businesses. The data are collected from various sources, most commonly firms extending credit such as credit card companies, banks and credit unions. (Investopedia)

Credit score
FICO® Scores at each credit bureau. You have FICO®Scores for each of the three credit bureaus: Equifax, TransUnion and Experian. Each FICO® Score is based on information the credit bureau keeps on file about you. FICO® Scores from each credit bureau consider only the data in your credit reports at that bureau. (myfico.com)

Direct deposit
Electronic funds that are deposited directly into your bank account rather than through a paper check. Common uses of a direct deposit include income tax refunds and pay checks. (Investopedia)

Full balance
A credit card balance is the amount of money owed to the credit card company. A new credit card balance may take up to 24 hours to update, once a payment has been processed, depending on the credit card company and method of payment employed. The balance can be positive, negative or zero depending on if money is owed, if a payment greater than the balance was made or the balance was paid in full. (Investopedia)

HDHPS
High-deductible health plan, lower premiums and higher deductibles than a traditional health plan. Being covered by an HDHP is also a requirement for having a health savings account. (Investopedia)

HMO
Health maintenance organization, a health insurance organization to which subscribers pay a predetermined fee in return for a range of medical services from physicians and healthcare workers registered with the organization. (Investopedia)

HSA
A Health Savings Account (HSA) is an account created for individuals who are covered under high-deductible health plans (HDHPs) to save for medical expenses that HDHPs do not cover. Contributions are made into the account by the individual or the individual's employer and are limited to a maximum amount each year. (Investopedia)

International transaction fees
A charge assessed by a credit card company to a consumer who uses a credit card to make a purchase in a foreign currency. (Investopedia)

Glossary

Inquiries
Credit inquiries are requests by a "legitimate business" to check your credit. As far as your FICO® score is concerned, credit inquiries are classified as either "hard inquiries" or "soft inquiries" – only hard inquiries have an affect on your FICO score. (MyFICO.com)

Liability coverage
Liability insurance is any insurance policy that protects an individual or business from the risk that they may be sued and held legally liable for something such as malpractice, injury or negligence. Liability insurance policies cover both legal costs and any legal payouts for which the insured would be responsible if found legally liable. Intentional damage and contractual liabilities are typically not covered in these types of policies. (Investopedia)

Monthly premium
The amount you pay for your health insurance every month. In addition to your premium, you usually have to pay other costs for your health care, including a deductible, copayments, and coinsurance. (healthcare.gov)

Net worth
Net worth is the value of all assets, minus the total of all liabilities. Put another way, net worth is what is owned minus what is owed. (Investopedia)

Open enrollment period
The yearly period when people can enroll in a health insurance plan. You may not enroll outside of this period unless you have a qualifying life event. (healthcare.gov)

Out-of-pocket maximum
The most you have to pay for covered services in a plan year. After you spend this amount on deductibles, copayments, and coinsurance, your health plan pays 100% of the costs of covered benefits. (healthcare.gov)

Overdraft protection
An overdraft is an extension of credit from a lending institution when an account reaches zero. An overdraft allows the individual to continue withdrawing money even if the account has no funds in it or not enough to cover the withdrawal. Basically, overdraft means that the bank allows customers to borrow a set amount of money. Turn off overdraft protection to avoid taking unwanted loans and risking debt. (Investopedia)

PPO
Preferred provider organization, health insurance arrangement that allows plan participants relative freedom to choose the doctors and hospitals they want to visit. (Investopedia)

Glossary

Pre-tax
An individual's total income before he/she pays any income tax or other tax, but after he/she takes deductions. (Investopedia)

Qualifying life event
A change in your situation — like getting married, having a baby, or losing health coverage — that can make you eligible for a Special Enrollment Period, allowing you to enroll in health insurance outside the yearly Open Enrollment Period. The four categories are: loss of health coverage, changes in household, changes in residence, and other qualifying events. (Healthcare.gov)

Replacement cost
A replacement cost is the cost to replace an asset of a company at the same or equal value, and the asset to be replaced could be a building, investment securities, accounts receivable or liens. The replacement cost can change, depending on changes in market value of the asset and any other costs required to prepare the asset for use. Accountants use depreciation to expense the cost of the asset over its useful life. (Investopedia)

Roth IRA
Roth IRA is an individual retirement plan (a type of qualified retirement plan) that bears many similarities to the traditional IRA. The biggest distinction between the two is how they're taxed. Since traditional IRAs contributions are made with pretax dollars, you pay income tax when you withdraw the money from the account during retirement. Conversely, Roth IRAs are funded with after-tax dollars; the contributions are not tax deductible (although you may be able to take a tax credit of 10 to 50% of the contribution), depending on your income and life situation). But when you start withdrawing funds, these qualified distributions are tax free. (Investopedia)

Subsidies
A subsidy is a benefit given by the government to groups or individuals, usually in the form of a cash payment or a tax reduction. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public. (Investopedia)

Traditional IRA
A traditional individual retirement account (IRA) allows individuals to direct pretax income towards investments that can grow tax-deferred; no capital gains or dividend income is taxed until it is withdrawn. Individual taxpayers are allowed to contribute 100% of any earned compensation up to a specified maximum dollar amount. Contributions to a traditional IRA may be tax-deductible depending on the taxpayer's income, tax-filing status and other factors. (Investopedia)

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